ORPEA

LIFE GOES ON WITH US

2014
REGISTRATION DOCUMENT

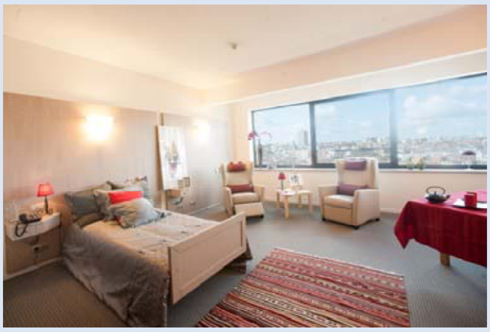
AUTORITÉ DES MARCHÉS FINANCIERS

AMF

This registration document was filed with the *Autorité des Marchés Financiers* on 19 May 2015 in accordance with Article 212-13 of the General Regulations.

This document may not be used in the context of any financial operation unless completed by a transaction summary (*note d'opération*) in respect of which the AMF has granted a visa.

It has been prepared by the issuer and its signatories therefore assume responsibility for its contents.



Pursuant to Article 28 of Regulation (EC) 809/2004 of the European Commission, this registration document incorporates by reference the 2012 registration document filed on 14 May 2013 under number D.13-0525 and the 2013 registration document filed on 16 May 2014 under number D.14-0539.

The aforementioned registration documents are available on the AMF and ORPEA websites, or on request from the Company's head office (ORPEA - 3 rue Bellini - 92806 Puteaux Cedex, France).

www.orpea-corp.com

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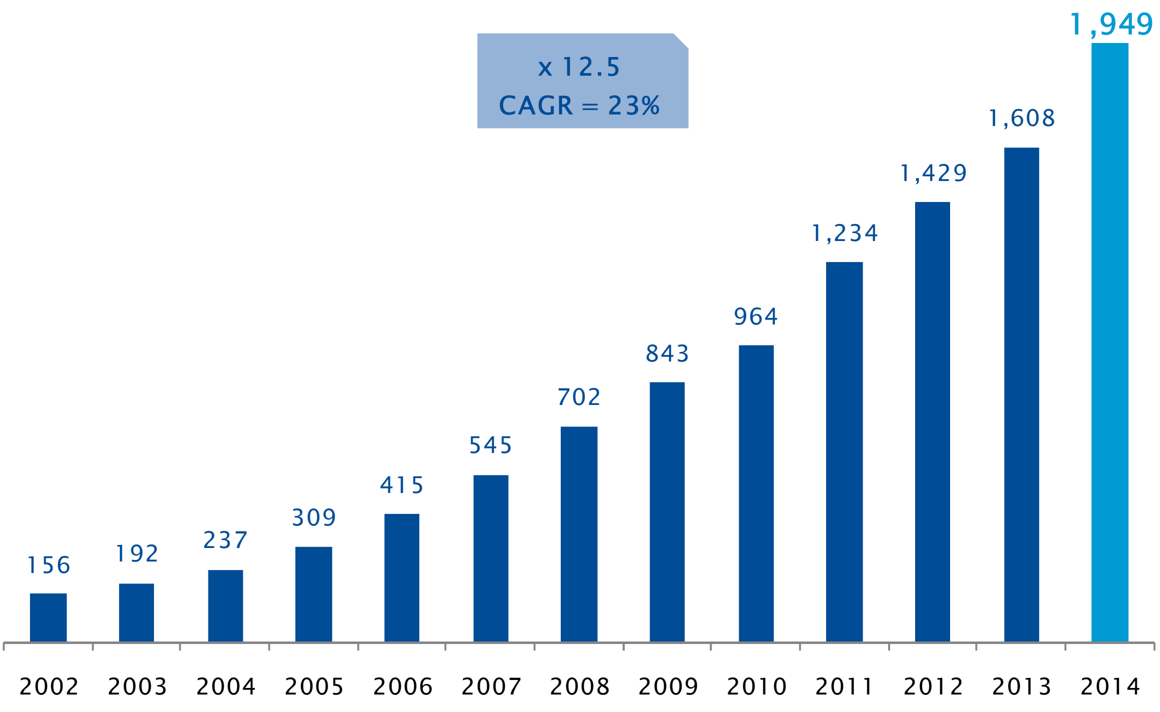
CHAPTER I: KEY FIGURES

1. REVENUE

In € millions	2014	2013	2012
France	1,499.8	1,342.3	1,227.4
% of total revenue	*77%*	*83%*	*86%*
International	448.8	265.7	201.8
% of total revenue	*23%*	*17%*	*14%*
Belgium	165.0	158.1	105.6
Spain	55.6	49.6	48.7
Italy	41.6	38.5	32.2
Switzerland[1]	84.4	19.5	15.4
Germany[1]	102.2	0.0	0.0
Total	1,948.6	1,607.9	1,429.3

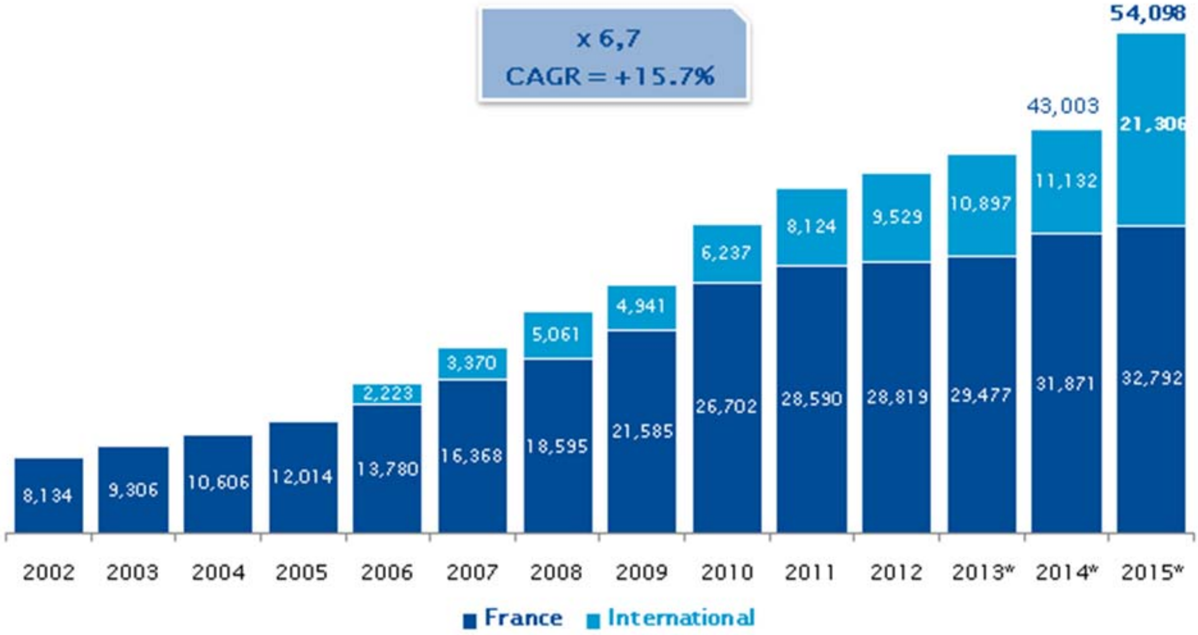
[1] *Senevita in Switzerland and Silver Care in Germany which are consolidated as from 1 April 2014 and 1 July 2014, respectively.*

Change in revenue since the IPO (2002)



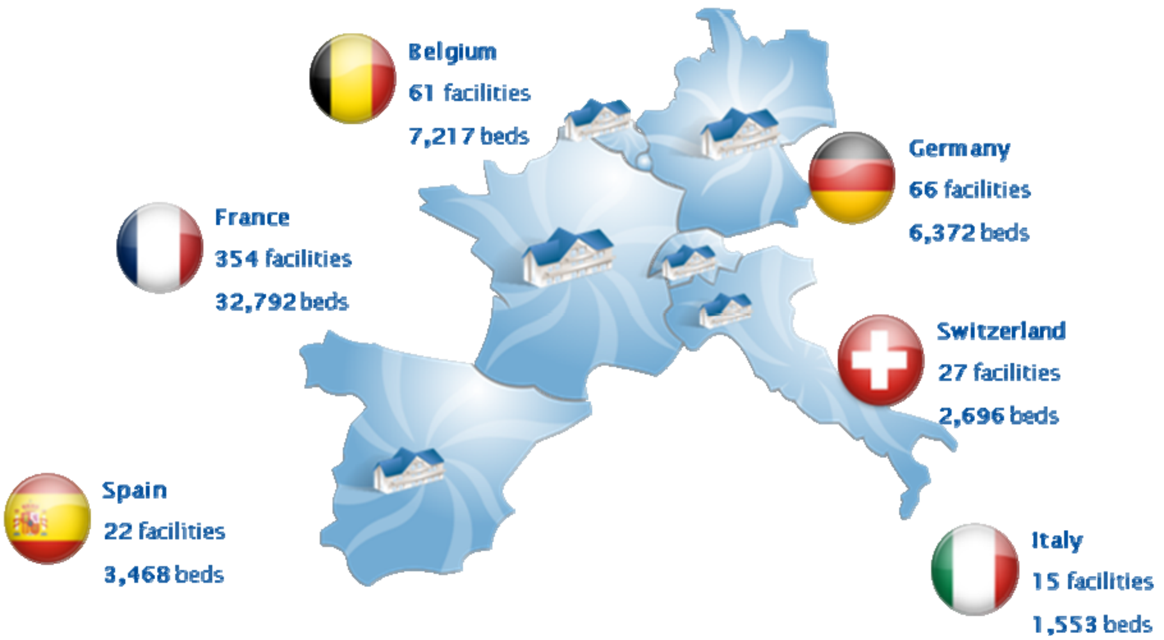
2. EXPANSION OF THE ORPEA NETWORK

Changes in the number of beds in the ORPEA network since the IPO (2002)



** Figures at 1 March each year*

Network at 1 March 2015 (excluding the acquisition of SeneCura in Austria on 1 April 2015)



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

The beds under construction are not in operation, while the beds under redevelopment are only partially in operation.

						Beds*		
	Number of facilities*	Number of beds	2014 revenue	% 2014 revenue		of which operational beds excluding beds under redevelopment	of which beds under redevelopment	of which beds under construction
France	354	32,792	1,499.8	77.0%		28,861	1,572	2,359
Belgium	61	7,217	165.0	8.5%		4,421	600	2,196
Spain	22	3,468	55.6	2.9%		3,468	0	0
Italy	15	1,553	41.6	2.1%		1,161	60	332
Switzerland	27	2,696	84.4	4.3%		2,021	0	675
Germany	66	6,372	102.2	5.2%		5,845	0	527
TOTAL	545	54,098	1,948.6	100.0%		45,777	2,232	6,089

						Beds*		
	Number of facilities	Number of beds	2013 revenue	% 2013 revenue		of which operational beds excluding beds under redevelopment	of which beds under redevelopment	of which beds under construction
France	345	31,871	1,342.3	83.5%		27,892	1,582	2,397
Belgium	58	6,765	158.1	9.8%		4,008	694	2,063
Spain	19	2,649	49.6	3.1%		2,649	0	0
Italy	15	1,553	38.5	2.4%		1,061	60	432
Switzerland	2	165	19.5	1.2%		165	0	0
TOTAL	439	43,003	1,607.9	100.0%		35,775	2,336	4,892

						Beds*		
	Number of facilities ***	Number of beds	2012 revenue	% 2012 revenue		of which operational beds excluding beds under redevelopment	of which beds under redevelopment	of which beds under construction
France	339	29,477	1,227.4	85.9%		24,154	2,334	2,989
Belgium	56	6,518	105.6	7.4%		3,598	912	2,008
Spain	22	2,938	48.7	3.4%		2,938	0	0
Italy	12	1,276	32.2	2.3%		871	0	405
Switzerland	2	165	15.4	1.1%		165	0	0
TOTAL	431	40,374	1,429.3	100.0%		31,726	3,246	5,402

** Figures to 1 March 2015*
*** Figures to 1 March 2014*
*** Figures to 1 March 2013*

3. SELECTED FINANCIAL INFORMATION

Selected financial information – consolidated income statement

In €m (IFRS)	31/12/2014	31/12/2013	31/12/2012
Revenue	**1,948.6**	1,607.9	1,429.3
EBITDAR[1]	**537.8**	433.2	370.1
EBITDA[2]	**350.1**	298.0	257.9
Recurring operating profit	**271.2**	227.3	194.4
Operating profit	**308.9**	268.4	221.3
Net financial cost	**(99.2)**	(90.6)	(72.8)
Change in JVO*	**(25.1)**	(4.9)	0.0
Net profit (Group share) excluding change in net JVO*	**136.3**	116.9	97.0
Net profit (Group share)	**121.0**	113.9	97.0

* JVO = fair value of the entitlement to the allotment of shares in ORNANE bonds

Selected financial information – consolidated statement of cash flows

In €m	31/12/2014	31/12/2013	31/12/2012
Cash flow	**259.7**	226.4	212.3
Cash flow from operating activities	**290.1**	247.3	208.1
Net cash flow from investment activities	**(586.9)**	(234.6)	(279.4)
Net cash flow from financing activities	**450.4**	93.3	124.1
Change in cash and cash equivalents	**153.6**	106.1	52.8
Cash and cash equivalents, end of period	**621.9**	468.4	362.3

Selected financial information – consolidated balance sheet

In €m	31/12/2014	31/12/2013	31/12/2012
Equity attributable to owners of the Company	**1,498**	1,412	1,214
Current financial liabilities[3]	**522**	495	624
Non-current financial liabilities	**2,509**	1,925	1,670
- Cash and cash equivalents	**(622)**	(468)	(362)
Net debt[4]	**2,379**	1,947	1,932
Goodwill	**677**	398	380
Intangible assets[5]	**1,619**	1,440	1,306
Property, plant and equipment[3]	**2,907**	2,772	2,573
Total assets	**6,286**	5,452	4,955

Selected financial information – earnings per share

In €	31/12/2014	31/12/2013	31/12/2012
Earnings per share	**2.18**	2.15	1.83
Dividend (proposed at the General Meeting of Shareholders for 2014)	**0.80**	0.70	0.60

[1] EBITDAR = current EBITDA before rents, including provisions relating to "external charges" and "staff costs"
[2] EBITDA = recurring operating profit before depreciation, amortisation and provisions, including provisions relating to "external charges" and "staff costs"
[3] Of which assets and liabilities held for sale
[4] Excluding change in the fair value of the entitlement to the allotment of shares in ORNANE bonds of €25.1 million in 2014 and €4.9 million in 2013
[5] Including the intangible assets held for sale for €76 million

4. STOCK MARKET DATA

Changes in share price and volume over three years

Indices:

- Compartment A of NYSE Euronext Paris
- Member of the CAC Mid 60, SBF 120, STOXX EUROPE 600 and the MSCI Small Cap Europe
- Eligible for DSS

Historical annual stock market data:

In €m	2014	2013	2012
Closing price at 31 December	€51.88	€42.24	€33.50
12 month closing high	€53.70	€42.85	€34.00
12 month closing low	€40.24	€31.05	€23.66
Number of shares at 31 December	55,567,893	55,476,991	52,998,062
Market capitalisation at 31 December	2,883	2,343	1,775
Annual performance	+23%	+26%	+33%
Average daily trading volume (in nbr of shares)	100,160	82,594	76,416
Average daily trading volume (in €m)	4.9	2.9	2.1
12-month turnover	46%	38%	37%

CHAPTER II: PRINCIPAL INFORMATION ABOUT THE COMPANY

1. NAME AND REGISTERED OFFICE

The Company's name is ORPEA.

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

2. DATE OF INCORPORATION AND TERM

The company was incorporated on 22 May 1995 as a French limited company (*société à responsabilité limitée*) and converted into a public limited company (*société anonyme*) on 3 February 1996.

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

3. LEGAL FORM

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

4. CORPORATE PURPOSE

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

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

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

5. FINANCIAL YEAR

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

6. TRADE AND COMPANIES REGISTRY

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

Its APE code is 8710 A.

7. INSPECTION OF DOCUMENTS

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

8. APPROPRIATION AND ALLOCATION OF PROFITS

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

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

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

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

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

9. GENERAL MEETINGS OF SHAREHOLDERS

► **Calling of General Meeting of Shareholders**
General meetings of shareholders are called by the Board of Directors.

Failing that, a General Meeting of Shareholders may also be called by:
- the Statutory Auditors;
- a representative appointed by court-order at the request of anyone with a vested interest for urgent matters, or one or more shareholders together owning at least 5% of the share capital, or an association of shareholders that meets the conditions set out in article L. 225-120;

- the liquidators;
- those shareholders holding a majority of the share capital or voting rights after a public cash or share exchange offer or the sale of a controlling block.

General meetings are called in accordance with the provisions of the law.

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

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

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

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

► Composition of general meetings of shareholders

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

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

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

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

On the decision of the Board of Directors, when an electronic admission card application, proxy form or mail voting form is used, the digital signature must arise from the use of a reliable identification process guaranteeing its link with the electronic form to which it is attached and notably consisting of a user ID and a password or any other means provided for or authorised by the applicable regulations.
Each share entitles the owner to one vote, with the exception of shares having a double voting right in accordance with and within the limits of article L. 225-123 of the French Commercial Code as stipulated in article 7 above. The right to vote is vested in the beneficial interest owner for ordinary general meetings of shareholders and the legal interest owner for extraordinary general meetings of shareholders. However, the legal interest owner has the right to attend all general meetings.

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

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

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

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

► Double voting rights

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

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

At 31 December 2014, the gross total number of voting rights was 63,688,177 (excluding treasury shares, this number was 63,688,677).

► Crossing of legal thresholds

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

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

Similarly, the voting rights attached to shares which have not been duly and properly notified may not be exercised by the defaulting shareholder in person or by proxy.
It is specified that the Company's articles of association do not set out a notification threshold.

► Form and disposal of shares

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

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

10. SHARE CAPITAL

At 31 December 2014, the Company's share capital was €69,459,866.25 divided into 55,567,893 shares of €1.25 par value, wholly paid-in and of the same class, including 2,715 shares held by ORPEA as registered shares and 16,785 shares as bearer shares as part of the liquidity contract.

At the end of the transaction process for the early redemption of OCEANEs, finalised on 4 February 2015, the total number of ORPEA shares reported on 4 February 2015 was 60,113,284.

11. AUTHORITIES GRANTED BY THE GENERAL MEETING OF SHAREHOLDERS TO THE BOARD OF DIRECTORS

The table below summarises the currently valid authorities to increase the share capital granted to the Board of Directors by the shareholders at their **combined General Meeting of Shareholders on 25 June 2014**, and the use made thereof.
The full text of these resolutions can be found on the website of the French Legal Announcements Bulletin (*Bulletin des Annonces Légales Obligatoires*) of 19 May 2014 and on the Company website (www.orpea-corp.com, section "Shareholders / Shareholder meeting").

► OVERALL CEILING :

The 26th resolution establishes the overall ceiling for the authorisations relating to the 15th to 25th resolutions. The ceiling amounts to:

- €30,000,000 (thirty million euros), the total par value of immediate or future capital increases, on the understanding that this nominal amount may be added to the par value of any additional shares issued in accordance with the law to preserve the rights of holders of securities or other instruments carrying rights to shares in the Company;

and

- €650,000,000 (six hundred and fifty million euros), the ceiling of the maximum nominal amount of debt securities.

The amounts of the authorities granted to the Board of Directors under the **15th and 28th resolutions** are independent and distinct.

The following table summarises the delegated financial powers and their use during the financial year.

Type of authorisation / Maximum global par value	Term	Use during the year
15th resolution – **Rights** issues of shares in the Company and/or securities carrying rights to shares. *– Total par value of capital increases:* ***€30,000,000*** *– Maximum par value of debt securities:* ***€500,000,000***	26 months	
16th resolution – **Non-rights** issues of shares and/or securities carrying rights to shares **by public offer** *– Total par value of capital increases:* ***€6,900,000*** *– Maximum par value of debt securities:* ***€500,000,000***	26 months	
17th resolution – **Non-rights** issues of Company shares and/or securities carrying rights to Company shares through private placements governed by paragraph 2 of article L. 411-2 of the French Monetary and Financial Code *– Total par value of capital increases:* ***€6,900,000 per annum*** *– Maximum par value of debt securities:* ***€500,000,000***	26 months	
18th resolution – **Non-rights** issues under the 15th and 16th resolutions, with the issue price being set as determined by the General Shareholders' Meeting *Within the limit of 10% of the capital per year*	26 months	
19th resolution – Capital increase to pay for contributions in kind made to the Company **in the form of equity instruments** or other securities, up to a maximum of 10% of the share capital, **through non-right issues.**) *Within the limit of 10% of the capital* *– Maximum par value of debt securities:* ***€500,000,000***	26 months	
20th resolution – Issue of financial securities and/or transferable securities giving access to capital **in a public exchange offer initiated by the Company, without preferential subscription rights.** *Within the limit of 10% of the capital*	26 months	

21st resolution - Increase in the amount of a **rights or non-rights issue** (over-allotment clause). *Within the limit of 15% of the initial issue* *Amount deducted from each of the issues decided under the 15th to 18th resolutions*	26 months	
22nd resolution - Non-rights issues of ordinary shares following the issuance of securities carrying rights to the Company's ordinary shares by the Company's subsidiaries. *Total par value of capital increases:* ***€6,900,000***	26 months	
23rd resolution - Issue of equity securities reserved for members of an employee share ownership plan, **without shareholders' preferential rights.** *Maximum par value: €400,000*	26 months	
24th resolution - Allocation of bonus shares, existing or to be issued, to corporate officers and employees **without preferential subscription rights.** *Total number of shares that can be granted: 0.5% of the Company's capital on the day of the Board's decision*	26 months	
25th resolution - Award of share subscription and/or purchase options to corporate officers and employees, **without preferential subscription rights in the event they are subscribed.** *Total number of shares that can be acquired: 300,000 shares*	26 months	
26th resolution - **Overall ceiling on capital increases carried out under the 15th to 25th resolutions.** *- maximum par value: €30,000,000* *- maximum par value of debt securities: €650,000,000*	26 months	
27th resolution - **Capital increase by capitalisation of premiums, reserves, profit or others (article L. 225-130 of the French Commercial Code).** *Maximum par value: €30,000,000*	26 months	
28th resolution - **Issue of securities carrying rights to the allotment of debt securities and not**	26 months	

giving rise to a capital increase. *Maximum par value: €500 million*		

12. FINANCIAL INSTRUMENTS GIVING ACCESS TO CAPITAL

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

On issue, from 14 August 2011 to 14 August 2015 each warrant granted the right to purchase one share at €1.25 par value (exercise parity) at a price of €37.90.
Following the rights issue carried out on 8 December 2011, exercise parity was adjusted according to the terms of the warrants. As of that date, each warrant grants entitlement to subscribe 1.062 shares (€1.25 par value each) at a price of €37.90.

At 31 December 2013, there were 246,016 share warrants outstanding.

During the financial year 2014, 84,460 share warrants were exercised, for which 289 existing shares were delivered and 89,419 new shares were created.

At 31 December 2014, there were therefore 161,556 share warrants outstanding. On the basis of the share capital at 31 December 2014 and given the new exercise parity, the potential dilutive effect of the share warrants still in circulation at that date was 0.31%.

► **OCEANE BONDS (bonds convertible and/or exchangeable for new or existing shares)**
On 15 December 2010, the Company issued at par 4,069,635 convertible bonds, each with a face value of €44.23, bearing interest at an annual rate of 3.875% and redeemable at par on 1 January 2016. The arrangements are set out in the prospectus after AMF approval was received on 7 December 2010, approval no. 10-429.

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

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

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

Following the distribution of a dividend of €0.50 per share on 11 September 2012, by decision of the General Meeting of Shareholders on 29 June 2012, the share exchange ratio was adjusted pursuant to the bond terms to 1.089 shares (€1.25 par value each) for one bond.

Following the distribution of a dividend of €0.60 per share on 26 July 2013, by decision of the General Meeting of Shareholders on 20 June 2013, the share exchange ratio was adjusted pursuant to the bond terms to 1.107 shares (€1.25 par value each) for one bond.

Following the distribution of a dividend of €0.70 per share on 11 July 2014, by decision of the General Meeting of Shareholders on 25 June 2014, the share exchange ratio was adjusted pursuant to the bond terms to 1.122 shares (€1.25 par value each) for one bond.

In 2014, 1,340 convertible bonds were exercised, creating 1,483 new shares. At 31 December 2014, there were therefore 4,068,186 convertible bonds outstanding. On the basis of the share capital at 31 December 2014 and given the new share allocation ratio, the potential dilutive effect of convertible bonds still outstanding at that date was 8.21%.

On 4 February 2015, ORPEA finalised the early redemption of all outstanding convertible bonds maturing in 2016, i.e. 4,068,186 convertible bonds.

The repayment was completed by means of:
- the delivery of 4,536,578 new shares, in consideration of 4,043,284 convertible bonds contributed to the conversion, representing a conversion rate of 99.4%;
- the cash payment of €1,105,399.78 (i.e. the price of €44.39 per convertible bond) for the 24,902 convertible bonds not contributed to the conversion.

► Bonds redeemable in cash and/or new or existing shares (ORNANEs)

On 17 July 2013, the Company issued at par 4,260,631 ORNANEs, each with a face value of €46.56, bearing interest at an annual rate of 1.75% and redeemable at par on 1 January 2020. The arrangements are set out in the prospectus after AMF approval was received on 9 July 2013, approval no. 13-338.

As the date of issue, the conversion ratio was 1 share per ORNANE.

Following the distribution of a dividend of €0.60 per share on 26 July 2013, by decision of the General Meeting of Shareholders on 20 June 2012, the conversion ratio was adjusted pursuant to the ORNANE terms to 1.017 shares (€1.25 par value each) for one ORNANE.

Following the distribution of a dividend of €0,70 per share on 11 July 2014, by decision of the General Meeting of Shareholders on 25 June 2014, the share exchange ratio was adjusted pursuant to the ORNANE terms to 1.031 shares (€1.25 par value each) for one ORNANE.

At 31 December 2014, there were 4,260,631 ORNANEs outstanding, no ORNANE having been converted during financial year 2014.

On the basis of the share capital at 31 December 2014 and given the new share allocation ratio, the potential dilutive effect of ORNANEs still outstanding at that date was 2.01% in the event of a redemption with the forced conversion premium (i.e. a soft call by the Company) or 7.91% in the event of redemption entirely in shares.

► Stock options

There are no options to subscribe to the Company's shares.

► Allocation of free new shares

There is no free allocation of new or existing shares.

13. Movements in share capital

Date	Transaction	Par value of shares	Par value of transaction	Share premium	Number of shares issued	Total number of shares	Share capital after the transaction
At 16 April 2002	Issue for cash	2.50	3,906,250	16,093,750	1,562,500	17,930,772	€44,826,930
2004	Exercise of stock options	2.50	505,385		202,154		€45,332,315
2005	Exercise of stock options	2.50	227,527		91,011		€45,559,842
2006	Exercise of stock options	2.50	126,055		50,422	18,274,359	€45,685,897
2007	Exercise of stock options	2.50	204,595		81,838	18,356,197	€45,890,492
At 31 July 2007	Two for one stock split	1.25				36,712,394	€45,890,492
At 31 March 2008	Exercise of stock options	1.25	162,350	138,295	129,880	36,842,274	€45,052,842
At 31 December 2008	Exercise of stock options	1.25	75,622.50	42,079	60,498	36,902,772	€45,128,465
At 3 July 2009	Exercise of stock options	1.25	14,550		11,640	36,914,412	€46,143,015
At 13 October 2009	Exercise of stock options	1.25	8,000		6,400	36,920,812	€46,151,015
At 20 October 2009	Issue for cash	1.25	2,400,000	60,000,000	1,920,000	38,840,812	€48,551,015
At 31 December 2009	Exercise of stock options	1.25	7,950		6,360	38,847,172	€48,558,965
At 14 September 2010	Exercise of stock options	1.25	5,875		4,700	38,851,872	€48,554,840
At 31 December 2010	Contribution in kind by Neo-Gema and SPF	1.25	4,376,155	109,403,846	3,500,923	42,352,795	€52,940,993
At 17 October 2011	Exercise of stock options	1.25	22,950	85,282.20	18,360	42,371,155	€52,963,943.75
At 17 October 2011	Exercise of warrants	1.25	33,826.50	991,785.65	27,061	42,398,216	€52,997,770
At 9 November 2011	Exercise of warrants	1.25	21.25	623.05	17	42,398,233	€52,997,791.25
At 8 December 2011	Issue for cash	1.25	13,249,447.5	189,732,088.2	10,599,558	52,997,791	€66,247,238.8
At 15 December 2011	Bond conversion (OCEANE)	1.25	126.25	4.89	101	52,997,892	€66,247,365
At 6 July 2012	Exercise of warrants	1.25	212.50	6,230.5	170	52,998,062	€66,247,577.50
At 16 December 2013	Issue for cash	1.25	3,098,661.25	95,776,348.76 (net of costs)	2,478,929	55,476,991	€69,346,238.75

At 31 July 2014	Bond conversion (OCEANE)	1.25	1,853.75	19.33	1,483	55,478,474	€69,348,092.50
At 31 July 2014	Exercise of warrants	1.25	46,796.25	1,372,066.05	37,437	55,515,911	€69,394,888.75
At 30 September 2014	Exercise of warrants	1.25	52,467.50	1,538,347.10	41,974	55,557,885	€69,447,356.25
At 4 February 2015	Bond conversion (OCEANE)	1.25	5,670,735.00	173,164,114.39	4,536,588	60,094,473	€75,118,091.25
At 4 February 2015	Exercise of warrants	1.25	23,513.75	649,144.80	18,811	60,113,284	€75,141,605.00

At 31 December 2014, the share capital comprised 55,567,893 shares totalling €69,459,866.25, following the exercise of 9,424 share warrants between 30 September and 31 December 2014, creating 10,008 shares.

14. SHAREHOLDERS

14.1 – ORPEA'S SHAREHOLDERS AT 31 DECEMBER 2014

Shareholder	Number of shares	% of share capital	Number of voting rights	% of voting rights
JC Marian	*4,133,069*	*7.44%*	*7,881,819*	*12.38%*
Marian family	*91,000*	*0.16%*	*182,000*	*0.29%*
JC Marian and family	4,224,069	7.60%	8,063,819	12.67%
CPPIB	8,792,854	15.82%	8,792,854	13.81%
SOFINA	3,180,000	5.72%	3,180,000	4.99%
FFP Invest	3,811,353	6.86%	7,622,706	11.97%
Treasury shares	19,500	0.04%		
Public sector	35,540,117	63.96%	36,009,298	56.56%
Total	**55,567,893**	**100.00%**	**63,668,677**	**100.00%**

14.2 – ORPEA'S SHAREHOLDERS AS AT 31 DECEMBER 2013

Shareholder	Number of shares	% of share capital	Number of voting rights	% of voting rights
JC Marian	*4,133,069*	*7.45%*	*7,881,819*	*12.32%*
Marian family	*91,000*	*0.16%*	*182,000*	*0.28%*
JC Marian and family	4,224,069	7.61%	8,063,819	12.61%
CPPIB	8,792,854	15.85%	8,792,854	13.75%
SOFINA	3,180,000	5.73%	3,180,000	4.97%
FFP Invest	3,811,353	6.87%	7,622,706	11.92%
Treasury shares	11,865	0.02%		
Public sector	35,456,850	63.91%	35,306,971	56.76%
Total	**55,476,991**	**100.00%**	**63,966,350**	**100.00%**

14.3 – ORPEA'S SHAREHOLDERS AT 31 DECEMBER 2012

Shareholder	Number of shares	% of share capital	Number of voting rights	% of voting rights
JC Marian	*10,686,468*	*20.16%*	*20,488,814*	*28.93%*
SANTE FINANCE ET INVESTISSEMENT	*1,015,000*	*1.92%*	*1,015,000*	*1.43%*
Marian family	*533,482*	*1.01%*	*1,048,514*	*1.48%*
JC Marian and family	**12,234,950**	**23.09%**	**22,552,328**	**31.84%**
SEMPRÉ	4,262,284	8.04%	8,181,660	11.55%
Neo Gema	2,653,018	5.01%	5,153,941	7.28%
FFP Invest	3,811,353	7.19%	3,811,353	5.38%
Treasury shares	20,882	0.04%		
Public sector	30,015,575	56.64%	31,133,076	43.95%
Total	**52,998,062**	**100.00%**	**70,832,258**	**100.00%**

14.4 – SHAREHOLDERS' AGREEMENT

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

14.5 – DIVIDENDS

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

The table below shows the amount of the dividend per share paid since 2011, as well as the applicable tax regime:

Financial year	Net dividend received (€)	Distributed income giving entitlement to 40% reduction (€)	Distributed income not giving entitlement to 40% reduction (€)	Total (€)
2011	0.50	0.50	None	0.50
2012	0.60	0.60	None	0.60
2013	0.70	0.70	None	0.70

14.6 – EMPLOYEE SHAREHOLDERS

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

However, on 29 June 2006, the Board of Directors agreed to grant 68,430 bonus shares to Group employees (currently representing 0.12% of the share capital), with the beneficiaries agreeing to hold the shares until 31 December 2010.

15. Information liable to have an influence on the outcome of a public offer

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

- the Company's capital structure and significant direct or indirect interest in its share capital are described in the management report;
- the articles of association contain no restrictions on voting rights, apart from the disqualification of voting rights attached to shares that have not been notified to the Company in accordance with the requirements on notifiable interests;
- there are no shareholders' agreements to the Company's knowledge;
- there are no securities conferring special control rights, apart from shares with double voting rights;
- the rules for appointing and removing members of the Board of Directors are those set out by law;
- the Chief Executive Officer and the Chief Operating Officer receive compensation in the event that they cease their functions as corporate officers who are also executives;
- the bonds issued contain an early redemption clause at the holders' option in the event of a change of control of the Company (change of majority voting rights or more than 40% of voting rights if no other shareholder holds a higher percentage).

  All in all, the amount of debt covered by these clauses on 31 December 2014 was €1,679 million.

16. Share buyback programme

16.1 – 2014 Share buyback programme

In accordance with the provisions of articles L. 225-209 et seq. of the French Commercial Code, at the General Meeting of Shareholders on 25 June 2014, the shareholders authorised the Board of Directors to trade in ORPEA's own shares for a period of 18 months, within the limits and for the purposes of the share buyback programme: maximum purchase price of €100 per share, while the number of shares to be purchased may not exceed 10% of the Company's share capital.

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

Under the liquidity contract, the Company has:

- bought 976,412 shares for a total of €46,271,507.18 representing a weighted average value of €47.3893 per share;
- sold 968,488 shares for a total of €45,813,799.07, representing a weighted average value of €47.3044 per share.

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

At 31 December 2014, the Company held 19,500 shares directly, with a par value of €1.25, representing 0.04% of its share capital, with a market value of €1,011,660 (based on the share price at 31 December 2014 of €51.88).

These shares were allocated as follows:

- 16,785 bearer shares allocated for the purpose of ensuring liquidity; and
- 2,715 registered shares allocated to cover stock option plans or other employee shareholding schemes, as well as subscription warrants.

16.2 – Renewal of buyback programme

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

This paragraph contains information about the share buyback programme to be presented to the General Meeting of the shareholders on 23 June 2015.

1) Breakdown of the shares held directly or indirectly by the issuer as at 31 December 2014 by purpose

At 31 December 2014, ORPEA held a total of 19,500 shares directly, allocated as follows:

- 16,785 bearer shares under a liquidity contract with Gilbert Dupont for the purpose of ensuring the shares' liquidity; and
- 2,715 shares in registered form.

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

2) Description of the treasury shares buyback programme to be submitted to the general meeting called to approve the accounts ended 31 December 2014

Related securities: ordinary shares

Purpose of the share buyback programme

The purpose of the share buyback programme is:

a) to make a market or promote liquidity in the shares through an independent investment services provider acting under a liquidity contract that complies with a code of conduct approved by the *Autorité des Marchés Financiers*, with the understanding that the number of shares counted in the aforementioned 10% calculation shall equal the number of shares bought less the number resold within the time period of this authorisation;

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

c) to allot shares upon the exercise of securities giving rights to shares of the Company by way of conversion, exercise, redemption, exchange, presentation of a warrant or otherwise, in accordance with stock market regulations;

d) to cancel all or some of the shares acquired in capital reductions under the terms and conditions set out in the French Commercial Code, subject to the 13th resolution being passed by the shareholders;

e) to keep all or some of the shares purchased to tender in exchange, as payment or otherwise for future acquisitions, in compliance with practices authorised by the *Autorité des Marchés Financiers*; or

f) more broadly, to undertake any hedging or other transaction that is authorised or might be authorised by regulations in force.

The shares purchased and kept by ORPEA will be stripped of their voting rights and will not be entitled to dividend payments.

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

- Maximum percentage of share capital that may be held:
  - 10% of the total number of shares forming the share capital of the Company; and
  - 5% of the total number of shares making up the Company's share capital if these are shares acquired by the Company for holding and subsequent use in payment or exchange as part of a merger, spin-off or capital contribution.

  These percentages apply when appropriate to a number adjusted for transactions that may impact the share capital subsequently to the Shareholders Meeting of 23 June 2015.
- Maximum purchase price: €100
- Maximum amount of the programme: €601,132,840;
- The purchase, sale, transfer or exchange of these shares may be effected and settled by any means in accordance with the regulations in force, on one or more occasions, on or off the market, including over-the-counter, and by the purchase or sale of blocks (without limiting the portion of the buyback programme that may be executed by this means), by the use of options or other financial derivatives and at all events directly or through the intermediary of an investment services provider, and at such times as the Board of Directors shall deem proper, including at the time of a public offer to buy or exchange the Company's shares.

Term of buyback programme

This programme will be valid for a period of 18 months from the annual general meeting of 23 June 2015.

CHAPTER III – CORPORATE GOVERNANCE AND INTERNAL CONTROL

This chapter includes, for the period ended 31 December 2014, the Report of the Chairman of the Board of Directors called for in article L. 225-37 of the French Commercial Code. This report is presented in two parts:

- The first part, titled "Report on Corporate Governance," contains information concerning "the composition *of the Board and application of the gender balanced representation on it, and the manner in which the Board's work in prepared and organised."* This part also states the "limitations that the Board of *Directors places on the authority of the Chief Executive Officer*." It "*presents furthermore the principles and rules drawn up by the Board of Directors to determine the compensation and benefits of all kinds that are offered to the corporate officers"*.
- The second part, titled "Report on Internal Control," concerns the "*internal control and risk management procedures that the Company has adopted," particularly pointing out those to do with the preparation and processing of accounting and financial information for the parent company and consolidated financial statements*".

To begin with, we would like to state that in Chapter II of the Registration Document can be found:

- Information relating to shareholders' participation in the annual general meeting is provided in section "1.9 – *General meetings of shareholders"*;
- Factors likely to have an impact in the event of a public offering are provided in section "1.15 – *"Factors likely to have an impact in the event of a public offering";*
- ORPEA capital allocation as at 31 December 2014, in paragraph "1.14 – Shareholders".

The reports of the Statutory Auditors on the Chairman's report and on the regulated agreements and regulated obligations are inserted into this chapter.

Pursuant to article L. 225-37 of the French Commercial Code, the Board of Directors of the Company approved this chapter at its meeting on 29 April 2015.

1. REPORT ON CORPORATE GOVERNANCE

1.1 – CORPORATE GOVERNANCE CODE

The Company follows the AFEP-MEDEF Corporate Governance Code for exchange listed companies (hereinafter the "AFEP-MEDEF Code"). The AFEP-MEDEF Code can be found at: www.medef.com.

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

1.2 – Composition of the Board of Directors

General rules concerning the composition of the Board of Directors and the appointment of its members

The bylaws of the Company provide that the Board of Directors consist of at least three members and no more than 18, whether individuals or legal entities.

The members of the Board of the Directors are appointed by the Ordinary General Meeting after being nominated by the Board of Directors after consulting the Appointments and Remuneration committee. They may be removed from office at any time by a vote of the General Meeting of Shareholders.

In accordance with the French job security law of 14 June 2013 and the updated bylaws concerning this matter, a director representing the employees has sat on the Board of Directors since January 2015, following her designation on 25 November 2014 by the UES ORPEA works council.

An employee representative attends the meetings of the Board, in an advisory capacity.

In accordance with the AFEP-MEDEF Code, the members of the Board of Directors serve for four-year renewable terms, which are staggered so as to avoid a block renewal and promote a smooth renewal of directors.

Members of the Board of Directors

At the date this report was prepared, the Board of Directors is composed of nine Directors, including one director who represents the employees.

Director's full name	Age In 2015	Term ends	Number of ORPEA shares held
Dr Jean-Claude Marian	76 years	2015 AGM	4,133,109
Yves Le Masne	53 years	2015 AGM	10,779
Alexandre Malbasa	57 years	2017 AGM	2
Jean-Patrick Fortlacroix	58 years	2018 AGM	153
FFP Invest, represented by Thierry Mabille de Poncheville	60 years	2015 AGM	3,811,353
Sophie Malarme-Lecloux*	45 years	2017 AGM	50
Alain Carrier**	48 years	2015 AGM	1
Bernadette Chevallier-Danet	56 years	2017 AGM	41
Sophie Kalaidjian***	37 years	2018 AGM	N/A

* Director appointed on proposal by SOFINA
** Director appointed on proposal by CPPIB
***Director & employee

The composition of the Board reflects a diversity of professional backgrounds and expertise. ORPEA's directors complement each other in terms of their various backgrounds and nationalities. This diversity enriches the debates and the strategic vision of the Board.

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

Yves Le Masne, a member of the group for more than 20 years, trained as a computer science engineer specialising in management audit and finance. He has served in the group as Head of Management Audit and as Chief Financial Officer. In 2006 he was appointed Chief Operating Officer, and became a member of the Board. Since 15 February 2011, he has served as ORPEA's CEO. His long career in the group has given him a thorough knowledge of the group's activities and its organisation.

Alexandre Malbasa is a lawyer; he provides expertise in legal and judicial matters, as well as having a good knowledge of the Group and its business.

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

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

Sophie Malarme-Lecloux has over 20 years of professional experience, including 13 in the SOFINA Group. There she has held a variety of positions, in both the finance and the investment departments and presently holds the position of Senior Investment Manager. Her work has included over nine years' experience as a Board director at companies in the SOFINA Group and its portfolio companies.

Alain Carrier has over 21 years of experience in the financial services industry. Before joining CPPIB he was a Managing Director in the investment banking division of Goldman Sachs & Co. in New York and London. Previously he worked in the New York office of the law firm of Sullivan & Cromwell. As General Manager and Head of European Investments, he currently directs and coordinates all CPPIB's operations in Europe, the Middle East and Africa.

Bernadette Chevallier-Danet has spent the greater part of her career in the tourism and hospitality industries. She has held successive management positions in finance, sales and marketing at Club Méditerranée, then in the Accor Group and later in senior management in the independent lodging industry.

Following the designation of a director to represent the employees on the Board of Directors, a representative elected by the ORPEA Works Council, Sophie Kalaidjian, has been attending Board meetings since January 2015. A lawyer by training, Ms. Kalaidjian has been an employee in the Group for nearly 11 years. She currently has the duties of Clinea Legal Director and in that capacity involved in developing and monitoring compliance by the Group's clinics with the legislation for post-acute and psychiatric operations. With her familiarity with the Group, she brings added insight to the Board discussions.

The list of offices held in any company during financial year 2014 and over the last five years by each of the officers is attached to this Report.

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

At 31 December 2014 out of a total of eight directors (besides the directors representing the employees), two women sit on the Board of Directors, or a proportion of 25%. The Law of 27 January 2011 concerning the balanced representation of men and women, which set 20% as the first minimum proportion of directors of the same gender that needed to be reached by 2014, has therefore been complied with.

Summary of directorships renewed in 2014

The General Meeting of Shareholders of 25 June 2014 renewed for four year terms the directorship of Jean-Patrick Fortlacroix, i.e. until the 2018 General Meeting of Shareholders called to approve the financial statements for the period ending 31 December 2017. Said general meeting also ratified the appointment of Alain Carrier, who was voted onto the Board to replace Philippe Austruy, who resigned.

Summary of newly appointed directors in 2014

The Board of Directors meeting on 16 September 2014 elected as a director to replace Brigitte Michel, who resigned, Bernadette Chevallier-Danet for the remainder of her predecessor's term, i.e. until the close of the 2017 ordinary General Meeting of Shareholders called to approve the financial statements of the period ending 31 December 2016.

Directorships expiring in 2015

The terms of Jean-Claude Marian, Yves Le Masne and Alain Carrier and of the corporate director FFP will expire at the close of the General Meeting of Shareholders of 23 June 2015. Following the recommendations of the Appointments and Remuneration Committee, a proposal will be made to renew these terms for a four-year period ending with the close of the General Meeting of Shareholders held in 2019 to approve the financial statements for the period ending 31 December 2018.

Independence of directors

The Company believes that having independent directors on the Board improves the quality and objectivity of discussions.

Based on an analysis done by the Appointments and Remuneration Committee, the Board of Directors studies each year at the time of each election, appointment or renewal, the situation of each member as regards the independence criteria set forth in the AFEP-MEDEF Code.

In the eyes of the Board of Directors, a member of the Board is independent if he or she has no relationship whatsoever with the Company, its Group or its management that might compromise his or her freedom of judgement.

In that light, the criteria adopted by the Board to qualify a director as independent are the following:

- is not, and has not been an employee or corporate officer of the Company, employee or director of the parent company or of a company which the Company consolidates, and has not been within the last five years;
- is not a corporate officer of a company in which the Company, directly or indirectly, acts as a director or in which an employee designated as such or a corporate officer of the Company (currently or in the last five years) is a director;
- is not a customer, supplier, commercial banker or investment banker:
  - with significant weighting for the Company or its Group, or
  - for which the Company or its Group represents a significant share of their business;
- has no close family tie with a corporate officer;
- has not been an auditor of the Company in the last five years;
- has not been a director for more than 12 years.

With regard to the aforementioned definition of an independent director and the criteria, the Board of Directors on 30 March 2015, on the advice of the Appointments and Remuneration Committee, deemed the following to be independent directors:

- Jean-Patrick Fortlacroix;
- FFP Invest, whose interest is below 10%;
- Sophie Malarme-Lecloux, who represents the shareholder SOFINA whose interest is also below 10%;
- Alain Carrier, who was appointed upon nomination by the shareholder CPPIB. Although CPPIB holds over 10% of the equity, ORPEA accounts for a very small part of the investment portfolio managed by CPPIB;
- Bernadette Chevallier-Danet.

As regards Alexandre Malbasa, the following two criteria were studied:

- Has not been a director for more than 12 years;
- Is not a major customer, supplier [...] of the Company or the Group, or for which the Company or the Group accounts for a significant portion of its business.

Mr Malbasa has been a director for over 12 years; he is, moreover, compensated by the Group for his legal services, in 2014 in the amount of €174,558 excluding tax.

Based on these criteria the Board of Directors believes that Mr Malbasa will be considered not an independent director.

The Board meeting of 30 March 2015 found that among the eight members of the Board of Directors (apart from the director representing employees), five qualified as independent directors.

The provision of the AFEP-MEDEF Code which stipulates that at least half of directors must be independent is therefore respected.

Directors' fees

The ordinary General Meeting of Shareholders of 25 June 2014 capped the maximum overall fees allocated to directors at €300,000. The gross remuneration of directors with respect to financial year 2014 was €268,834, broken down as follows, taking into account the meetings of the Audit Committee of the Appointments and Remuneration Committee (the Chairman of each committee receiving double the amount of directors' fees of regular committee members):

Directors' fees with respect to year n are paid at the beginning of year n+1.

Directors	Gross Amount Paid For 2014	Gross Amount Paid For 2013
Jean-Claude Marian	€23,500	€25,000
Yves Le Masne	€23,500	€25,000
Brigitte Michel	€27,500 including €4,000 with respect to the Appointments and Remuneration Committee .	€27,000 including €12,000 with respect to the Appointments and Remuneration Committee
Alexandre Malbasa	€29,500 including €6,000 with respect to the Audit Committee	€29,000 including €4,000 with respect to the Audit Committee
Jean-Patrick Fortlacroix	€34,000 including €12,000 with respect to the Audit Committee	€37,000 including €12,000 with respect to the Audit Committee
FFP Invest Permanent representative: Thierry de Poncheville	€49,500 including €6,000 with respect to the Audit Committee + €20,000 with respect to the Appointments and Remuneration Committee	€40,000 including €6,000 with respect to the Audit Committee + €9,000 with respect to the Appointments and Remuneration Committee
Alain Carrier	€34,000 including €4,000 with respect to the Audit Committee + €8,000 with respect to the Appointments and Remuneration Committee	None
Sophie Malarme	€33,500 including €10,000 with respect to the Appointments and Remuneration Committee .	€4,200
Bernadette Chevallier-Danet	€13,834 including €6,000 with respect to the Appointments and Remuneration Committee .	None
TOTAL	**€268,834**	**€204,700**

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

Absence of family ties between officers

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

No conflict of interest

To the Company's knowledge, there are no potential conflicts of interest between the duties of the corporate officers to the ORPEA Group and their private interests. The Chairman of the Board of Directors, the Chief Executive Officer and Chief Operating Officer do not hold any professional or corporate office outside the group that might generate a business relationship with the group. There are no contracts or agreements between directors and the group. There are no financial flows between the directors and the group, with the exception of Mr Malbasa, who received fees during financial year 2014. These flows are not considered significant.

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

In addition, the Rules of Procedure of the Board of Directors provide that directors have a duty to inform the Board of any conflict of interest, even potential, in which they could be directly or indirectly involved. They then shall refrain from participating in related discussions and deliberations.

No conviction or criminal liability of corporate officers

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

Service contracts

There are no service contracts between members of the Board of Directors and the Company or any one of its subsidiaries that offer benefits under such a contract, with the exception of the services rendered by Alexandre Malbasa in assisting the Company in its litigation.

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

Directors must also respect other obligations, particularly with regard to best practices and professional ethics in the matter of securities, which are detailed in the Rules of Procedure appended to this Report (Annexe 2).

Regulated related-party agreements and commitments

See Chapter III - section 4 "Statutory auditors' special report on regulated related-party agreements and commitments”.

1.3 - Procedures for General Management

In order to adapt the governance of the Group to how it has evolved and to its size, the 15 February 2011 meeting of the Board of Directors voted to split the duties of Chairman and Chief Executive Officer. It then named Jean-Claude Marian as Chairman of the Board of Directors and Yves Le Masne as Chief Executive Officer.

The terms of Messrs. Marian and Le Masne were renewed at the Board meeting of 30 June 2011, when their renewal was due and for the duration of their terms as director.

Then, at the meeting of 25 March 2013 the Board voted, upon the recommendation of the Appointments and Remuneration Committee, to renew in advance Mr Le Masne's term as CEO, for a period of four years ending at the close of the first Board meeting held after the ordinary General Meeting of Shareholders called in 2017 to approve the financial statements for the financial year ending 31 December 2016.

The Board of Directors on 25 March 2013 also voted to renew in advance the term of the Company's Chief Operating Officer, Jean-Claude Brdenk, for a period of four years ending at the close of the first meeting of the Board held after the ordinary General Meeting of Shareholders called in 2017 to approve the financial statements for the year ending 31 December 2016.

Role and powers of the Chairman

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

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

Role and powers of the Chief Executive Officer

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

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

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

- investment in or acquisition of any asset or holding worth over €20 million;
- divestment/sale of all non-active real estate worth over €5 million;
- divestment/sale of all real estate assets worth over €30 million per transaction;
- any loan or financing worth over €100 million, or modification of an existing loan or financing worth over €100 million, provided that financing operations in any amount whatsoever may not entail dilution without the express authorisation of the Board of Directors and the CEO must inform the Board of Directors during its next meeting of any loan or financing for more than €50 million;
- making surety deposits, endorsements or other guarantees in individual amounts over €100 million; the CEO must inform the Board of Directors during its next meeting if the amount is greater than €50 million;
- any decision regarding the strategic direction of a Group company or any substantial change in the orientation or activity of such company;
- the approval and amendment of the ORPEA or Group annual budget or business plan;

- any transaction in equity, including but not limited to: merger, spin-off, partial contribution of assets, increase or reduction in capital, issuance of any securities and the creation of classes of shares;
- distribution policy for dividends or any other distribution made by the Company to its shareholders;
- remuneration of the Company's corporate officers;
- any significant recruitment (gross annual salary exceeding €200,000); and
- any plan or award concerning stock options, bonus shares, incentive bonuses or profit sharing.

Role and powers of the Chief Operating Officer

In his capacity as Chief Operating Officer, Jean-Claude Brdenk has the same authority as the Chief Executive Officer to make decisions and represent the Company with respect to outside parties.

The Board of Directors has conferred on him the following illustrative and not limiting list of powers:

- to direct and oversee the Group's facilities;
- to appoint and remove all personnel in the operational units, set the terms of their employment and their salaries, wages and bonuses;
- to authorise and sign, for the above purposes, all formal and informal documents, to appoint any special agents and generally do what is necessary in the general management of the Group's facilities and in carrying out the decisions of the Board or the Chief Executive.

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

The aforementioned limitations put by the Board of Directors on the authority of the Chief Executive Officer apply de facto to the Chief Operating Officer.

1.4 – Organisation of the Board

Conduct of Board meetings:

The Board meets as often as required in the interests of the Company. Meetings are called by the Chairman of the Board by any means (letter, fax, email and even verbally).

The meeting notices may be transmitted by the Secretary of the Board. Except in special circumstances, they are sent in writing at least eight days before each meeting, along with the agenda and the minutes of the last Board meeting. They state the place of the meeting, which may be the Company's registered office or any other location.

When circumstances require, the Chairman may seek the Board's position on an exceptional basis by calling a meeting in 24 hours.

The Board of Directors approves, at the end of the preceding year or beginning of the year, the schedule of the Board meetings for year.

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

Decisions are taken by a majority of members present or represented, except choosing the structure of general management, which is made by a two-thirds majority of members present. The Chairman has the casting vote.

The minutes summarise the discussions and clarify decisions.

Operation of the Board of Directors

The Board of Directors operates under law and regulations as well as the Company articles of association and the Board's own Rules of Procedure.

The Rules of Procedure are intended to supplement the statutory rules, regulations and statutory requirements so as to specify how the Board operates and, where relevant, its Study Committees, in the interests of ORPEA and its Shareholders. These Rules cover in particular confidentiality and disclosure of conflicts of interest. They also contain various rules as to trading in the Company's shares and the required declarations and public notices pertaining thereto.

The complete text of the Rules of Procedure appear in Annexe 2 to this Report.

Duties of the Board of Directors

In consideration of its legal prerogatives, the responsibility of the Board of Directors includes:

- taking decisions concerning the major strategic economic, employment and financial policies of the Group and monitoring the implementation of these policies by top management;
- assessing investment opportunities, particularly acquisitions and disposals that might have a significant impact on the earnings, financial structure or risk profile of the Group;
- approving the annual and half yearly financial statements and preparing the general meeting of the shareholders;
- setting the compensation policy for corporate officers upon recommendation of the Appointments and Remuneration Committee;
- reviewing every year before publication of the annual report and on an individual basis, the situation of the directors, then communicating the results of its analysis to the shareholders in order to determine which are the Company's independent directors;
- approving the report of the Chairman the Board of Directors on the composition of the Board, the gender balance of its membership and how it carries out its work as well as on the internal controls the Company has put in place.

The Board's work in 2014

The Board met nine times during 2014 (and nine times during 2013). The average attendance rate was 93% (and 90% the previous year).

Operational and financial strategy of the Group

During financial year 2014 the Board continued to pay special attention to the Group's various strategies and in particular to its international expansion.

The Board was given a presentation on the Group's international deployment strategy, based largely on a study engaged by senior management from a strategy consulting firm. The Board decided upon the strategic thrusts that it would like to see carried out in this respect and identified the priority geographical areas for the Group's expansion.

As part of pursuing this strategy, the Board of Directors authorised during 2014 the acquisition of the Senevita Group in Switzerland and the Silver Care Group in Germany.

The Board also approved the acquisition of the Senecura Group in Austria, which will be finalised during the first half of 2015.

Beyond that, the Board voted on the Group's financing policy:

- by authorising the last of the Schuldschein bond issue for a total of €203 million; and
- by approving the early redemption of the outstanding OCEANEs (bonds convertible and/or exchangeable for new or existing shares), issued in December 2010. This operation was completed in February 2015.

<u>Approval of the statutory and consolidated financial statements</u>

The Board of Directors examined and approved the statutory and consolidated financial statements as at 31 December 2013, the consolidated half year statements as at 30 June 2014 and the management reports pertaining to them.

The Statutory Auditors participated in the Board meetings devoted to the approval of the yearly and half yearly financial statements.

The Board of Directors also reviewed the drafts of the press releases on these results before their publication.

On these occasions, it examined the Group's financial position, including the changes over time in its cash and indebtedness.

<u>Governance</u>

In terms of governance, the Board of Directors officially acknowledged the resignation of Brigitte Michel from her Directorship and elected Bernadette Chevallier-Danet.

The Board of Directors also determined, acting on a proposal by the Appointments and Remuneration Committee, the amounts of variable compensation for 2013 earned by Yves Le Masne, CEO, and Jean-Claude Brdenk, COO, in light of their objectives they were assigned for that year, using the formulas previously approved by the Board.

The Board also set the objectives for the variable compensation of these company officers for financial year 2014.

In addition, the Board of Directors, again acting on a proposal by the Appointments and Remuneration Committee, reviewed the projected general performance-based profit-sharing plan for the Company officers and Group management, including the granting of shares of stock based on reaching predefined goals. This plan will be carried out in 2015.

The Board of Directors also:

- approved the resolutions and the legally required documents with respect to the annual General Meeting of Shareholders;
- renewed the financial delegation of authority given to the Chief Executive Officer in respect of conducting financing operations and offering performance bonds, surety deposits and guarantees on behalf of the Company and consequently amended the provisions of the Rules of Procedure as to the limitations applying to this delegation;
- authorised the execution of a share buyback programme;
- studied the information provided to it concerning the internal control risk management systems, through the work of the Audit Committee;
- heard of the new organizational structure created as part of the Group's international development;
- approved the regulated (related-party) agreements, including (i) the agreement as to types of investment signed by the Company, FFP INVEST, SOFINA and Jean-Claude Marian and (ii) the rider to the investment agreement of 11 December 2013 with CPPIB.

The Committees presented their work to the Board, in the form of reports by their respective Chairs, and these were roundly discussed.

Assessment by the Board of Directors

The Board of Directors' Rules of Procedure stipulate that the Board will conduct a periodic evaluation of its composition, its organisation and its operations as well as those of its Committees. An agenda item is devoted to this topic once a year and a formal assessment under the authority of the Chairman of the Board of Directors is carried out every three years. The Board will, where appropriate, implement any improvement measures.

The Board had an outside firm make an assessment in the second half of 2013 of the manner in which it operates. The assessment was made with the help of a questionnaire and interviews with each of the directors.

The findings were presented to the Board of Directors at its 27 November 2013 meeting. This assessment revealed that the ORPEA Board of Directors is characterised by great stability (as is borne out by the ongoing presence of the Group's founder and of the Chief Executive Officer), diversified membership and continuous improvement in the governance of the Company. The Board of Directors analysed the different recommendations made by this firm, especially as to the operation of the Board and to broadening the top management team to support the expansion of the Group.

As part of a yearly self-assessment made in the first quarter of 2015, the directors were invited to express themselves on a variety of topics to do with the operation of the Board and the Committees, through a questionnaire drawn up by the Appointments and Remuneration Committee. The responses to this questionnaire were summarised anonymously. The topics dealt primarily with the make-up of the Board of Directors, the frequency and duration of its meetings, the subjects taken up and the time allocated, the quality of the discussions, the work of the Committees and the information provided to the directors.

The directors' responses revealed a high level of satisfaction in the main with the way the Board and the Committees operate, as well as an improvement in the overall performance of the Board and the Committees since the last outside assessment. The directors particularly highlighted the quality of the information they are provided with and of their discussions with senior management, as well as the increased role the Board now has in setting Group strategy.

The recommendations that came out largely concerned the directors' wish to become more knowledgeable about the Group's operations.

The Board's Study Committees

The Board of Directors set up two Study Committees (the Audit Committee and the Appointments and Remuneration Committee), to which it gave specific assignments so as to prepare and enrich the Board's deliberations.

These Committees are going about this work within the strict limits of the duties that the Board conferred on them and whose scope is delineated by the rules of procedure. They prepare their research, make proposals or recommendations but have no decision-making authority.

The composition of these Committees, their duties and their work in 2014 are set forth in detail below.

The Audit Committee

Members of the Audit Committee

The Audit Committee presently consists of the following members. Jean-Patrick Fortlacroix, Chairman of the Committee, Thierry de Poncheville, Alain Carrier and Alexandre Malbasa.

It includes three independent members out of the four, including the Committee Chairman. The provisions of the AFEP-MEDEF Code, which recommend that at least two thirds of the directors on the audit committee must be independent, are met.

Its members were chosen to sit on the Audit Committee primarily for their particular expertise in financial or accounting and legal matters, through their training or work experience as described in their biographies.

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

Duties of the Audit Committee

The Audit Committee monitors issues relating to the preparation and control of accounting and financial information in order to prepare decisions of the Board in the finance and accounting field.
Without prejudice to the powers of the Board and General Management, the Committee is responsible specifically for monitoring:

a) the process by which financial information is compiled;
b) the effectiveness of internal control and risk management procedures;
c) the statutory auditing of the financial statements and, where applicable, the consolidated financial statements by the Statutory Auditors;

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

The committee carried out its work based on the AMF Audit Committee Working Group Report of 22 July 2010.

The Audit Committee is tasked with examining the accounting methods and ways in which the Group's assets are measured, the preliminary statutory and consolidated financial statements before their presentation to the Board, the proposed re-appointments of the Statutory Auditors, regulated agreements, the clarity of the information that will be provided to the shareholders and to the market, and to examine the amount of risk and the procedures for protecting against it, as well as the significant off balance sheet obligations.

The committee reports its work to the Board, expresses any opinion or suggestion it deems appropriate and brings to the Board's attention the points that call for a decision by the Board.

As part of its monitoring the effectiveness of the internal control system, the Committee is informed of the findings of the Statutory Auditors concerning internal control.

Operation of the Audit Committee

The Committee is convened by its Chairman and meets as often as deemed necessary by the Chairman or the Board and at least twice each year.

A meeting agenda is set by the Chairman of the Committee, in conjunction with the Board if the latter called the meeting. The agenda is circulated to the members of the Committee prior to their meeting, along with any information relevant to their discussions.

In order to carry out its duties successfully, the Audit Committee hears, as it deems necessary, the Statutory Auditors and the Company's management, in particular the persons responsible for establishing the financial statements and for internal control, in the absence of General Management.

Activity of the Audit Committee in 2014

The Audit Committee met three times in 2014.

At these meetings the Audit Committee

- examined the statutory and consolidated financial statements as at 31 December 2013 and the consolidated half year statements as at 30 June 2014;
- heard about the interim work of the Statutory Auditors concerning the effectiveness of ORPEA's internal controls, particularly as to the facilities and the information systems;
- examined the financial resolutions that were submitted to the General Meeting of Shareholders.

The Committee also turned its attention to the change in the Group's short- and medium-term debt and the section of the management report concerning risk management.

The Audit Committee heard a summary of the work done by the Statutory Auditors on the effectiveness of the control system.

The Appointments and Remuneration Committee

Members of the Appointments and Remuneration Committee

The Appointments and Remuneration Committee presently consists of these members: Thierry de Poncheville, Committee Chairman, Alain Carrier, Sophie Malarme and Bernadette Chevallier-Danet.

It includes four independent members out of four, including the Committee Chairman. The provisions of the AFEP-MEDEF Code, which recommend that at least two thirds of the directors on the Appointments and Remuneration Committee must be independent, are met.

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

Duties of the Appointments and Remuneration Committee

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

- to assist the Board in deciding how to organise General Management and on the status of corporate officers;
- to make proposals to the Board for selection of directors;
- to make proposals to the Board as to the creation and make-up of committees;
- to make periodic assessments of the structure, size and make-up of the Board of Directors and to submit to it recommendations as to any changes that might be made to it;
- to discuss the qualification of independent director, which is reviewed annually by the Board prior to publication of the Annual Report;
- to issue an opinion on the proposals by the Chairman of the Board for appointment of the Chief Executive Officer and the Chief Operating Officer;
- to draw up a succession plan of the executive corporate officers, particularly one that would apply in the event of an unforeseen vacancy;
- to ensure implementation of the Code of Corporate Governance to which the Company refers;
- to prepare Board decisions on updating its Rules of Procedure;
- to develop proposals relating specifically to:
    - the fixed and variable remuneration of the Chairman and any other benefit received,
    - the fixed and variable compensation of the Chief Executive Officer and any other benefit received (retirement, severance pay, etc.),
    - the amount of the total directors' fees to be submitted for approval to the General Meeting and their method of distribution,
    - the establishment of long-term incentive plans, such as those involving distributions of stock options or bonus shares to corporate officers.

Operation of the Appointments and Remuneration Committee

The Appointments and Remuneration Committee is convened by its Chairman and meets as often as deemed necessary by the Chairman or the Board. A meeting agenda is set by the Chairman of the Appointments and Remuneration Committee, in conjunction with the Board if the latter called the meeting. The agenda is circulated to the members of the Appointments and Remuneration Committee prior to their meeting, along with any information relevant to their discussions.

The Appointments and Remuneration Committee may meet more frequently as it sees fit.

The Chairman of the Board is involved with this work except for topics that have to do with him personally.

Activity of the Appointments and Remuneration Committee in 2014

The Appointments and Remuneration Committee met five times in 2014.

Review of the independence of directors

The Appointments and Remuneration Committee examined the situation of each director with regard to his or her independence according to the criteria laid out in the AFEP-MEDEF Code and made recommendations to the Board of Directors.

Ratification, renewal and appointment of directors in 2014

The Appointments and Remuneration Committee proposed that the election of Alain Carrier be ratified. This ratification was submitted to the general meeting of 25 June 2014 and approved by the shareholders at that time.

Since the term of Jean-Patrick Fortlacroix expired in 2014, his four-year appointment was proposed to the Board of Directors. The General Meeting of Shareholders of 25 June 2014 renewed the term of Mr Fortlacroix for that period.

Following the resignation of Brigitte Michel as a director of the Board, the Appointments and Remuneration Committee proposed that the Board co-opt Bernadette Chevallier-Danet.

Balanced representation of men and women

The Appointments and Remuneration Committee reviewed the composition of the Board of Directors in terms of the balanced representation of men and women. It found that in accordance with the Law of 27 January 2011 the required 20% proportion of directors of the same gender was being met.

Assessment process of the operation of the Board of Directors

As part of the yearly self-assessment, the Appointments and Remuneration Committee proposed to the Board a draft questionnaire allowing directors to express themselves on various topics dealing primarily with the make-up of the Board of Directors, the frequency and duration of its meetings, the subjects taken up and the time allocated, the quality of the discussions, the work of the Committees and the information provided to the directors.

The responses to this questionnaire were summarised anonymously and presented to the Board meeting of 30 March 2015.

Compensation of corporate officers

The Appointments and Remuneration Committee made proposals to the Board of Directors of the amounts of variable compensation for 2014 earned by Yves Le Masne, CEO, and Jean-Claude Brdenk, COO, in light of their objectives they were assigned for that year, using the formulas previously approved by the Board. The Board, acting on a proposal by that same committee, also set the criteria for the variable compensation of these executives for financial year 2014.

Profit-sharing incentives for corporate officers and management

The Appointments and Remuneration Committee studied the projected general performance-based profit-sharing plan for the corporate officers and Group management, including the granting of shares of stock based on reaching predefined goals and made recommendations to the Board of Directors, which decided to implement this plan in 2015.

1.5 – Compensation of Executive Corporate Officers

The Appointments and Remuneration Committee makes recommendations on, and the Board of Directors sets the general principles of, the compensation policy and the appointment of corporate officers.

This compensation policy is set to factor in the Group's interests, strategy and performance.

Except for the compensation of the Chairman of the Board of Directors, which consists of only a fixed portion, the compensation of the CEO and the COO is therefore composed of a fixed and a variable portion.

This compensation is reviewed every year by the Appointments and Remuneration Committee and by the Board of Directors, particularly with respect to setting the criteria for the variable compensation of the CEO and the COO.

Remuneration of the Chairman of the Board of Directors – Jean-Claude Marian (with respect to financial year 2014)

The Board of Directors meeting of 29 April 2014, acting on a proposal by the Appointments and Remuneration Committee, set the gross annual compensation of the Chairman of Board at €550,000.

The Chairman of the Board receives no options, free shares, performance shares, commitments or severance benefits of any kind.
He does not have any specific supplementary pension plan ("top hat" plan authorised under article 39).

Summary of the compensation, stock options and shares granted to Jean-Claude Marian (Table 1 – AMF nomenclature)		
	FINANCIAL YEAR 2014 (€K)	FINANCIAL YEAR 2013 (€K)
Remuneration due for the year (*details in table 2*)	550	450.5
Value of options granted during the reporting period	N/A	N/A
Value of stock incentives awarded during the reporting period	N/A	N/A
TOTAL	550	450.5

N/A: not applicable.

Summary table of compensation of Jean-Claude Marian (by the Company, the companies controlled as defined by article L. 233-16 of the French Commercial Code and the controlling company or companies) (Table 2 AMF Nomenclature)				
	FINANCIAL YEAR 2014 (€K)		FINANCIAL YEAR 2013 (€K)	
	Amount due	Amount paid	Amount due	Amount paid
Fixed remuneration	550	450.5	450.5	450.5
Variable compensation	N/A	N/A	N/A	N/A
Extraordinary compensation	N/A	N/A	N/A	N/A
Directors' fees	23.5	23.5	25	25
Benefits in kind	N/A	N/A	N/A	N/A
TOTAL	573.5	474	475.5	475.5

N/A: not applicable.

Subscription or purchase options granted during the year to Jean-Claude Marian by the issuer and by any company of the Group (Table 4 – AMF Nomenclature)					
No. and date of plan	Type of options (purchase or subscription)	Valuation of stock options based on the method used in the Consolidated Financial Statements (IFRS)	Number of options granted during the period	Exercise price	Exercise period
N/A	N/A	N/A	N/A	N/A	N/A

N/A: not applicable.

Subscription or purchase options exercised during the period by Jean-Claude Marian (Table 5 – AMF Nomenclature)		
No. and date of plan	Number of options exercised during the period	Exercise price
N/A	N/A	N/A

N/A: not applicable.

Performance shares granted during the year to Mr Marian by the issuer and by any company of the Group (Table 6 – AMF Nomenclature)					
No. and date of plan	Number of shares granted during the period	Valuation of options according to the method adopted for the consolidated financial statements	Vesting date	Date of availability	Performance conditions
N/A	N/A	N/A	N/A	N/A	N/A

N/A: not applicable.

Performance shares that became available for sale during the period for each executive director (Table 7 –AMF Nomenclature)		
No. and date of plan	Number of shares vesting during the period	Vesting conditions
N/A	N/A	N/A

N/A: not applicable.

Compensation of the CEO and COO

The compensation of the CEO and COO, determined by the Board of Directors and proposed by the Appointments and Remuneration Committee, consists of a fixed portion and a variable portion.

Of the variable component of Messrs Le Masne and Brdenk 3/4 is set by quantitative objectives and 1/4 by qualitative objectives.

The target objective of a variable component may represent 40% of the gross yearly fixed compensation, but may reach 70% in case of transactions or circumstances deemed exceptional by the Board.

The specific criteria are not made public to preserve the confidentiality of the Group's strategy.

Remuneration of the Chief Executive Officer - Yves Le Masne (with respect to financial year 2014)

Fixed remuneration

At its meeting of 25 March 2013 the Board of Directors, acting on a proposal by the Appointments and Remuneration Committee, set the gross annual fixed compensation at €720,000. At the meeting of 29 April 2014 the Board of Directors decided that this amount would remain unchanged for 2014.

Variable compensation

During the financial year 2014 the Board of Directors, acting on a proposal of the Appointments and Remuneration Committee, approved the quantitative and quantitative criteria for the financial year 2014. The quantitative criteria, representing 3/4 of the variable component, involved the financial performance of the Group. The qualitative criteria, representing the balance, primarily involved the integration into the Group of the new international acquisitions.

Severance payments

The Board of Directors on 25 March 2013 adopted the principle of a payment made in the event of terminating one's responsibilities of corporate officer.

The amount of this payment was set at twenty-four (24) months of gross fixed and variable remuneration (a multiple of average monthly remuneration due and paid with respect to the last two financial years), and is subject to performance-related conditions.

Given the involvement of Mr Le Masne with the Group for several years, his major contribution to its growth and the termination of his employment contract, the Board of Directors voted to offer severance payment in the event of:

- forced departure: termination at the initiative of the Board of Directors, regardless of how this termination of office occurs including by dismissal, requested resignation or non-renewal of term of office (with the exception of termination for wilful or gross misconduct);

or

- a change in the Company's control (this being understood as any change to the Company's legal form as a result of any merger, restructuring, disposal, public offering or exchange operation, notably following which a legal or physical person, acting alone or in concert, directly or indirectly, holds a fraction of the Company's capital or voting rights giving him or her effective control of the Company) or its strategy, on the initiative of the Board of Directors or the corporate officer concerned.

The payment of this compensation will also be subject to the following condition: the average variable compensation received for the two financial years preceding the termination year of the officer in question must have been equal to or greater than 75% of the non-extraordinary target variable compensation (i.e., excluding the extraordinary variable portion).

In the event that the average variable remuneration with respect to the two years preceding departure is between 74% and 50% of said target regular variable remuneration, the amount of benefits are reduced in proportion to the rate of completion of the above conditions. If the completion rate is under 50%, no benefits are paid.

No payment will be due if Mr Le Masne is entitled to basic retirement benefits in the six months following termination of his office.

The foregoing provisions follow from the procedures of the regulated agreements and commitments. The commitment was approved by the General Meeting of Shareholders of 20 June 2013 voting on the Special Report of the Statutory Auditors.

During the financial year 2014, no severance payment was made to Mr Le Masne.

Other benefits

Mr Le Masne has been covered by an unemployment insurance policy, the premiums for which have been paid by the Company. The premiums in 2014 amounted to €50,834.91.

Mr Le Masne has been given a company car.

Mr Le Masne is covered by the collective agreement regarding disability and related benefits and employer-reimbursed healthcare on the same terms and conditions as apply to the employee grade in which he has been placed.

Mr Le Masne receives no options, bonus shares or performance shares.

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

Summary of the compensation, stock options and shares granted to Yves Le Masne (Table 1 – AMF nomenclature)		
	FINANCIAL YEAR 2014 (€K)	FINANCIAL YEAR 2013 (€K)
Remuneration due for the year (*details in table 2*)	1,211.5	1,211.6
Value of options granted during the reporting period	N/A	N/A
Value of stock incentives awarded during the reporting period	N/A	N/A
TOTAL	1,211.5	1,211.6

N/A: not applicable.

Summary table of compensation of Yves Le Masne (by the Company, the companies controlled as defined by article L. 233-16 of the French Commercial Code and the controlling company or companies) (Table 2 AMF Nomenclature)				
	For financial year 2014 (€K)		For financial year 2013 (€K)	
	Amount due	Amount paid	Amount due	Amount paid
Fixed remuneration	720	720	EC* : 220 CO* : 500	EC* : 220 CO* : 500
Variable compensation	288	288	288	288
Extraordinary compensation	200	200	200	200
Directors' fees	23.5	23.5	25	25
Benefits in kind	3.5	3.5	3.6	3.6
TOTAL	1,235.0	1,235.0	1,236.6	1,236.6

N/A: not applicable.

* Mr Le Masne held an employment contact (EC) until 30 May 2013. Since 1 June 2013 Mr Le Masne receives but a single form of remuneration for his work as a corporate officer (CO).

Subscription or purchase options granted during the year to Yves Le Masne by the issuer and by any company of the Group (Table 4 – AMF Nomenclature)					
No. and date of plan	Type of options (purchase or subscription)	Valuation of stock options based on the method used in the Consolidated Financial Statements (IFRS)	Number of options granted during the period	Exercise price	Exercise period
N/A	N/A	N/A	N/A	N/A	N/A

N/A: not applicable.

Subscription or purchase options exercised during the period by Yves Le Masne (Table 5 – AMF Nomenclature)		
No. and date of plan	Number of options exercised during the period	Exercise price
N/A	N/A	N/A

N/A: not applicable.

Performance shares granted during the year to Yves Le Masne by the issuer and by any company of the Group (Table 6 – AMF Nomenclature)					
No. and date of plan	Number of shares granted during the period	Valuation of options according to the method adopted for the consolidated financial statements	Vesting date	Date of availability	Performance conditions
N/A	N/A	N/A	N/A	N/A	N/A

N/A: not applicable.

Performance shares that became available for sale during the period for each executive director (Table 7 – AMF Nomenclature)		
No. and date of plan	Number of shares vesting during the period	Vesting conditions
N/A	N/A	N/A

N/A: not applicable.

Remuneration of the Chief Operating Officer – Jean-Claude Brdenk (with respect to financial year 2014)

Fixed remuneration

At its meeting of 29 April 2014 the Board of Directors, acting on a proposal by the Appointments and Remuneration Committee, set his gross annual fixed compensation at €580,000.

Variable compensation

During the financial year 2014 the Board of Directors, acting on a proposal of the Appointments and Remuneration Committee, approved the quantitative and quantitative criteria for the financial year 2014. The quantitative criteria, representing 3/4 of the variable component, involved the financial performance of the Group. The qualitative criteria, representing the balance, primarily involved the integration into the Group of the new international acquisitions.

Severance payments

The Board of Directors on 25 March 2013 adopted the principle of a payment made in the event of terminating one's responsibilities of corporate officer.

The amount of this payment was set at twenty-four (24) months of gross fixed and variable remuneration (a multiple of average monthly remuneration due and paid with respect to the last two financial years), and is subject to performance-related conditions.

Given the involvement of Mr Brdenk with the Group for several years, his major contribution to its growth and the termination of his employment contract, the Board of Directors voted to offer severance payment in the event of:

- forced departure: termination at the initiative of the Board of Directors, regardless of how this termination of office occurs including by dismissal, requested resignation or non-renewal of term of office (with the exception of termination for wilful or gross misconduct);

or

- a change in the Company's control (this being understood as any change to the Company's legal form as a result of any merger, restructuring, disposal, public offering or exchange operation, notably following which a legal or physical person, acting alone or in concert, directly or indirectly, holds a fraction of the Company's capital or voting rights giving him or her effective control of the Company) or its strategy, on the initiative of the Board of Directors or the corporate officer concerned.

The payment of this compensation will also be subject to the following condition: the average variable compensation received for the two financial years preceding the termination year of the officer in question must have been equal to or greater than 75% of the non-extraordinary target variable compensation (i.e., excluding the extraordinary variable portion).

In the event that the average variable remuneration with respect to the two years preceding departure is between 74% and 50% of said target regular variable remuneration, the amount of benefits are reduced in proportion to the rate of completion of the above conditions. If the completion rate is under 50%, no benefits are paid.

No payment will be due if Mr Brdenk is entitled to basic retirement benefits in the six months following termination of his office.

The foregoing provisions follow from the procedures of the regulated agreements and commitments. The commitment was approved by the General Meeting of Shareholders of 20 June 2013 voting on the Special Report of the Statutory Auditors.

During the financial year 2014, no severance payment was made to Mr Brdenk.

Other benefits

Mr Brdenk is covered by an unemployment insurance policy, the premiums for which have been paid by the Company. The premiums in 2014 amounted to €20,300.81.

Mr Brdenk has been given a company car.

Mr Brdenk is covered by the collective agreement regarding disability and related benefits and employer-reimbursed healthcare on the same terms and conditions as apply to the employee grade in which he has been placed.

Jean-Claude Brdenk receives no stock options, bonus shares or performance shares.

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

Summary of the compensation, stock options and shares granted to Jean-Claude Brdenk (Table 1 - AMF nomenclature)

	FINANCIAL YEAR 2014 (€K)	FINANCIAL YEAR 2013 (€K)
Remuneration due for the year (*details in table 2*)	929.5	893.5
Value of options granted during the reporting period	N/A	N/A
Value of stock incentives awarded during the reporting period	N/A	N/A
TOTAL	929.5	893.5

N/A: not applicable.

Summary table of compensation of Jean-Claude Brdenk (by the Company, the companies controlled as defined by article L. 233-16 of the French Commercial Code and the controlling company or companies) (Table 2 AMF Nomenclature)

	FINANCIAL YEAR 2014 (€K)		FINANCIAL YEAR 2013 (€K)	
	Amount due	Amount paid	Amount due	Amount paid
Fixed remuneration	565	565	EC*: 205 CO*: 324	EC*: 205 CO*: 324
Variable compensation	260	260	260	260
Extraordinary compensation	100	100	100	100
Directors' fees	N/A	N/A	N/A	N/A
Benefits in kind	4.5	4.5	4.5	4.5
TOTAL	929.5	929.5	893.5	893.5

N/A: not applicable.
*Mr Brdenk held an employment contact (EC) until 30 May 2013. Since 1 June 2013 Mr Le Masne receives but a single form of remuneration for his work as corporate officer (CO).

Subscription or purchase options granted during the year to Jean-Claude Brdenk by the issuer and by any company of the Group (Table 4 – AMF Nomenclature)					
No. and date of plan	Type of options (purchase or subscription)	Valuation of stock options based on the method used in the Consolidated Financial Statements (IFRS)	Number of options granted during the period	Exercise price	Exercise period
N/A	N/A	N/A	N/A	N/A	N/A

N/A: not applicable.

Subscription or purchase options exercised during the period by Jean-Claude Brdenk (Table 5 – AMF Nomenclature)		
No. and date of plan	Number of options exercised during the period	Exercise price
N/A	N/A	N/A

N/A: not applicable.

Performance shares granted during the year to Jean-Claude Brdenk by the issuer and by any company of the Group (Table 6 – AMF Nomenclature)					
No. and date of plan	Number of shares granted during the period	Valuation of options according to the method adopted for the consolidated financial statements	Vesting date	Date of availability	Performance conditions
N/A	N/A	N/A	N/A	N/A	N/A

N/A: not applicable.

Performance shares that became available for sale during the period for each executive director (Table 7 – AMF Nomenclature)		
No. and date of plan	Number of shares vesting during the period	Vesting conditions
N/A	N/A	N/A

N/A: not applicable.

Summary for financial year 2014 of the situation of the executive director

Directors Corporate Officers	Employment contract		Supplementary pension scheme		Compensation or benefits payable on transfer or on change of duties		Non-compete benefits	
	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Claude Marian *Chairman of the Board of Directors* Date appointed: 2011 AGM Term ends: 2015 AGM		X		X		X		X
Yves Le Masne *Executive Management* Date appointed: 2011 AGM Term ends: 2015 AGM		X		X	X			X
Jean-Claude Brdenk *Chief Operating Officer*		X		X	X			X

Compensation paid to Alexandre Malbasa

In addition to directors' fees, Mr Alexandre Malbasa was paid €174,558 excluding tax in 2014 in fees for his assistance with pre-litigation and litigation.

1.6 – SUMMARY TABLE OF COMPANY COMPLIANCE WITH THE RECOMMENDATIONS OF AFEP-MEDEF CODE

Rules of Governance	Application of the rule by ORPEA	Compliance
Corporate Governance Code	2013 AFEP-MEDEF Code	
Organisation of general management (separation or not of powers between Chairman and CEO) Reasons for choice – limitation of powers	Separation of Ch/CEO Limitation by B of D of CEO authority	Complies
Gender balance on Board: the proportion of directors of either gender may not be less than: - 20% at the close of the 1st Ordinary AGM after 1 January 2014 - 40% at the close of the 1st Ordinary AGM after 1 January 2017	Two female Directors out of a total of eight Directors, or 25%	Complies

Length of directors' terms: four years Staggering of terms must be arranged so as to avoid a block of renewals	Four years staggered renewals	Complies
Ownership by directors of a relatively significant number of shares in relation to the directors fees received (use, if any, of directors fees to acquire shares)	The articles of association (art. 16) and the Rules of Procedure (art. 1-5) provide that each director shall own at least one share - Alexandre Malbasa owns two shares - Alain Carrier owns one share.	Believed to be non-compliant
Appointment of independent directors: • 1/3 in controlled companies	Three independents out of eight, or 37.5%	Complies
Existence of an accounting committee Consisting 2/3 of independent directors Not to include any executive directors	Yes Existence of an Audit Committee Four members non-executive directors, three of whom qualify as independent Yes	Complies
Existence of an appointments and remuneration Committee Composed of a majority of independent directors Chaired by an independent director	Yes Existence of an appointments and remuneration Committee Four members, four of whom independent Yes	Complies
Director's Code of Ethics - Duties of a director	Board Rules of Procedure	Complies
Assessment of the Board Annual discussion Formal assessment every three years Information given to shareholders in the annual report + actions taken	Yearly assessment and formal assessment every three years	Complies
Employee representation on the Board: • designation of one or more directors from among the employees also shareholders once	No ORPEA does not know the exact number of shares held by its employees since it has no Group savings plan.	Complies

employee ownership rises above the 3% threshold • designation no later than 31 December 2014 of one (or two) director(s) representing the employees in a company that employed at the close of two consecutive years at least 5,000 permanent employees in the Company and its French subsidiaries or at least 10,000 permanent employees in the Company and its French and foreign subsidiaries	Yes Application of the Law of 14 June 2013 concerning job security Appointment of a director representing the employees on the Board of Directors	
Directors' fees majority variable to reflect the attendance of directors at Board and committee meetings	A variable proportion paid according based on attendance at meetings	Complies
Termination of employment contract if a corporate officer	Termination of the employment contracts of Messrs. Le Masne (CEO) and Brdenk (COO) in 2013	Complies
Compensation of executive directors (ones also corporate officers) – Standardised presentation of compensation in the form of tables	Standardised presentation of compensation (Tables recommended by the AMF and AFEP-MEDEF)	Complies
Precise criteria to determine the variable component for executive directors	Variable component for the CEO and COO The relationship between the variable and the fixed portion is clear; it consists of a maximum % of the fixed part.	Complies
Items of remuneration other than salary and directors fees	As to corporate officers: no special supplemental pension scheme no options, no granted shares, no performance shares With respect to Mr Marian (Chairman): no special supplemental pension scheme no options, no granted shares, no performance shares	

	no pension or retirement benefit **With respect to the CEO and COO:** no special supplemental pension scheme no options, no granted shares, no performance shares Severance benefits in the event of termination of duties as an executive director that represent 24 months of gross fixed and variable compensation (the multiple of a monthly average compensation due and paid for the last two years), subject to performance conditions (compliant with AFEP-MEDEF); The Board of Directors believes that given their long service to the Group and their personal contribution to its development, this payment will be made in the event of a forced departure **or** a change in control.	Complies Not compliant with AFEP-MEDEF, which calls for payment in the event of forced departure **and** in connection with a change in control or strategy;
Limit of five directorships in listed companies including foreign companies	See list of terms in Annexe 1 to this Report	Complies
Consultation of shareholders in relation to the compensation of executive directors.	Consultation since the 2014 OGM	Complies

I.7 – SUMMARY OF TRANSACTIONS PERFORMED IN 2014 BY ORPEA'S CORPORATE OFFICERS *(ARTICLE 223-26 OF THE AMF GENERAL REGULATIONS)*

None

2 – INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES INTRODUCED BY THE GROUP

As part of its operations, the Group encounters a certain number of risks, listed in the "Risk management" section of the 2014 Registration Document filed with the *Autorité des Marchés Financiers*.

The Group has accordingly created an organisational structure and processes intended to identify and curb these risks.

Internal control scope and objectives

Internal control procedures apply to the Company and its consolidated subsidiaries ("the Group") and are rolled out immediately at all newly acquired facilities with the aim of providing reasonable assurance that:

- the strategic directions set by General Management are in fact implemented;
- the laws and regulations applying to the Group's facilities are complied with;
- internal procedures and protocols are applied effectively and efficiently;
- the controls, which are primarily intended to manage and reduce risks, are understood and carried out throughout the Group, and appropriate actions implemented at all levels of the Group;
- the Group's assets are correctly valued and the precautions for protecting them are taken;
- and the information produced is reliable, thorough and of high quality, particularly the Group's financial and accounting information.

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

These procedures contribute in a larger sense to the Group's management control system, the effectiveness of its operations and the efficient use of its resources.

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

The internal control environment consisting of rules, procedures and guidelines set by the Group form the framework of a structured and centralised organisation to prevent risks as far as possible and react optimally should undesirable events occur.

The principal risks to which the Group is exposed in its business are described in chapter 5 of the Registration Document.

2.1 – THE INTERNAL CONTROL ENVIRONMENT

The parent company and the key senior managers of the Group strive to maintain an environment that sensitises the Group's employees to the need for internal control.

The corpus of internal rules

The Group has written a set of procedures that comprise the corpus of internal rules.

Continuous internal control procedures

The continuous internal control procedures mandatory for the entire Group deal with a variety of events that might affect the Group's operations, performance or reputation, as well as the safety of residents, patients and employees. These procedures provide the preventive or corrective measures and actions for managing such events.

The corpus is updated whenever necessary and at least twice a year by the Quality Department in consultation with operating management and head office departments, in order to maintain our policy of continuous improvement.

The corpus of procedures is sent and explained to each Facility Director at the time he or she assumes duties. These Directors are systematically informed of updates made to the procedures and asked to confirm that the updates have been implemented in the facility which they direct.

Training sessions on the proper application of these procedures are arranged on a regular basis to allow staff to adopt these best practices and inculcate the habit of constantly conforming to them.

The continuous internal control procedures are applied by the all the Group's facilities in France and in the Group's foreign subsidiaries once they have been consolidated (Spain, Belgium and Italy). As to the acquisitions recently made by the Group in Germany and Switzerland (the Silver Care and Senevita groups, respectively), the process of disseminating and adapting these procedures is now under way. In China, ORPEA has already translated and adapted its corpus of internal procedures so as to have them ready for implementation when its facility opens before the end of 2015.

Crisis management plans

Every facility has drawn up a Business Continuity Plan (BCP) that goes into all the incidents, accidents and catastrophes that can befall a facility and the means there are to resume operations as quickly as possible. Examples would be the H1N1 flu crisis or more generally any epidemic, a serious storm preventing access to a facility, or a social event or change impacting a facility's operation.

This BCP is a planning tool for responding to a crisis situation that falls outside the facility's normal operations. It describes the actions to take in such an event. Its purpose is therefore to minimise the impact of such a situation on the Group's business and to recreate organisation with a system that has been disorganised so as to resume normal operations as quickly as possible.

This BCP is supplemented by a “Plan Bleu” (for long-term care facilities) and a “Plan Blanc” (for clinics).

The Plan Bleu and Plan Blanc, which are mandatory in all facilities, list all of the human, equipment and logistic resources to be used in the event of a public health crisis and provide for the creation of a crisis unit. These plans are communicated to the supervisory and health authorities and provide information about the resources available in order to best manage a public health crisis at the level of the département and the region as a whole. The plans are also monitored by operational management and the Quality Department.

Compliance with ethics and best practices

The desire of the Group's General Management to promote a general environment of internal control takes form in a variety of areas, particularly including a respect for ethics and the behaviour of the employees.

Because of the type of businesses the Group is in, ethics and best practices are indeed among its highest priorities.

The Group has developed ethical and quality charters that reflect the values and best practices defined at the Group level. These values refer largely to respect for human beings, establishing trust and professional conscientiousness, all in the context of care in its broadest sense.

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

The Group has therefore established two Charters:
- the Quality Charter, which spells out ORPEA's duties towards residents and their families;
- The Staff Commitments Charter: these are the commitments made by all staff in each facility with respect to residents, patients, families and colleagues.

The way these charters are implemented allows each employee to consider the attitude he or she should take in relationships with residents and patients and patients' families.

The Quality Charter

The Quality Charter, which is common to all Group facilities, summarises ORPEA's commitments. The Group is committed to providing best practices for its residents in the following areas: admissions, care, food, room, accessibility, information, activities offered and training of personnel. This charter is posted in each one of the Group's facilities, presented to each new resident admitted along with his or her family; and the staff are reminded on a regular basis of the need to honour the commitments laid out in this charter.
To verify that these best practices are being followed at its facilities, the ORPEA Group Quality Department conducts a yearly satisfaction survey so that each site can be measured in terms of how well the commitments are being honoured and so that any necessary corrective measures can be implemented.

The Staff Commitments Charter:

The Staff Commitments Charter is developed by the staff at each facility and is therefore tailored to each facility. To draw up such a charter, each team is assisted by an expert specially trained in ways to lead ethical discussions. For nearly six months the staffs meet regularly to share their ideas and their convictions as to the fundamental values that underlie best practices. Each member of the staff (whatever their rank or job within the facility) attends these discussions to construct an ethics charter, which is formally instituted by the entire staff and posted throughout the facility.

These team commitments are especially strong and respected as they have been proposed and appropriated by the employees themselves. The commitments are supported by the Group training policy.

Training to further internal control

The Group's General Management believes that employee training is a key tool in making sure that employees take ownership of and promote internal control.

Specific training in procedures is regularly given at the various levels of the Group.

The Group also makes an effort to fully enlist its new employees on the ground, especially the Facility Directors. When they join the Group, they are carefully brought on board for several weeks and follow a manager who has experience in that facility, receiving training from that contact.

Generally speaking, the Group's General Management believes that having an opportunity to grow in knowledge and skills through ongoing training (qualifying classes, courses for academic credit, mini-training and e-learning), the employees are better able to share, take on and transmit best practices and Group values in the field.
Moreover, training to improve working conditions will foster a calmer, more ideal work environment, which contributes to better care for the Group's residents and patients.

Staying abreast of and complying with regulations pertaining to the Group's operations

Because of the nature of business, the Group is growing in a highly regulated environment, especially in terms of authorisations to operate and operating standards.

The Legal Department sees that current regulations on the Group's operations are followed, particularly with respect to health and medical employment regulations, commercial law and real property law.

To do so, the Legal Department keeps the General management, regional and divisional management, the Quality Department and the Medical Department informed of changes in regulations so that new legal and regulatory language can be followed where called for and the corpus of internal rules can be updated if necessary.

The Group also has a Director of Healthcare Safety, responsible for ongoing monitoring of changes in applicable regulations.

Staff receives regular training about the regulatory environment, with mini-training materials on these topics being specially created and made available to the facilities.

2.2 – THE INTERNAL CONTROL ORGANISATION

A centralised pyramid structure

ORPEA is structured on a centralised pyramid structure to optimise the management of internal control. Coordination of the internal control system is thus provided at the Group level and in France transmitted to each of the divisions and regions, and internationally to the subsidiaries and their sub-entities.

This model takes the form of:
- centralised staff support in the French headquarters and to a degree in the head offices of international subsidiaries;
- standardisation and harmonious dissemination of Group procedures;
- reporting upwards of information gathered in the field as to the appropriateness of the Group's operations, its procedures and the identification of any corrective actions; and
- tracking key performance indicators regarding management and quality.

The support departments (purchasing, management control/finance, operations/quality/medical, construction and maintenance, human resources, legal and IS) on which the Group's operations rely are centralised at the administrative headquarters in France and to a degree at each country headquarters. The international subsidiaries rely on the head office in France for staff support not provided by their country headquarters.

As part of its international expansion, the Group has implemented a plan to spread out the staff functions through international managers, to tighten the integration of subsidiaries and carry out internal control. Reporting to the director of each staff department, the international managers represent support for the line managers in each country and a means of making practices uniform in following the ORPEA model.

2.3 – HOW INTERNAL CONTROL IS MANAGED

Within this structure, internal control is managed by disseminating Group policies in the field, monitoring their application by the various levels of the Group (particularly through assessments and audits) and analysing the control data with the relevant headquarters staff so that any corrective actions can be taken.

Dealing with undesirable events

A procedure for managing undesirable events puts a duty on every Facility Director in the Group to automatically and immediately inform the Regional Director of any unwanted event; the latter then informs the Divisional Director and the Group's Chief Operating Officer.

This procedure is applied within every facility and makes it possible to analyse the occurrence of the undesirable event in order to fashion the preventive measures necessary and to identify the corrective actions to take without delay so that such an abnormal event will not be repeated and where appropriate to inform the supervisory authorities.

Assessments and audits

Facilities' self-assessments

The keystone of continuous control is the constant watch kept by line managers on their operation. This involves all of the systems continuously implemented to ensure compliance and safety in the operation of the business.

In this regard, each facility undertakes a quarterly self-assessment based on criteria that have been set for all entities in the Group. The findings of these self-assessments go into the half year audits of the facilities by the regional departments, done primarily to ensure that care of residents and patients is correctly provided on a continuous basis and that this care is in line with the Group Quality policy.

The results of these self-assessments and audits are entered into a computer application common to all facilities, allowing Divisional Operating Management together with the Quality Department to see that these control processes are systematically employed and also to identify any persistent shortcoming in the application of a best practice, so as to define and execute a collective corrective action plan.

Outside assessments

In France, nursing homes and healthcare facilities are subject to mandatory assessment procedures conducted on a regular basis by independent organisations and agencies.

With respect to the clinics, an assessment is made every four years by the *Haute Autorité de la Santé* (HAS), an independent public agency with a scientific remit.
The long-term care facilities receive an outside assessment every seven years, conducted by an outside evaluation organisation certified by the *Agence Nationale de l'Evaluation Sociale et Médico sociale* (ANESM).

Besides discharging its regulatory obligation, the Group sees these assessments as an added opportunity to analyse how well its businesses are running using an objective, rigorous and impartial approach provided by the outside view of the assessors. In fact, to prepare for the assessment process, the staff of each facility are involved all year long, through the constant use of self-assessments.

The Group thus turns the regulations that govern its business into an opportunity for continuous improvement of quality.

Audits of facilities

Besides the programmed assessments, the Quality and Medical Department conducts random checks on the facilities throughout the year.

The information and conclusions drawn from these audits help to shape the Group's quality policy.

In addition, audits of the buildings in which the Group's facilities operate are carried out regularly, to ensure that security procedures are observed and the buildings are properly maintained.

Satisfaction surveys

Satisfaction surveys are also performed annually to gauge how the residents and their families feel about the quality of care provided and about the way the facilities are run. These surveys round out the audits of the facilities and allow us to carry out the measures necessary for our programme of continuous quality improvement.

2.4 THE PARTIES INVOLVED IN INTERNAL CONTROL

General Management

General Management sees that the internal control and risk management procedures are designed and implemented effectively in the Group.

Operations committee (so-called "Comex")

Operating committees (known as "Comexes") meet monthly, bringing together the Chief Operating Officer, the Division Directors, the Corporate Secretary and, when appropriate, the regional directors and the directors of the staff units, depending on the agenda.

At the international subsidiaries the Comex meetings are also held every month and bring together the Chief Operating Officer and the directors of the subsidiary in question.

These committees review all issues relating to the life of the Group, and discuss in particular current plans of action, plans of action to be implemented, budgets, quality and the training plan. They also review the Group's commercial performance and main expenses.

Decisions made within the operations committees are always cascaded and their implementation explained during monthly meetings with the Division Director, Regional Directors and Operating Directors. These meetings are scheduled in the various regions to fall in the same week so that information is passed along to all facilities at the same time and that decisions taken are therefore implemented rapidly.

Action plans reflecting the decisions approved by the Comex are spelled out for each Division and region so that attainment of the objectives set can be monitored on a monthly basis. Reports on the attainment of these objectives are prepared before each Comex meeting so that the results obtained can be discussed with specificity and that new corrective actions can be taken if necessary.

The Management Committee

A forum for exchange and discussion, the Management Committee (Codir) plays a supervisory role, ensures the proper operation of the Group as a whole and contributes to better internal communication of the Group's policy. It meets quarterly.

All decisions made by the committee at one of its meetings are followed by specific action plans, the implementation of which is monitored at the next meeting.

The Management Committee (Codir) consists of the CEO, the COO, the Director of Human Resources, the Corporate Secretary and the Division Directors.

Finance Department

The Finance Department assists and monitors the Group's line management in financial matters, in order to improve profitability as far as possible and to manage the Group's cash, while providing reliable financial information to stakeholders inside and outside the Group.

This function is described in further detail below.

The Audit Committee

The Audit Committee studies and evaluates the internal control system, including the procedures for processing financial data in the preparation of the Group's financial statements. The Committee is also responsible for reviewing and evaluating the risk mapping and for monitoring the effectiveness of our internal control and risk management.

Its composition, duties and activities are detailed in chapter 1 of this report.

The Audit Committee reports on its assignments to the Board of Directors.

The Quality Department

The Quality Department provides our facilities with methodological assistance in the context of the implementation and oversight of their quality and risk management initiatives. It also supports facilities within the context of their certification and internal and external assessment initiatives; In this regard, it develops assessment and control tools, as well as training.

In particular, a Quality and Risk Management Committee meets monthly to take stock of the implementation and dissemination of best practices in the facilities. It also deals with any difficulties encountered by facilities in the implementation and proposes whatever solution is needed to see that the objectives are met. This committee also considers the internal control applications to be implemented to make sure that Group policy is observed.

Legal Department

The Legal Department advises and assists General Management and all the line and staff managers in order to keep the interests and assets of the Group secure from a legal viewpoint. In particular, this unit sees to it that legal risks are identified and properly managed and that current laws and regulations that apply to the Group's various activities are complied with.

It is organised into three sections:

- the Operating Section, serving the Group's facilities on all questions related to operations as such (handling claims that might involve the liability of the facility, lawsuits, signing and terminating contracts, etc.);
- the Real Property Section, which interfaces with the Group departments responsible for managing real property and construction; and
- the Corporate Section, responsible for the corporate issues that affect Group companies.

Legal affairs are also handled by the departments that deal with the oversight authorities and by lawyers in the countries where the Group has foreign subsidiaries.

The Complaints Commission

The Complaints Commission, led by the Group's Medical Director, the Legal Director and the heads of the Oversight Departments for the long-term care facilities and the clinics, makes a regular review of complaints, claims and grievances against the Group's facilities. It seeks to understand how they arose and to deal with them, particularly by coordinating any inquires conducted on site and the legal response to them.

In addition, the commission is tasked with issuing recommendations based on an analysis of the complaints submitted to it and to identify any corrective actions with regard to the procedures or operations of the Group or of the facilities involved. The commission presents its action plans to the Operations Committees, which relay them to the field and so informs the Quality Department so that the procedures in question can be updated.

The Crisis Management Unit

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

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

This crisis management unit, formed mainly of the Chief Operating Officer, the Legal Director, the Quality Director, the Group Medical Director, the Communications Manager and the Head of Supervision, is to assist the Division Manager and/or the Regional Manager and the manager of the facility in organising an immediate and thorough investigation.

In parallel, it aims to establish communication with the complainant and/or with the person concerned. The cell members also arrange contact with the regulatory authorities, which must be notified of the incident as soon as it has been clarified and defined precisely to facilitate an initial investigation.

Works and Safety and Approvals Committees

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

The approval committee also meets monthly, with General Management and the Works and Maintenance Department in attendance, in order to make decisions on works commitments.

The Development Committee

The Development Committee meets once every two months, with General Management, business development managers, the directors of medical, legal and works and maintenance departments, to study the progress made by development projects: obtaining authorisations, mergers, acquisitions, etc. Each project is reviewed in detail with its benefits and drawbacks and the committee decides whether to continue the project.

2.5 – INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND TREATMENT OF FINANCIAL AND ACCOUNTING INFORMATION

Parties involved in the production of financial information

Group Finance Department

The mission of the Group Finance Department is to assist and monitor the Group's line management in financial matters. It gathers all the accounting and management data through the reporting system. It also performs the consolidation and control of this information so it can be used in the day to day running of the Group and in reporting to the various stakeholders inside and outside the Group (auditing bodies, investors, etc.)

It has set up systems and procedures that apply to all group operatives in terms of financial reporting and cash pooling.

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

In France, the accounts department consists of two divisions: one handling general accounting, specifically patients and residents, the other handling suppliers. Consolidation is supervised by the Group accounting manager.

Foreign Finance Departments

The Finance Departments of subsidiaries abroad provide control of the accounting and management data at the country-level subsidiaries and forwards them to the Group Finance Department, to whom they report.
The management and coordination of international financial flows are provided by an international financial control department.

The Management Control staff

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

Process for the preparation of accounting and financial information

The significant growth of the ORPEA Group in recent years involves updating its internal organisation, procedures and information systems to address the challenges related to risk management, quality of the accounting and financial information, and observation of the financial disclosure deadlines. In this context, the Group continues to strengthen its organisation and its tools.

Preparation of the financial statements

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

Each country has its own accounts system and posts its line items daily. The French accounting teams use the Harmony software, along with continuous monitoring software developed in-house. Internationally, each country uses the Navision software.
Through daily importing operations, the Finance Department can consult transactions posted by foreign subsidiaries.
A monthly report by facility is also drawn up for the attention of the Finance Department.

The consolidated accounts are prepared on a biannual and annual basis, this process being overseen by the Group head of accounts and his team.

The financial statements also involve all accounts teams in France and abroad. The closing process takes place in three steps:

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

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

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

Economic and financial performance monitoring tools

Operational management control

The reporting system for the various economic indicators allows for continuous and uniform monitoring of the development of the performance of each of the Group's facilities and ensuring that they correspond to the targets set.
The tasks of management audit are wide-ranging and it is closely associated with both financial and operational management:

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

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

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

This report is drafted on the 10th of the second following month and includes payroll information, revenue information, other expense items and customer care.
This information is given to the Chief Operating Officer and to Divisional and Regional Managers during Operations Committee Meetings, at which plans of action are drawn up if necessary with the headquarters engineering managers (medical, social affairs, procurement, catering and works).
Meetings are also organised each month in each region to implement these plans of action with the directors of the facilities concerned, thereby resolving any discrepancies.
The occupancy rate of all facilities is tracked in real time using an intranet, which compiles all the data once a day.

Real Estate management

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

A monthly report for each site is presented to the General Management and project management to monitor compliance with the schedule and any differences with the budgets and thereby take the necessary corrective measures.
An annual budget is set for maintenance investment in mature facilities and a database also enables monitoring.

Since September 2012, the real estate management function has been restructured to consolidate all administrative, accounting and financial transactions related to the Group's real estate portfolio.

Cash flow management

Cash management is entirely centralised at the main administrative office of each country. The Group's operating sites make no payments, since all of their invoices from suppliers are paid by this head office.

At each head office the Group has established limits on bill-paying authority. Thus at the Group Finance Department, only six people, all Directors, have signing authority. In the international Finance Departments, specific authority and rules of procedure govern these limitations.

The Group's cash flows are also monitored on a daily basis in order to identify any unusual transactions.
Information is centralised automatically every night by reporting bank information for the previous day, which is integrated into a cash flow software package.

The Audit Committee

The tasks of the Audit Committee are described in section 1.4 of this Report, *Organisation of the Board.*

Investor relations

Investor relations is the direct responsibility of Executive Management.
The public is informed of the full-year and half-year financial statements after they are approved by the Board of Directors.
A timetable for the dissemination of the Group's financial information is therefore drawn up each year and made available to the public, mainly via the Company's website.
The website dedicated to financial communication (www.ORPEA-corp.com) publishes all available information including presentations to the financial community, news releases, regulatory information, etc.

Twice a year the General Management presents the Group's performance to the financial community.
Throughout the year the Group communicates the important points about its development and meets regularly with its shareholders and new institutional investors.

The Statutory Auditors

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

- a limited review at the end of the first half of the year;
- an audit at the end of the financial year.

A representation letter co-signed by the Chairman of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer, who attest to the quality, reliability and comprehensiveness of the financial information provided, is sent to the Statutory Auditors at the end of each reporting period.

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

APPENDIX 1

List of offices held by officers at 31 December 2014

Dr Jean-Claude Marian	
Positions held within the Group:	
France – listed company	
Chairman of the Board of Directors	ORPEA
Spain – unlisted company	
Director	ORPEA IBERICA, RESIDENCIAL SENIOR 2000, CM EXTREMADURA DOS 2002, ARTEVIDA CENTROS RESIDENCIALES, CENTROS RESIDENCIALES ESTREMERA, EXPLOTACION DE REAL SITIO DE SAN FERNANO
Belgium – unlisted company	
Chairman of the Board of Directors	ORPEA BELGIUM
Italy – unlisted company	
Chairman of the Board of Directors	CASAMIA IMMOBILIARE
Member, Board of Directors	ORPEA ITALIA, CLINEA HOLDING

Yves Le Masne	
Positions held within the Group:	
FRANCE	
Executive Management	ORPEA – listed company
Chairman of SAS unlisted company	CLINEA, La Saharienne, Résidence Saint Luc, La Clairière, Clinique de Champvert, MDR La Cheneraie, Organis, société de Champvert, Maja, Résidence La Cheneraie, Immobilière Leau Bonneveine, Mediter, Clinique de Soins de Suite du bois Guillaume, Clinique Psychiatrique de Seine Saint Denis, Le Clos St Sébastien 44, SFI France, Douce France Santé, Massilia Gestion Santé, Gerone Corp, Mex, Clinique Beau Site, Hôtel de l'Espérance, La Chavannerie, Home la Tour, Holding Mandres, Le Château de Bregy, Le Clos d'Aliénor, Les Jardins d'Aliénor, Holding Mieux Vivre, Les Grands Pins, Château de Champlatreux, Emcejidey, Le Clos Saint Grégoire, Clinique Marigny, Sud Ouest Santé, Maison de Santé Marigny, Clinique St Joseph, Clinique du Parc, Clinique Gallieni, Château de Goussonville, Résidence du Port, société de la Clinique Médicale de Goussonville, Archimède le Village, Alunorm, Clinique les Sorbiers, Clinique Castelviel, société d'exploitation de la clinique cardiologique de la maison blanche, société d'exploitation de la clinique néphrologique de la maison blanche, Clinique Montevideo – SAS La Tourelle, Clinique du Docteur Becq, Le Centre de rééducation fonctionnelle de Navenne, TCP DEV, Age Partenaires, Ap Bretigny, L'Oasis Palmeraie, Bon Air, La Cheneraie,

	Le Cercle des Aines, Alice Anatole & Cie, Actiretraite Montgeron
Chairman of SPPICAV unlisted company	Amundi Immobilier Novation Santé OPCI
ORPEA Permanent Representative (Director) unlisted company	Résidence du Moulin, Le Vieux Château, Les Charmilles, Immobilière de Santé
CLINEA Permanent Representative unlisted company	Sancellemoz (Director), Société civile des Praticiens du Grand Pré (Chairman)
Douce France Santé Permanent Representative unlisted company	Clinique du Cabirol (Director)
NIORT 94 Permanent Representative unlisted company	SCS Bordes & Cie (Legal Manager)
Chairman and Director of the association unlisted company	Association Maisons de Retraite de la Picardie
Legal manager of SARLs unlisted company	Les Matines, Bel Air, SARL 95, SARL 96, La Maison de Louise, Gessimo, La Maison de Lucile, La Maison de Salomé, La Maison de Mathis, La Bretagne, L'Atrium, Gestihome Senior, IDF Résidences Retraite, La Maison d'Ombeline, Domea, Vivrea, ORPEA Dev, SPI, Amarmau, Niort 94, SARL 97, L'Allochon, L'Ombrière, Sogimob, Résidence du Parc de Bellejame, Résidence de Savigny, Résidence de la Puisaye, La Venetie, France Doyenne de Santé, Douce France Santé Arcachon, Douce France Santé Dourdan, Regina Renouveau, Marc Aurele Immobilier, DFS Immobilier, CRF Santé, Gueroult, Clinique du Château de Loos, Résidence Les Cédres, SARL Ancienne Abbaye, Le Verger d'Anna, Les Buissonnets, Tolosa Santé, Parassy, PCM Santé, Maison de Retraite du Château de Pile, Le Village de Boissise le Roi, Maison de Retraite la Madone,
Legal manager of SNC unlisted company	Les Jardins d'Escudié, Margaux Pony, Than.Co, De la Maison Rose, Brechet, SNC Des Parrans, Les Acanthes
Legal manager of SCI unlisted company	Route des Ecluses, les Rives d'Or, du Château, la Talaudière, ORPEA de St Priest, Balbigny, ORPEA St Just, ORPEA Decaux, La Tour Pujols, Les Rives de la Cerisaie, Val de Seine, le Clisclouet, Age d'Or, Gambetta, Croix Rousse, Les Dornets, Château d'Angleterre, Montchenot, 115 rue de la Santé, L'Abbaye, Les Tamaris, 3 Passage Victor Marchand, Fauriel, Port Thureau, ORPEA de l'Abbaye, Rue des Maraichers, Le Bosguerard, Le Vallon, Bel Air SA, Brest le Lys Blanc, Les Magnolias, Courbevoie de l'Arche, Sainte Brigitte, Les Treilles, Les Favières, IBO, SCI du 12 rue Fauvet, Douarnenez ORPEA, Kods, Slim, Saintes B.A, Le Barbaras, La Sélika, JEM2, Château de la Chardonnière, SCI des Anes, ORPEA de L'Ile, La Salvate, SCI de la Drone, SCI du Caroux, Héliades Santé, Cardiopierre, Super Aix Paul Cézanne, SCI Les Chesnaies, SCI SFI Bellejame, Matisse Santé, Sci du Mont d'Aurelle, Les Orangers, Du Grand Parc, Ansi, BRBT, Du Jardin des Lys, De la Rue de Londres, Château de Loos, Berlaimont, Les Oliviers, SCI Barbusse, SCI Normandy Cottage Foncier, SCI du Bois Guillaume Rouen, SCI Rezé, Livry Vauban

	2020, Sequoia, SCI du Parc St Loup, SCI Larry, SCI Ardennaise, De Peix, Les Jardins de Castelviel, Cerdane, Villa Morgan, SCI de la Marne, SCI Ried Santé, Saint Victoret, Méditerranée
Luxembourg – unlisted company	
Legal Manager	CENTRAL & EASTERN EUROPE CARE SERVICES HOLDING SÀRL GERMAN CARE SERVICES ENTERPRISES SÀRL

Alexandre Malbasa	
Positions held within the Group:	
Director	ORPEA – listed company

Jean-Patrick Fortlacroix	
Positions held within the Group:	
Director	ORPEA – listed company
Offices held outside the Group	
Chairman of SA	ADD EQUATION
Legal manager of SARL	CADECO

Société FFP Invest	
Positions held within the Group:	
Director	ORPEA – listed company
Offices held outside the Group	
Director	LT Participations, IPSOS (listed company), SEB SA (listed company), SANEF, GRAN VIA 2008
Vice-Chairman & Member of the Supervisory Board	IDI
Supervisory Board Member	ONET, ZODIAC AEROSPACE (LISTED COMPANY), IDI EMERGING MARKETS
Chairman, SAS	FINANCIÈRE GUIRAUD
Legal Manager	FFP-LES GRESILLONS
Member of the Executive Committee	LDAP

Thierry Mabille de Poncheville	
Positions held within the Group:	
Permanent Representative of FFP Invest (Director)	ORPEA – listed company
Offices held outside the Group	
Chief Operating Officer	PSP SA
Director	SICAV M.O. SELECT
Legal Manager	Bannot, Société Civile

Sophie Malarme-Lecloux	
Positions held within the Group:	
Director	ORPEA – listed company

Alain Carrier	
Positions held within the Group:	
Director	ORPEA – listed company
Offices held outside the Group	
Director	ARQIVA, AIRWAVE, BROADCAST AUSTRALIA, SOLVEIG/GASSLED, SKYPE INTERPARKING FRANCE,
Legal Manager	CPP INVESTMENT BOARD EUROPE SÀRL, CPPIB CREDIT EUROPE SÀRL

Bernadette Chevallier-Danet	
Positions held within the Group:	
Director	ORPEA – listed company
Offices held outside the Group	
Chairman	ODO SAS

APPENDIX 2

Rules of Procedure for the Board of Directors

(Adopted by the Board of Directors on 27 November 2013
and amended by the Board of Directors on 11 December 2014)

Foreword

Adopted by the Board at its meeting on 27 November 2013, these Rules of Procedure are intended to supplement the statutory rules, regulations and statutory requirements so as to specify how the Board operates and, where relevant, its Study Committees, in the interests of ORPEA (hereinafter "the Company") and its Shareholders.

The Company's Board of Directors applies the corporate governance principles laid out in the AFEP-MEDEF Code.

The Code applies to all directors, present and future. Accepting appointment as a director entails compliance with these procedures.

1 – Rights and obligations of Directors

1.1 – Every member of the Board must be familiar with:

- the Company's bylaws, the recommendations of the AFEP-MEDEF Code and these procedures;
- the laws and regulations that govern French corporations with boards of directors, especially: the rules limiting the combining of offices, those regarding agreements and transactions between the director and the Company;
- and the rules regarding the possession and use of privileged information, explained further below.

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

The Directors are required to inform the Board of any conflict of interest, even potential, in which they could be directly or indirectly involved. They then shall refrain from participating in related discussions and deliberations.

1.3 – A Director must devote to his or her responsibilities the time and attention necessary

A Director shall keep himself or herself available by limiting the number of directorships.
He or she shall inform the Board of Directors of any new directorship.

Each member of the Board agrees to regularly attend:
- all Board meetings, even if need be by video-conferencing or telecommunications, unless unavoidably detained;
- all General Meetings of Shareholders, to the extent possible;
- and meetings of the Study Committees of which he or she is a member.

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

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

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

As a general matter, all documents relating to Board meetings as well as the information gathered during or outside the Board meetings are confidential, without exception, whether or not the collected information was presented as confidential by the Chairman.

The Director shall take all necessary steps to preserve this confidentiality.

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

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

1.6 - Market Conduct

- Principles -

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

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

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

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

- "Blackout" Periods -

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

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

- at least 30 calendar days before the date of the press release of the annual and half-yearly results, as well as on the day of said press release;
- at least 15 calendar days before the date of the press release on the quarterly results, and on the day of said press release.

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

- Insider trading -

The Director declares that he or she has been informed of the laws regarding privileged information and insider trading: Article L. 465-1 of the French Monetary and Financial Code and Articles 621-1 et seq. of the General Regulations of the Autorité des Marchés Financiers (AMF).

It should be particularly borne in mind that, in accordance with applicable regulations, the Directors and persons closely associated with them as defined by decree, must declare to the AMF their purchases, sales, subscriptions or exchanges of Company shares, as well as transactions carried out in related instruments, whenever the total amount of these transactions exceeds €5,000 within the current calendar year.

Directors and persons closely associated with them shall, within five trading days of executing their trade, send their declaration to the AMF electronically via an extranet called ONDE, which is accessible on the AMF website, or at the following URL: onde.amf-France.org.

When communicating with the AMF, the declarant shall transmit a copy of this communication to the Secretary of the Board of Directors of the Company.

Declarations are then put online by the AMF on its website and included in a yearly summary statement in the Company's Registration Document.

2 - Duties and expertise of the Board of Directors

2.1- The Board is a collegial body that collectively represents all the shareholders and that has a duty to act in all circumstances in the Company's best interest.

The Board of Directors determines the major outlines of the Company's activity and supervises their implementation.

It may decide to set up Committees to look at issues submitted to it for examination by the Board itself or its Chairman.

Directors of the Company:

- contribute their expertise and work experience;
- have a fiduciary duty and use their unconstrained best judgement.

This unconstrained judgement allows them to participate with full independence in the decisions or deliberations of the Board and, as the case may be, in its Study Committees.

Terms of office are staggered so as to avoid the renewal of too many directors at once and to promote the smooth renewal of directorships.

2.2 - The Board of Directors chooses how the Company shall be managed at the top level. In its meeting of 30 June 2011 it opted to separate the roles of Chairman and Chief Executive Officer.

2.3 - The Board of Directors elects from among its members a Chairperson, who must be a physical person.

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

He can ask to see any document or information likely to guide the Board of Directors in preparing for its meetings.

The Chairman of the Board of Directors shall devote his best efforts in all circumstances to promoting the values and image of the Company. He speaks in his official capacity.

He shall have the material means necessary to carry out his duties.

The Board shall designate a person to fulfil the role of secretary; this person may be chosen among non board members. The Secretary shall prepare the minutes of the Board meetings and disseminate them. He or she is authorised to certify as true the copies or excerpts of said minutes.

Due to the present make-up of the Company's share capital, the proportion of independent directors that must sit on the Board is at least one third. The definition of an independent director adopted by the Board is that given in the AFEP-MEDEF Code: A member of the Board is independent if he or she has no relationship whatsoever with the Company, its Group or its management that might compromise his or her freedom of judgement.

In that spirit, the criteria that may guide the Board in determining that member is independent are the following:

- he or she is not, and has not been an employee or corporate officer of the Company, employee or Director of the parent company or of a company which the Company consolidates, and has not been within the last five years;
- he or she is not a corporate officer of a company in which the Company, directly or indirectly, acts as a Director or in which an employee designated as such or a corporate officer of the Company (currently or in the last five years) is a Director;
- is not a customer, supplier, commercial banker or investment banker:
    - with significant weighting for the Company or its Group, or
    - for which the Company or its Group represents a significant share of their business;
- has no close family tie with a Corporate Officer;
- has not been an auditor of the Company in the last five years;
- has not been a Director for more than 12 years.

2.4 - The Chief Executive Officer is vested with extremely wide-ranging powers to act on behalf of the Company under all circumstances. He/she shall exercise these powers within the limits of the Company object and subject to those that the law expressly allocates to meetings of shareholders and to the Board of Directors. He or she represents the Company in dealing with outside parties.

However, with regard to the following transactions, the Chief Executive Officer must obtain the prior authorisation of the Board of Directors:

- investment in or acquisition of any asset or holding worth over €20 million;
- divestment/sale of all non-active real estate worth over €5 million;
- divestment/sale of all real estate assets worth over €30 million per transaction;
- any loan or financing worth over €100 million, or modification of an existing loan or financing worth over €100 million, provided that financing operations in any amount whatsoever may not entail dilution without the express authorisation of the Board of Directors and the CEO must inform the Board of Directors during its next meeting of any loan or financing for more than €50 million
- making surety deposits, endorsements or other guarantees in individual amounts over €100 million; the CEO must inform the Board of Directors during its next meeting if the amount is greater than €50 million.
- any decision regarding the strategic direction of a Group company or any substantial change in the orientation or activity of such company;
- the approval and amendment of the ORPEA or Group annual budget or business plan;
- any transaction in equity, including but not limited to: merger, spin-off, partial contribution of assets, increase or reduction in capital, issuance of any securities and the creation of classes of shares);
- distribution policy for dividends or any other distribution made by the Company to its shareholders;
- remuneration of the Company's corporate officers;
- any significant recruitment (gross annual salary exceeding €200,000); and
- any plan or award concerning stock options, bonus shares, incentive bonuses or profit sharing.

3 - Operation of the Board of Directors

***3.1** - The Board of Directors, convened by its Chair, meets as often as deemed necessary by the Company.*

The notices of meeting may be made by any and all means (letter, fax, email), including orally. They may be transmitted by the Secretary of the Board. Except in special circumstances, they are sent in writing at least eight days before each meeting, along with the agenda and the minutes of the last Board meeting. They state the place of the meeting, which may be the Company's registered office or any other location.

When circumstances require, the Chairman may seek the Board's position on an exceptional basis by calling a meeting in 24 hours.

The dates of Board meetings in the following year are set no later than 31 December, except for extraordinary meetings.

To whatever extent possible, the documents necessary for informing the Directors about the agenda and all questions put before the Board are attached to the meeting notice or else sent to them within a reasonable length of time prior to the meeting.

***3.2** - When decisions are called for, a director shall see to it that he or she has the information that he or she deems necessary for the Board and its Committees to deliberate properly.* If they are not made available, or if he or she so believes, the director shall request them. Such requests shall be made to the Chairman of the Board of Directors, who shall see that the directors are able to carry out their duties.

The Chairman shall at each meeting review the significant operations concluded since the previous meeting and the major projects underway that might be concluded before the next meeting. The Board shall undertake a review every year of the key points in the management report as well as of the recorded deliberations of the General Meeting of Shareholders. In addition, the Board of Directors shall be informed at least once per half-year by Executive Management about the Company's financial situation, cash position and liabilities.

Between meetings the Directors shall receive any pertinent information concerning the Company if the importance or urgency of the information so requires.

The Board of Directors may give one or more of its members, or outside parties, extraordinary assignments or charges, especially to study one or more specified topics.

3.3 – For the deliberations of the Board of Directors to be valid, the number of members present must equal at least half of the total number of members.

Directors may be represented by another director who has been given a written proxy.

The Board Chairman may invite any outsider to attend all or part of the Board meetings, without taking part in the discussion.

Decisions are made by a majority of the members present or represented. In the case of a tie, the Chair's vote shall prevail.

3.4 – In accordance with legal and regulatory requirements and Article 17, § 2 of the corporate bylaws, Directors who attend Board meetings by video conference or telecommunication means are deemed to be present when calculating a quorum or majority.

However, these means of attending are not counted when the Board takes up the following items:

- the approval of the statutory financial statements and the consolidated financial statements;
- preparing the Management Report and the Report on the Management of the Group.

The technical characteristics of the video conferencing must allow for continuous retransmission of the discussions.

3.5 – The deliberations of the Board must be clear. The minutes of a meeting must summarise the discussions and indicate the decisions taken. The minutes take on particular importance in that they are what provide a record, when needed, of the Board's diligence in performing its duties. Without needless detail, they must succinctly list the questions raised or the reservations expressed.

The minutes of the Board meetings are written up after each meeting and sent to all the members of the Board, who are invited to communicate any comments they have. Any comments are discussed at the following Board meeting. The final draft of the minutes of the preceding meeting is then submitted to the Board for approval.

4 - Study Committees

If the Board of Directors creates Study Committees, it shall determine their membership and duties.

These Committees act insofar as they are delegated to act by the Board and so have no decision making power.

The members of the Committees are chosen from among the members of the Board. They are designated by the Board upon proposal of the Appointments and Remuneration Committee. The terms of the members coincide with the latter's terms as directors, provided that the Board may alter the make-up of the Committees at any time and consequently terminate committee memberships.

The Committee may give its Chairman or one or more of their members a special assignment or duty in order to conduct specific investigative or prospective research.

That person or those persons shall report on such research to the relevant Committee so that it may deliberate on the matter and report in turn to the Board of Directors.

The Study Committees may in the course of performing their duties contact the Company's key executives after so informing the Chairman of the Board of Directors and provided they report on same to the Board.

In no event shall the Committees assume the powers of Executive Management.

4.1 - Audit Committee

4.1.1 - Duties

The Audit Committee monitors issues relating to the preparation and control of accounting and financial information in order to prepare decisions of the Board in the finance and accounting field.
Without prejudice to the powers of the Board and General Management, the Committee is responsible specifically for monitoring:

a) the process by which financial information is compiled;
b) the effectiveness of internal control and risk management procedures;
c) the statutory auditing of the financial statements and, where applicable, the consolidated financial statements by the Statutory Auditors;
d) and for issuing a recommendation on the Statutory Auditors proposed for appointment by the General Meeting and ensuring their independence.

This monitoring allows the Committee if necessary to issue recommendations on improving existing processes and possibly establishing new ones.

The Audit Committee may be consulted, notably by the Board or General Management when deemed necessary, on any matter concerning procedures to control unusual risks.

4.1.2 - Organisation of work

The Audit Committee is composed of at least three members, all directors of the Company and none an executive.

It is chaired by an independent Director, and the fraction of independent Directors on it must be at least two thirds.

Its members must be specifically qualified in finance and accounting.

The Chairman of the Audit committee shall guide its work in light of the importance he or she attaches to this or that type of risk incurred, in accordance with Executive Management and the Board.

The Committee is convened by its Chairman and meets as often as deemed necessary by the Chairman or the Board and at least twice each year.

A meeting agenda is set by the Chairman of the Committee, in conjunction with the Board if the latter called the meeting.

The agenda is circulated to the members of the Committee prior to their meeting, along with any information relevant to their discussions.

The secretariat of the Committee is the secretariat of the Board.

In order to carry out its duties successfully, the Audit Committee hears, as it deems necessary, the Statutory Auditors and the Company's management, in particular the persons responsible for establishing the financial statements and for internal control, in the absence of General Management.

The Committee examines the accounting principles and methods used and the programme, objectives and general conclusions of the internal operational audits.

The Statutory Auditors shall apprise the Audit Committee of:

a) the overall work programme they undertook as well as the various samplings they performed;
b) the changes that it appeared to them should be made in the financial statements awaiting approval or in other accounting documents, by making all observations that might be helpful about the valuation methods used in preparing those statements and documents;
c) any irregularities or inaccuracies they may have discovered;
d) the conclusions suggested by the observations and rectifications above concerning the financial year's earnings as compared to the preceding period.

Furthermore, the Statutory Auditors shall along with the Audit Committee examine any factors that might jeopardise their independence and the protective measures taken to reduce those factors.

They shall make the Committee aware of significant weaknesses in the internal control system in terms of the procedures for generating and processing accounting and financial data, and forward to the Committee each year the documents required by law.

The Committee may also, with the consent of Executive Management, obtain information from people likely to guide it in the performance of its duties, especially business and financial managers and those responsible for information processing.

4.1.3 – Report of activity

The Audit Committee shall report on a regular basis to the Board of Directors concerning the performance of its duties and shall compile its observations.

The Committee shall inform the Board immediately of any issue that arises.

The Audit Committee shall include in its reports whatever remarks it deems helpful:

- concerning the appropriateness of the various procedures and of the overall effort made to attain the objective of managing information and risk;
- and concerning the effectiveness of procedures in place and the ways, if any, that effectiveness is being sought.

It also formulates recommendations and proposals intended to improve the effectiveness of the various procedures and of the overall effort or to adapt them to new circumstances.

If in the course of its work the Committee discovers a significant risk that does not seem to it to be properly dealt with, it shall so alert the Board Chair.

4.2 – Appointments and Remuneration Committee

4.2.1 – Duties

The Board of Directors shall freely set the compensation of the Chairman, the Chief Executive Officer and the Chief Operating Officer.

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

- to assist the Board in deciding how to organise General Management and on the status of corporate officers;
- to make proposals to the Board for selection of Directors;
- to make proposals to the Board as to the creation and make-up of committees;
- to make periodic assessments of the structure, size and make-up of the Board of Directors and to submit to it recommendations as to any changes that might be made to it;
- to discuss the qualification of independent director, which is reviewed annually by the Board prior to publication of the Annual Report;
- to issue an opinion on the proposals by the Chairman of the Board for appointment of the Chief Executive Officer and the Chief Operating Officer;
- to draw up a succession plan of the executive corporate officers, particularly one that would apply in the event of an unforeseen vacancy;
- to ensure implementation of the Code of Corporate Governance to which the Company refers;
- to prepare Board decisions on updating its Rules of Procedure;
- to develop proposals relating specifically to:
    - o the fixed and variable remuneration of the Chairman and any other benefit received,
    - o the fixed and variable remuneration of the Chief Executive Officer and any other benefit received (retirement, severance pay, etc.),
    - o the amount of the total directors' fees to be submitted for approval to the General Meeting and their method of distribution,

- the establishment of long-term incentive plans, such as those involving distributions of stock options or bonus shares to corporate officers.

4.2.2 - Organisation of work

The Appointments and Remuneration Committee is composed of at least three members, all Directors of the Company and none an executive.

It is chaired by an independent Director and has a majority of independent Directors.

The Committee meets when called by its Chairman whenever the latter or the Board deem appropriate and at least once per year, prior to the approval of the agenda of the annual General Meeting of Shareholders, to examine the draft resolutions to be submitted there that come within its scope.

The agenda of the meetings is set by the Chairman of the Committee in consultation with the Board when the latter initiates the notice of meeting. The agenda is circulated to the members of the Committee prior to their meeting, along with any information relevant to their discussions.

The Chairman of the Board is involved with this work except for topics that have to do with him personally.

4.2.3 - Report of activity

The Committee must provide regular reports on its work to the Board and make proposals to the Board.

5 - Directors' Fees

A Director shall receive directors' fees, the combined size of which is voted by the Ordinary General Meeting of Shareholders and the distribution of which is decided on by the Board, acting on a proposal by the Appointments and Remuneration Committee. This distribution shall reflect the responsibilities held on the Board and in the Committees by each Director, as well as their actual attendance.

The Board of Directors may allocate special compensation for special tasks or duties assigned to a Director or Directors.

6 - Yearly assessment of the workings of the Board

The Board will conduct a periodic evaluation of its composition, its organisation and its operations as well as those of its Committees. An agenda item will be devoted to this topic once a year and a formal assessment under the authority of the Chairman of the Board of Directors will be carried out every three years. The Board will, where appropriate, implement any improvement measures.

The Board will inform the Shareholders of same in the registration document.

3. STATUTORY AUDITORS' REPORT ON THE CHAIRMAN'S REPORT

This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L.225-235 of French company law on the report prepared by the Chairman of the Board of Directors on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.
This report should be read in conjunction and construed in accordance with French law and the relevant professional standards applicable in France.

Saint-Honoré BK&A 140 rue du Faubourg Saint-Honoré 75008 Paris	Deloitte & Associés 185 avenue Charles de Gaulle 92524 Neuilly-sur-Seine Cedex

ORPEA

Société Anonyme

115 rue de la Santé
75013 Paris

Statutory Auditors' Report
issued in accordance with Article L. 225-235 of the French Commercial Code
on the report by the Chairman of the Board of Directors

Financial year ended 31 December 2014

To the Shareholders,

As Statutory Auditors to ORPEA SA, and in accordance with the provisions of article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of the Board of Directors for the year ended 31 December 2013 in accordance with the provisions of article L. 225-37 of the French Commercial Code.

It is the duty of the Chairman to write and submit for the Board's approval a report on the Company's internal control and risk management procedures, along with the further information required by Article L. 225-37, particularly with regard to corporate governance.

Our role is to:
- report to you on the information contained in the Chairman's report with respect to the internal control and risk management procedures relating to the preparation and processing of accounting and financial information; and
- confirm that the report contains the other information required by article L. 225-37 of the French Commercial Code. It is not our role to verify the fairness of this other information.

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

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

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

These procedures consist mainly in:

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

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

Other information

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

Paris and Neuilly-sur-Seine, 07 May 2015

The Statutory Auditors

Saint-Honoré BK&A	**Deloitte & Associés**
Emmanuel KLINGER	**Joël ASSAYAH**

4. STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

Saint-Honoré BK&A
140 rue du Faubourg Saint-Honoré
75008 Paris

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

ORPEA

Société Anonyme

115 rue de la Santé
75013 Paris

Statutory Auditors' Special Report
concerning agreements and regulated commitments

General Meeting to approve the financial statements
of the year ending 31 December 2014.

To the Shareholders,

As Statutory Auditors to your Company, we hereby present our report on regulated related-party agreements and commitments.

Our role is not to identify any undisclosed agreements and commitments but to report to you, based on the information provided to us, on the key terms and conditions of the agreements and commitments that have been notified to us without commenting on their relevance or substance. Under the provisions of article R. 225-31 of the French Commercial Code, it is your responsibility to determine whether the agreements and commitments are appropriate and should be approved.

We are also required to report to you, where applicable, the information referred to in article R. 225-31 of the French Commercial Code on the implementation during the year of agreements and commitments that have already been approved by you.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. Those procedures consisted of verifying the consistency of the information provided to us with the source documents.

AGREEMENTS AND COMMITMENTS SUBJECT TO SHAREHOLDER APPROVAL

Agreements and commitments authorised during the financial year

Pursuant to Article L. 225-40 of the French Commercial Code, we have been informed of the following agreements and commitments which were previously authorised by your Board of Directors.

a. Investment Agreement with FFP Invest

(Authorised on 11 December 2014)

Director concerned:

FFP Invest, of which Thierry Mabille de Poncheville is the permanent representative

Nature and purpose:

The purpose of this agreement is to grant rights similar to those granted to CPPIB in the Investment Agreement of 11 December 2013 in the event of capital withdrawals or new capital increases. The rights thus granted to FFP Invest are:

- So long as it owns less than 5% of the Company, the right to participate in any future capital increase of the Company or, if the transaction planned does not permit it to subscribe said capital increase, to be un-diluted by any means agreed between the parties;

- the right to the Company's assistance in any major transaction to sell shares that FFP Invest may wish to undertake. A sale of shares is deemed major if it involves over 10% of the capital sold to a given person or over 5% in the case of a sale to several persons. Assistance from the Company consists of coordinating the selling shareholders and providing reasonable assistance to facilitate the sales transactions.

b. Investment Agreement with SOFINA

(Authorised on 11 December 2014)

Director concerned:

Sophie Malarme-Lecloux, director appointed on proposal by SOFINA

Nature and purpose:

This purpose of this agreement is to grant rights similar to those granted to CPPIB in the Investment Agreement of 11 December 2013 in the event of capital withdrawals or new capital increases. The rights thus granted to SOFINA are:

- So long as it owns less than 5% of the Company, the right to participate in any future capital increase of the Company or, if the transaction planned does not permit it to subscribe said capital increase, to be un-diluted by any means agreed between the parties;

- the right to the Company's assistance in any major transaction to sell shares that SOFINA may wish to undertake. A sale of shares is deemed major if it involves over 10% of the capital sold to a given person or over 5% in the case of a sale to several persons. Assistance from the Company consists of coordinating the selling shareholders and providing reasonable assistance to facilitate the sales transactions.

c. Investment Agreement with Jean-Claude Marian

(Authorised on 11 December 2014)

Director concerned:

Jean-Claude Marian

Nature and purpose:

This purpose of this agreement is to grant rights similar to those granted to CPPIB in the Investment Agreement of 11 December 2013 in the event of capital withdrawals or new capital increases. The rights so granted offer Mr. Marian:

- So long as he owns less than 5% of the Company, the right to participate in any future capital increase of the Company or, if the transaction planned does not permit it to subscribe said capital increase, to be un-diluted by any means agreed between the parties;

- the right to the Company's assistance in any major transaction to sell shares that Mr. Marian may wish to undertake. A sale of shares is deemed major if it involves over 10% of the capital sold to a given person or over 5% in the case of a sale to several persons. Assistance from the Company consists of coordinating the selling shareholders and providing reasonable assistance to facilitate the sales transactions.

d. Rider to Investment Agreement with CPPIB

(Authorised on 11 December 2014)

Director concerned:

Alain Carrier, Director appointed on proposal by CPPIB

Nature and purpose:

As part of CPPIB's acquisition of its share capital, the Company entered into an investment agreement with CPPIB aimed at setting the main procedures for CPPIB's investment. The investment agreement has a rider attached to it providing that the Company Board of Directors be informed of any request for assistance by CPPIB in the event of any major sale of shares in the following manner:

- Once the Company has received a request for assistance, the Company may inform the Board of Directors if it has previously notified CPPIB of its intention to do so;

- The Company will not inform the Board of Directors if the request for assistance is withdrawn in the five business days following receipt by CPPIB of the Company's notice.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS

Agreements and commitments authorised in prior years

1. Performed during the year just past

In accordance with the provisions of article L. 225-30 of the French Commercial Code, we have been advised of the following agreements and commitments approved in prior years that remained valid in 2013.

a. Unemployment insurance policy for Yves Le Masne, Chief Executive Officer

(Authorised on 29 June 2006)

Director concerned:

Yves Le Masne

Nature and purpose:

Unemployment insurance policy taken out on behalf of Yves Le Masne, the premiums for which are paid by the Company.

Terms and conditions:

The amount of premiums paid by your Company for 2014 were €50,835 not including tax.

b. Unemployment insurance for Jean-Claude Brdenk, Chief Operating Officer

(Authorised on 25 April 2013)

Company officer concerned:

Jean-Claude Brdenk

Nature and purpose:

Unemployment insurance policy taken out on behalf of Jean-Claude Brdenk, the premiums for which are paid by the Company.

Terms and Conditions :

The amount of premiums paid by your Company for 2014 were €20,301 not including tax.

c. Legal and court assistance

Director concerned:

Alexandre Malbasa

Nature and purpose:

Litigation and pre-litigation assistance.

Terms and conditions:

Fees paid to Maître Alexandre Malbasa by your company during the year amounted to €174,558 including tax.

2. Not performed during 2013

In addition, we have been informed of the continuation of the following agreements and commitments, already approved by the General Meeting in previous years but that were not performed during the financial year just ended.

a. Indemnities payable in the event of the end of the term of office of Yves Le Masne, Chief Executive Officer

(Authorisations dated 25 March 2013 and 25 April 2013)

Director concerned:

Yves Le Masne

Nature and purpose:

The board of directors, at its meetings of 25 March 2013 and 25 April 2013, following the end of Yves Le Masne's employment contract, and in view of his major contribution to the Group's growth for several years, agreed that Yves Le Masne should receive an indemnity payable in the event of the end of his term of office as executive corporate officer, which corresponds to twenty-four (24) months' gross fixed and variable compensation (multiple of a monthly average of the payments due and paid over the last two financial years).

This indemnity would be paid by the Company:

- in the event of forced departure: termination at the initiative of the Board of Directors, regardless of the form of this termination of employment including by dismissal, requested resignation or non-renewal of term of office (with the exception of termination for wilful or gross misconduct);

or

- in the event of a change in the Company's control (this being understood as any change to the Company's legal form as a result of any merger, restructuring, disposal, public offering or exchange operation, notably following which a legal or physical person, acting alone or in concert, directly or indirectly, holds a fraction of the Company's capital or voting rights giving him or her effective control of the Company) or its strategy, on the initiative of the Board of Directors or the corporate officer concerned.

This indemnity will be allocated by the Board of Directors, provided that the average variable compensation for the last two financial years prior to the year of departure of the corporate officer concerned was equal to or over 75% of the non-exceptional target variable compensation (excluding the exceptional part of variable compensation), a proportional reduction in this amount being foreseen in the event that the average variable compensation for the previous two financial years was 74% to 50% of said non-exceptional target variable compensation and no indemnity being paid when the rate is under 50%.

A special procedure applies in the event of departure within 24 months of appointment.

If Yves Le Masne can assert his basic retirement rights at the full rate in the six months following the end of his functions, this indemnity will no longer be payable.

Terms and conditions:

This agreement did not have any financial impact in the period.

b. Indemnities payable in the event of the end of the term of office of Jean-Claude Brdenk, Chief Operating Officer

(Authorisations dated 25 March 2013 and 25 April 2013)

Company officer concerned:

Jean-Claude Brdenk

Nature and purpose:

The Board of Directors, at its meetings of 25 March 2103 and 25 April 2013, following the end of Monsieur Jean-Claude Brdenk's employment contract, and in view of his major contribution to the Group's growth for several years, agreed that Monsieur Jean-Claude Brdenk should receive an indemnity payable in the event of the end of his term of office as executive corporate officer, which corresponds to twenty-four (24) months' gross fixed and variable compensation (multiple of a monthly average of the payments due and paid over the last two financial years).

This indemnity would be paid by the Company:

- in the event of forced departure: termination at the initiative of the Board of Directors, regardless of the form of this termination of employment including by dismissal, requested resignation or non-renewal of term of office (with the exception of termination for wilful or gross misconduct);

or

- in the event of a change in the Company's control (this being understood as any change to the Company's legal form as a result of any merger, restructuring, disposal, public offering or exchange operation, notably following which a legal or physical person, acting alone or in concert, directly or indirectly, holds a fraction of the Company's capital or voting rights giving him or her effective control of the Company) or its strategy, on the initiative of the Board of Directors or the corporate officer concerned.

This indemnity will be allocated by the Board of Directors, provided that the average variable compensation for the last two financial years prior to the year of departure of the corporate officer concerned was equal to or over 75% of the non-exceptional target variable compensation (excluding the exceptional part of variable compensation), a proportional reduction in this amount being foreseen in the event that the average variable compensation for the previous two financial years was 74% to 50% of said non-exceptional target variable compensation and no indemnity being paid when the rate is under 50%.

A special procedure applies in the event of departure within 24 months of appointment.

If Jean-Claude Brdenk can assert his basic retirement rights at the full rate in the six months following the end of his functions, this indemnity will no longer be payable.

Terms and conditions:

This agreement did not have any financial impact in the period.

c. Investment agreement with CPPIB

(Authorised on 11 December 2013)

Director concerned:

Jean-Claude Marian

Nature and purpose:

As part of CPPIB's acquisition of its share capital, the Company entered into an investment agreement with CPPIB aimed at setting the main procedures for CPPIB's investment. This investment was made on 11 December 2013 by CPPIB's acquisition of ORPEA shares previously held by Jean-Claude Marian and Santé Finance et Investissements, a company he controls, (hereinafter the "Acquisition") and by the capital increase by private placement undertaken with that on 16 December 2013 (hereinafter the "Capital Increase").

The main terms and conditions of the Investment Agreement are:

- The term of the Investment Agreement is 10 years;

- CPPIB may be represented in the Board of Directors by a director as long as CPPIB holds at least 8% of voting rights, and by two directors if CPPIB holds at least 16% of the voting rights. Such director(s) will be entitled to be part of the Audit Committee, the Appointments and Remuneration Committee and any new committee that might be established;

- As long as CPPIB holds at least 5% of the Company's share capital, the Company shall endeavour to allow CPPIB to subscribe to any capital increases pro-rata of its stake in the Company's capital;

- CPPIB may not dispose of the shares acquired or subscribed as part of the Acquisition and the Capital Increase for a period of eighteen (18) months from the Acquisition date. After this time, CPPIB may ask for the Company's cooperation to complete the disposal of blocks of shares or significant private placements;

- CPPIB may continue to acquire Company shares, directly or indirectly, on and off market.

Terms and conditions:

This agreement did not have any financial impact in the period.

Agreement approved during the year just ended

Additionally, we have been informed of the signing during the past year of the following agreement already approved by the General Meeting of 25 June 2014, on the special report of the Statutory Auditors of 6 May 2014.

Current account advance granted by Jean-Claude Marian

(Authorised on 29 April 2014)

Director concerned:

Jean-Claude Marian

Nature and purpose:

Jean-Claude Marian lent €70 million to ORPEA SA in December 2013. This loan from 1 January 2014 forward carried the interest rate provided in Article 39-1 3° of the General Tax Code of France (the required fiscal interest rate for interest charged to associated companies).

Terms and Conditions:

This loan was completely repaid during financial year 2014. The amount of interest recognised for the period was €1,054,154.

Paris and Neuilly-sur-Seine, 7 May 2015

The Statutory Auditors

Saint-Honoré BK&A	Deloitte & Associés
Frédéric BURBAND	Joël ASSAYAH

CHAPTER IV: THE ORPEA GROUP'S ACTIVITIES

The ORPEA Group's purpose and business is to offer global dependency care, both physical and mental, in the short, medium and long term, via a network of specialised facilities in Europe: nursing homes, post-acute and rehabilitation care facilities and psychiatric clinics. The ORPEA Group thus offers care services that meet the expectations of European health authorities and of its residents and patients.

Since it was founded, ORPEA has always put the quality of its care and services at the centre of its development strategy: its mission is to offer patients and residents the best possible conditions in terms of safety and well-being in its facilities.

Against a background of ageing populations, not only in Europe but also worldwide, and increasing need for specialisation and medical care in what is a fragmented sector, ORPEA has over the last 26 years been one of the European leaders for dependency care with 54,098 beds in 545 facilities across six countries.

With an organisational structure that is structured and scaled for international expansion, financial flexibility and established platforms in six European countries, ORPEA can continue to meet the challenge of ageing populations, in Europe and in China, by delivering a high-quality care for highly dependent people.

1. ORPEA'S ACTIVITIES: EUROPEAN STAKEHOLDER IN INTEGRATED DEPENDENCY CARE

The ORPEA Group's business has been built around different forms of dependency care: loss of independence due to ageing and care for people with health conditions. ORPEA provides medium- and long-term care for people with physical and psychological dependencies, whether permanent or temporary. ORPEA provides a standardised offer, via at least 3 types of structure based on identical principles and functioning in all European countries:

- Nursing homes for people aged over 60 whose level of dependency means that they are no longer able to remain in their own home. These people need permanent care;
- Post-acute and rehabilitation care facilities or "SSR" (*Soins de Suite et de Réadaptation*) for people who need to regain their independence from an acute attack or chronic illness, accident or post-surgical trauma. This is temporary care for which average stays are between two and five weeks;
- Psychiatric clinics for people with acute mental illness. This is temporary care for which average stays are around 30 days.

Public authorities and the demands of families are increasingly looking for continuity of care for people who are losing their independence between facilities, their home and nursing homes. ORPEA offers home care services for people losing their independence who want to stay at home.

1.1 – HISTORY: THE METHODICAL CONSTRUCTION OF A EUROPEAN GROUP

The ORPEA Group has been built up methodically, as a result of which it is now able to offer high quality global dependency care, making it one of the leading names in France and internationally in a fast-growing sector. ORPEA has always replicated the same model in every country where it operates: a high-quality offer meeting the demands of local and national supervisory authorities as well as patients and residents.

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

1989 -1995: the Group expands in France through the creation of 46 facilities, representing 4,600 nursing home beds.

1995: Consolidation and structuring of its organisation: ORPEA Group creates an administrative head office in the Paris region to organise and control the ORPEA Group's accounting, financial and employee-related matters. Standardised management methods are introduced at all of the Group's sites and the initial stages of a systematic and lasting quality-led approach are formally laid out.

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

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

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

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

2007: **ORPEA is eligible for the Deferred Settlement Service** (DSS), improving the stock's liquidity.
Its international expansion strategy has paid off: for the first time, 10% of consolidated revenue is generated outside France, representing an increase of over 85%.

2008-2009: **Structuring of ORPEA's presence in Europe**: creation of functional head offices in Belgium and Italy, and rolling out its quality policy at all of its facilities in Europe in order to replicate the French management model.

2010: **Largest acquisition in ORPEA's history** the strategic acquisition of Mediter – which notably owns a majority stake in the Mieux Vivre Group – and the acquisition of a 49% stake in Medibelge, representing a total of 4,866 beds at 57 facilities.

2011: **€203 million capital increase** to strengthen the financial structure and fund growth both in France and internationally.

2012: **Continued international expansion** with the acquisition of Artevida in Spain (1,162 beds and places) and transition to 100% ownership of Medibelge in Belgium. The Group also diversifies its sources of funding by placing its first private bond issue with major French institutional investors.

2013: **New strategic long-term shareholder**: CPIB, Canada's largest pension fund with around CAD 200 billion under management became the Group's leading shareholder with 15.9% of the shares, improving the visibility of ORPEA's long-term development.

2014: **Acceleration of international expansion, particularly in German-speaking countries,** with two strategic acquisitions: Senevita in Switzerland (2,293 beds/21 retirement homes) and Silver Care in Germany (5,963 beds/61 retirement homes). These acquisitions doubled the size of the Group's international network and, when mature, will generate more than €330 million in new revenue over a full year.

1.2 – ORPEA'S OFFERING: A DIVERSIFIED CARE OFFERING FOR ALL STAGES OF DEPENDENCY

1.2.1 –The ORPEA Group's facilities for the elderly

► **a variety of residential services**

The core offer at ORPEA's residential services in France, Belgium, Spain, Italy, Switzerland and Germany is of course long-term care, including the following services:

- care and support services tailored to each resident;
- logistical and residential services, such as accommodation, meals, laundry, room cleaning and various entertainment activities.

The Group has also developed additional services:

- Residential services particularly in Switzerland and Belgium for non-dependent elderly people who want to access shared services such as meals, housecleaning and also a medical practice and some care services;
- Temporary accommodation: An elderly person may have to stay at one of the Group's residences temporarily, for example if:
  - o their carers are exhausted and need some time to rest;
  - o their spouse is hospitalised and can no longer ensure continuity of care with professionals at home;
  - o the elderly person has recently come out of hospital and the family believes that it is too soon for them to return home;
- Day visits: day visits allow an elderly person living at home to benefit, once or several times a week, from therapeutic and social activities tailored to their needs, as well as social activities and opportunities to meet others. The aim of these solutions is to provide relief for family carers and to use the visits to inform and support families in their daily care.

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

Alzheimer's and associated neuro-degenerative conditions cause the progressive loss of higher-level functions, leading inexorably to psychological and physical dependence for all day-to-day activities.

The ORPEA Group is deeply involved in caring for such patients, offering between one and several specialist units (of 12-16 beds) within its facilities.

ORPEA Group's Medical Department has defined architectural principles for such units based on their knowledge of the illnesses caused by Alzheimer's and the following guidelines:

- Patient: free movement to walk around, accessibility, easy-to-find living spaces and bedroom, permanent passive and natural monitoring, appropriate activities;
- Families: can share intimate family moments in a dedicated room where they can be alone and be reassured to see their relative progress in a calm and safe atmosphere;
- Staff: an ergonomically designed working environment; rooms for therapeutic activities that require concentration and calm and dedicated spaces where special attention can be given to patients suffering a worsening of their behavioural problems;
- The Group has also developed "non-medical" approaches that seek to allow residents as much independence as possible, develop their potential and assuage their behavioural problems, while keeping the use of sedatives to a minimum in accordance with international recommendations;
- A furniture range has also been developed based on an understanding of the illness and the risks it poses;
- Numerous therapeutic innovations such as:
    - Snoezelen therapy: the Snoezelen area is an area of multisensory stimuli which, together with a philosophical approach to the elderly, provides relaxation and recreation and encourages other modes of communication than language;
    - art therapy and music therapy;
    - Reminiscence workshops;
    - spa baths where patients can work on their bodies and self-recognition which has a naturally calming and comforting effect;
    - workshops to improve psychomotor coordination and balance with the aim of preventing falls, maintaining muscle strength and exercising the heart.

Specific procedures were also introduced to address this particular aspect of care: they cover continuous training of staff, recommendations on approaching and communicating with patients, prevention and early management of risks posed by the illness and its progression.
The aim of these protected units is to maintain and encourage patients to live with social relationships throughout their stay as well as monitoring their safety.
Partnerships with regional geriatric care departments and health professionals allow the group to integrate within the local geriatric environment and develop the best possible dependence care offer.

► Care in retirement homes

Receiving dependent elderly people at nursing homes requires strictly organised care services, comprising aid and support several times a day to help residents perform everyday tasks, as well as nursing and paramedical care as directed by each resident's doctor.

Multi-disciplinary teams, working to professional best practice and values, deliver care that is prescribed by the residents' doctors.
Paramedical teams are headed by a coordinating doctor and nurse, and consist of nurses, care assistants, medico-psychological assistants and - depending on the facility - other paramedical support such as psychologists and/or physical therapists or occupational therapists.
Also, independent specialists such as physiotherapists and speech therapists can be brought in where such treatment is prescribed.

Standardised care procedures, drawn up in consultation with the Group's medical management team, ensure the best possible care is provided throughout the ORPEA network.
Standardised organisation means that procedures can be checked and controlled to maintain high quality care at all times. Individual care plans are managed through a rigorous system that tracks all

care given to each resident; the Medical Management team is responsible for monitoring healthcare and can respond immediately, providing safety and support on the ground.

In addition, to ensure continuous improvement of care quality, a continuous training programme is in place specialising in illnesses affecting the elderly and their risks for all care and non-care staff.

► Care plans

Staff endeavour to create a pleasant and welcoming living environment by organising activities each day. Each facility is individual, based on its own institutional mission which is adapted to the residents it looks after, and a wide range of activities are offered. A coordinated programme of events is arranged by a qualified professional with two main aims:

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

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

Finally, ORPEA strives to integrate its facilities with the social life of the town, to develop rich and dynamic social ties between the surrounding cultural life for the well-being of the elderly people it cares for. This includes the organisation of activities with children from nearby schools, as well as with local associations. Some even offer nurseries and childcare facilities for everyone's enjoyment.

1.2.2 - The ORPEA Group's post-acute and rehabilitation care clinics

ORPEA Group's post-acute and rehabilitation care facilities (SSRs), most of which are in France but some also in Switzerland and Italy, seek to re-educate patients requiring medical resources and technical platforms with a view to their eventually returning home.

ORPEA has developed a range of global post-acute and rehabilitation care:

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

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

1- **Multi-disciplinary post-acute and rehabilitation care** looking after patients after a simple surgical procedure or medical condition requiring rehabilitation. While the majority of patients are elderly, these units are open to patients of all ages and can manage the post-acute care of a wide variety of pathologies. The dependency of patients passing through these units therefore relates to a pathology that has been treated or is in the process of treatment.
The aims are to provide follow-up care and rehabilitation, and to prepare the patient to return home and possibly to prepare for a stay at a care facility, or providing the means for them to return home.

The specific resources include: multi-disciplinary staff with specific training, including physiotherapists and occupational therapists, rehabilitation treatment in suitable premises, and finally an accessible and pleasant architectural environment. A social support worker further enhances the team.

2- Physical medicine and physical therapy: these services are intended to provide active care of post-surgical trauma or orthopaedic patients, or of patients with degenerative neurological or vascular conditions. Patients with a disability may be fitted with a temporary or permanent prosthesis.
To fulfil their mission, the Group's clinics have high-end technical resources, including in particular spa baths, with a permanent organisational structure and high quality medical monitoring. Prostheses and the necessary compensation devices are fitted and adjusted in a specific studio.

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

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

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

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

• *care of chronic neurovegetative states* or minimally conscious states, allowing patients with very severe neurological after-effects to benefit from continuous high-level care, both of the patients themselves and their families in a delicate and difficult situation.
These units provide long-term care of patients with brain injuries that are deemed irreversible and requiring daily assistance.
They aim to provide the necessary stimulation and rehabilitation care for highly dependent patients, to continue to provide high-quality assistance by focusing on family relationships, and to offer rehabilitation care with supervision by neurologists and physiotherapists.

Patients benefit from large rooms with individual care resources, looked after by trained, pro-active and motivated staff. The team includes specialist doctors who provide permanent medical care, as well as a high standard of psychological supervision.

• multi-functional medical services, for short stays for diagnosis and treatment. These multi-functional units cover general pathology but are generally strongly focused on geriatric care. The definition of these units is caring for patients for a short period for acute pathologies requiring diagnosis and appropriate treatment.

These units aim to provide acute care ahead of emergency services and general practitioners, provide high quality care in accordance with protocols and best practices, provide preparatory care for example to enter a post-acute and rehabilitation care facility, and improve care services by participating in care networks on key issues such as oncology, renal failure and Alzheimer's.

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

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

1.2.3 - The ORPEA Group's psychiatric clinics

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

- mood disorders (depression, bipolar disorder, adjustment disorders, dysthymia;
- anxiety disorders: panic attacks, generalised anxiety, simple phobias, social phobia);
- addictions: alcohol and drug dependencies, behavioural addictions (to screens, games, etc.). These addictions are often co-morbidities with other psychiatric diagnoses;
- overuse or burn-out syndromes;
- recently discovered disorders: chronic fatigue syndrome, fibromyalgia;
- obsessive compulsive disorders, impulsion phobias;
- sleep disorders: insomnia, hypersomnia, dysomnia, parasomnia, sleep apnoea;
- eating disorders:
    - restrictive: anorexia, bulimia with vomiting,
    - hyperphagia with obesity;
- Borderline personality disorders;
- age-related psychiatric disorders: grief reactions, delusions of injury, geriatric cachexia, neurodegenerative diseases with psychiatric symptoms, classic side effects of drug interactions due to the French predilection for over-prescribing;
- certain psychotic disorders.

Overall clinical oversight is provided by a psychiatrist acting as coordinator; the creation of an additional post of child psychiatrist coordinator has made it possible to harmonise the operation of the division's 11 adolescent units in France. The role of these two practitioners is to ensure the scientific validity and ethical nature of practices, to take part in continuing professional development for doctors and teams, as well as recruiting new practitioners, auditing medical files, regularly attending meetings of the Facility Medical commission (CME) and finally, and most crucially, being on hand to listen to colleagues, especially when incidents have occurred.

ORPEA Group encourages each of its clinics to develop an area of special skill. Several Group facilities have developed real expertise or excellence in specialist fields, such as:

- Clinique Lyon Lumière (Meyzieu 69):
  - *The Geriatric Psychiatry unit* receives 40 elderly patients with psychiatric pathologies specific to ageing. Care is provided by two geriatric psychiatrists, a geriatrician, a neuropsychologist, a neurologist and an enhanced paramedical team;
  - *The Cognitive Behavioural Therapy unit* offers care for obsessive compulsive disorders (OCD). This department was the subject of several reports on OCD at the clinic broadcast during programmes such as France 2's "*Ca se discute*" in 2006, "Jour Après Jour" on 20 February 2007, and "*Tellement vrai*" on 14 May 2009;
  - *The Sleep Disorders unit* which opened in 2010 and offers investigation and treatment of sleep disorders.

- Clinique d'Orgemont (Argenteuil 95):
  - *The Collaboration Unit* receives patients in hospital on voluntary or compulsory basis within the framework of a close collaboration with the Centre Hospitalier d'Argenteuil, for which it operates 20 inter-departmental beds. A similar structure was applied in the Clinique L'Alliance (Villepinte). These two public private partnerships were seen as pioneering examples in France.
- Clinique Villa des Pages (Le Vésinet 78):
  - *The Young Adults Unit* receives patients aged between 16 and 25, mainly with behavioural disorders, which could go as far as self-injury. It is part of the behavioural disorders network for the Paris region. It also looks after patients with eating disorders. This unit is recognised and part of the national network for eating disorders.

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

- Clinique La Métairie (Nyon – Switzerland):

  The clinic, a private institution with a long track record in hospital treatment for psychological disorders, specialises in caring for eating disorders, addictions (alcohol and nicotine), post-traumatic stress and burnout.

  Five specialist units spread across an attractive, landscaped, seven-hectare site are able to receive anyone requiring medical supervision and agreeing to play an active role in their own care.

► Treatment

Treatments are individual or group-based and are psychotherapeutic or pharmacotherapeutic.

Depending on their culture and training, practitioners use one or more psychodynamic, cognitive and behavioural, interpersonal, hypnosis, support and systemic models, all in terms of integrative institutional psychotherapies. In other words, these theoretical practices are used in all the clinics, generally with a particular emphasis on one direction or another, whilst at the same time attempting to incorporate them into as harmonious a whole as possible.

The level of care largely depends on the general atmosphere at the clinic. Caregiver/non caregiver/administration meetings, multi-disciplinary staff, supervisions, enable professionals to compare notes and to work towards a common goal which is the well-being and recovery or our patients.

Furthermore, the therapeutic life of an institution is heavily influenced by the leadership of its care team and is dependent on the quality of the therapeutic groups available to patients. These may be:

- open: taking the form of therapeutic education or discussion groups such as welcome groups, discussion groups, medication, sleep, self affirmation, managing emotions, relaxation, introduction to cognitive and behavioural therapies, etc.;
- closed: reserved for particular categories such as TCA (anorexia), OCD (obsessive compulsive disorder), alcohol, self worth, preparation for leaving, etc.;
- with mediation: occupational therapy, art therapy, sports therapy, "sensimage" (an internally developed tool using images), self play (a game-based intervention developed mainly for alcoholic patients), etc.

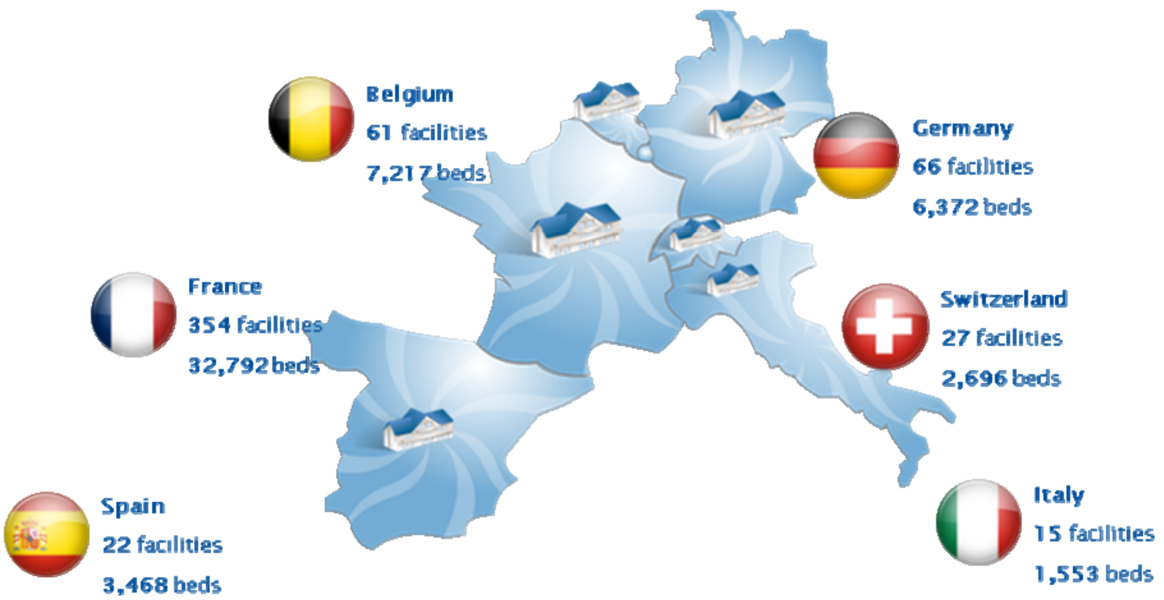
1.2.4 - ORPEA's home services

ORPEA subsidiary DOMIDOM offers home support services to facilitate continuity of care between post-acute and rehabilitation care facilities, home and nursing homes, for people losing their independence. Through this additional service the Group is providing an innovative total service that supports people through all stages of dependency, in line with both the thrust of public policy and the expressed demands of service users.

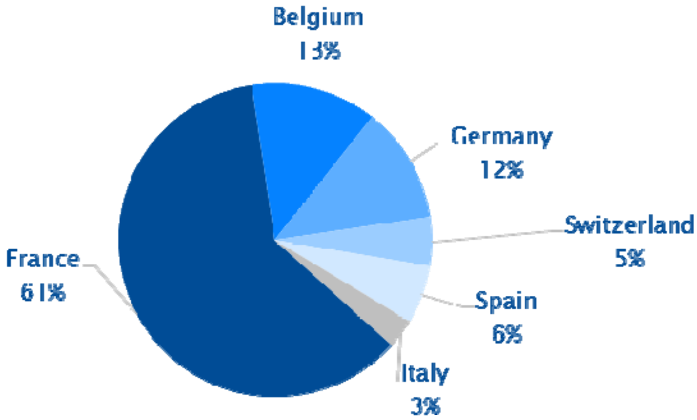
1.3 - A EUROPEAN NETWORK

At 1 March 2015, ORPEA was established as a leading player in the European dependency care sector, with 54,098 beds in 545 facilities across six countries.
The network includes 48,009 open beds (of which 2,232 are in facilities currently being refurbished) and 6,089 in facilities under construction. Therefore 84.6% of the total network is now open, the remainder being under refurbishment or construction.

ORPEA in Europe



Network by country (total number of beds)



Beds by country

	Number of facilities	Total number of beds	Open beds (excl. refurbishments)	Beds being refurbished	Beds under construction	% Beds under construction and refurbishment/Total number of beds
France	354	32,792	28,861	1,572	2,359	12%
Belgium	61	7,217	4,421	600	2,196	39%
Spain	22	3,468	3,468	0	0	0%
Italy	15	1,553	1,161	60	332	25%
Switzerland	27	2,696	2,021	0	675	25%
Germany	66	6,372	5,845	0	527	8%
TOTAL	545	54,098	45,777	2,232	6,089	15%

1.3.1 – France

The ORPEA Group has a network of 354 facilities, representing 32,792 beds (including 1,572 beds under refurbishment and 2,359 under construction), comprising:

- nursing homes or long-term care facilities;
- post-acute and rehabilitation care facilities;
- psychiatric clinics;

ORPEA subsidiary DOMIDOM, through its 80 offices, also offers home support services in France.

The Group began its business in France in 1989. Since then, ORPEA has pursued a development strategy of setting up new facilities and making targeted acquisitions. Today, France represents just 61% of the Group's total beds.

The ORPEA Group's facilities are spread across a large part of France, with coverage allowing it to operate in départements with high population densities and therefore greater demand, with facilities located in or close to major cities.
The Group is particularly strong in the regions of Ile-de-France, Provence-Alpes-Cote d'Azur, Aquitaine, Poitou-Charentes and Rhône Alpes with more than 20 sites in each of these regions: 41% of French facilities are in Ile-de-France or PACA (56% including Aquitaine and Poitou-Charentes).

1.3.2 - Belgium

The subsidiary ORPEA Belgium has a network of 61 facilities, representing 7,217 beds (including 600 beds under refurbishment and 2,196 under construction), comprising:

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

ORPEA broke into the Belgian market in 2006 and has actively pursued its expansion policy both by obtaining licences to open new facilities and by making acquisitions.

Belgian institutions are located throughout the territory: 39% of beds are in the region of Brussels, 27% in Wallonia and 33% in Flanders. As in other countries, most of the Group's facilities are in town centres or near major population centres.

1.3.3 - Spain

Spanish subsidiary, ORPEA Ibérica, has a network of 22 facilities, representing 3,468 beds in long-term care and day care facilities.

ORPEA moved into Spain in 2006 with the acquisition of Grupo Care, with 1,504 beds throughout Spain. It subsequently expanded in Spain with a selective acquisition strategy of companies, mainly in Madrid, to build up a network of high-quality and attractive facilities:

- to offer high-quality care services for the elderly;
- protected units intended specifically for elderly persons suffering from Alzheimer's disease;
- modern facilities with 80% single rooms, i.e. a significantly higher percentage than average in the Spanish dependency care sector;

Thanks to this development policy focusing on quality and location, 73% of its beds are now in Madrid and its periphery in recently built facilities.

1.3.4 - Italy

The Italian subsidiary has a network of 15 facilities, representing 1,553 beds (including 60 beds under refurbishment and 332 under construction), comprising:

- Flexible Residential Facilities (RAF): temporary or permanent stays for semi-able-bodied people, with different specialised units: convalescence, stabilised psychiatric patients, care for mental and physical disabilities;
- Assisted Residential Facilities (RSA): long-term care facilities for Alzheimer's patients and patients in comas;
- Psychiatric clinics.

ORPEA opened its first facilities in Italy in 2004 and most of its growth since has been organic: setting up facilities from scratch and applying for licences. Since 2011, the Italian subsidiary has also grown in the field of psychiatry, with the acquisition of two clinics in Turin.

The Group has a high-quality network, which is differentiated from the average care home. Its facilities are recently built, high-quality and offer almost exclusively private rooms.

ORPEA only has a presence in northern Italy and, more specifically, in two regions: Piedmont and the Marches region.

1.3.5 - Switzerland

In Switzerland ORPEA has a network of 27 facilities, representing 2,696 beds (including 675 beds under construction), comprising:

- nursing homes and assisted-living services, through its Senevita subsidiary, acquired in April 2014. Senevita's USP is to combine on a single site assisted-living beds for able-bodied and semi-able-bodied elderly people and nursing home beds in what are known as socio-medical facilities, Etablissements Médicaux Sociaux (EMS).
- a well-known psychiatric clinic in Nyon which has 150 years of experience inmental health disorders;
- a post-acute and rehabilitation care clinic, known as a treatment and rehabilitation centre (Centre de Traitement et de Réadaptation (CTR)), opened at the start of 2013.

ORPEA first moved into Switzerland in 2006 when it acquired a psychiatric clinic in Nyon in the Vaud canton. In 2013, the Group opened a post-acute and rehabilitation care facility in the same area, purpose built to fit the needs of the local care network.
In 2014, the Group acquired one of Switzerland's leading dependency care players, the Senevita Group. The deal gave ORPEA a network of very high quality facilities, mostly recently built and all located in German-speaking Switzerland (cantons of Bern, Zurich, Basel, Aargau, Solothurn and Fribourg).

1.3.6 - Germany

In Germany, ORPEA's subsidiary Silver Care has a network of 66 nursing homes, representing 6,372 beds (including 527 under construction).

ORPEA's German presence began on 1 July 2014 when it acquired Silver Care, a group founded in 2006, and has developed through targeted acquisitions of regional groups as well as setting up its own new facilities. This network is organised around 8 regional groups, each trading under its own brand, which fits with the regionalised German healthcare system and culture. These institutions are located in town centres or near suburbs and in dynamic regions such as Lower Saxony, Baden Württemberg and North Rhine Westphalia. Silver Care's network has an excellent reputation: ranked N°1 large nursing home group in 2012, 2013 and 2014 on quality, according to the MDK national ranking system. Their facilities are recently built, modern and have some of the best ratios of private rooms in Germany, nearly 80%.

2. A SECTOR WITH HIGH ENTRY BARRIERS, FUELLED BY INCREASING NEEDS

The dependency care sector plays a crucial role in responding to the challenges of the ageing global population, the need for medical care and increased specialisation and the inadequate and unsuitable stock of nursing homes. This role will increase in the coming decades.
To guarantee high-quality care, based on the safety and well-being of patients and residents and to manage health care expense, the dependency sector is governed by a strict regulatory framework that constitutes a real barrier to market newcomers.
All these factors, shared by most European countries, are powerful growth drivers for players in the sector.

2.1. – Considerable needs fuelled by the ageing of the population in France

In most countries around the world, the progress in medicine and improved living standards have resulted in longer life expectancy and resulting ageing population.

► **Ageing population**

Over the last 15 years, between 1997 and 2012, life expectancy at birth has increased by 3.5 years on average in the EU, according to Eurostat's latest statistics, an increase of around 3 months each year.
This trend continues and most of the gains in longevity are after the age of 65. The latest EU studies show that EU inhabitants who live to age 65 can expect to live to 83 (for men) and to 86.4 (for women), an increase of over a year since 2005.
This increase is, above all, linked to the progress made, in particular, in the treatment of cardiovascular disease in the over 65s, as well as to the drop in adult male mortality.

This trend is inevitably driving the ageing of the population, a process that is set to accelerate in all European countries, particularly as the second generation of baby boomers, born in the years following the second world war, reach old age.
According to the 2013 EuroTop study carried out by Eurostat, the population aged 80 and over is set to more than double by 2050 from 25.6 million today to 57.3 million; an increase of more than 30 million people. As the table below shows, the trend is identical in all the European countries where the Group operates.

	Number of people aged 80 and over (thousands)					2013 – 2030		2013 – 2050	
	2013	2020	2030	2040	2050	Change (%)	CAGR	Change (%)	CAGR
European Union	25,630	29,829	36,820	46,906	57,314	44%	2.2%	124%	2.2%
France	3,698	4,087	5,150	6,755	7,711	39%	2.0%	109%	2.0%
Belgium	587	646	773	1,038	1,273	32%	1.6%	117%	2.1%
Spain	2,553	2,800	3,382	4,309	5,726	32%	1.7%	124%	2.2%
Italy	3,757	4,369	5,153	6,101	7,926	37%	1.9%	111%	2.0%
Switzerland	391	452	627	820	1,095	61%	2.8%	180%	2.8%
Germany	4,465	5,826	6,455	8,097	10,550	45%	2.2%	136%	2.4%

The accelerated rate of ageing in the population is even more marked among the very old (90 and over). This age group is set to triple, growing by nearly 10 million, by 2050.
Short term, the steeply rising trend in the very old is identical with the over 30% growth in the EU between 2013 and 2020, including nearly 40% growth in France, Spain and Belgium.

	Number of people aged 90 and over (thousands)					2013 – 2030		2013 – 2050	
	2013	2020	2030	2040	2050	Change (%)	CAGR	Change (%)	CAGR
European Union	3,851	5,179	6,996	9,644	13,048	82%	3.6%	339%	3.4%
France	631	875	1,047	1,550	2,010	66%	3.0%	219%	3.2%
Belgium	82	113	142	198	284	72%	3.2%	245%	3.4%
Spain	392	553	662	931	1,278	69%	3.1%	226%	3.2%
Italy	585	792	1,056	1,352	1,713	81%	3.5%	193%	2.9%
Switzerland	64	82	109	169	234	70%	3.2%	264%	3.6%
Germany	708	905	1,451	1,589	2,318	105%	4.3%	227%	3.3%

The ageing of the population results in an increase in the number of dependent elderly people requiring help or care. Dependency begins to increase rapidly from the age of 80, to reach the critical threshold at 85. Persons with the heaviest dependence (severe mental + physical dependence) are most numerous among those aged 85 and over. Among others who are mentally dependent but less physically dependent, most fall into the 60-74 age group.

▶ **Falling numbers of nursing home beds**

The increase in the number of people aged over 75 has already had a significant impact on the number of long-term care beds per over-75 in France. In fact, this rate has dropped sharply over a ten-year period: from 166 places for every 1,000 people aged over 75 in 1996, to 140 by the end of 2003 and 122 by the end of 2010.

This is mainly because of the much more rapid growth of the population aged over 75 – which increased by 14% between 2004 and the start of 2008 – than the number of places created at care homes.

(Source: DREES "Etudes et Résultats" no. 689 – May 2009 and FHF Note – September 2012).

The trend is similar across all countries, with long-term care beds falling over the last 10 years.
Bed numbers per 1,000 over-80s in 2013 were as follows:

	Number of long-term care beds	Beds per 100 people aged over 80
France	590,000	16%
Belgium	137,000	23%
Spain	350,000	14%
Italy	340,000	9%
Switzerland	93,500	24%
Germany	875,000	20%

▶ **Inadequate and unsuitable supply**

These major trends explain the need to create new retirement home beds in all European countries over the next 20 years. The estimates of new beds needed vary from country to country:

- In France, industry professionals estimate that 25,000-30,000 new beds will be needed in the next 5-10 years. On top of this, much of the existing stock of facilities will need to be rebuilt, being ageing and unsuitable for caring for heavily dependent patients. The *Caisse Nationale de*

Solidarité pour l'Autonomie (CNSA, the National Solidarity Fund for Autonomy), in its December 2011 report (investment in medical/social care facilities), estimates the modernisation requirement to be 116,900 beds, i.e. around 20% of places available in the sector nationally. With the CNSA assessing the current cost of modernising one bed at €100,000, the investment requirement would be €11.7 billion.

- In Belgium, Federal ministry projections suggest the country will need 45,000 additional beds by 2030 and 130,000 by 2050, i.e. a doubling of current capacity by 2050. Most of these needs will be in Flanders.

- In Spain, there is also a large shortfall of high quality beds for the elderly. In a 2010 report, the World Health Organization estimates the need for new beds at 50,000 by 2030.

- Italy already has one of the lowest numbers of long-term care beds per head of population and will have to create facilities at one of the fastest rates in Europe, adding 80,000 beds by 2030 or more than 5,000 per year. Italy also needs to renew much of its existing facilities, requiring heavy investment.

- Switzerland will need to nearly double its facilities by 2030 by creating around 70,000 new beds due to the rapid ageing of its population. This is a long-term sustained trend, with an estimated additional 40,000 beds being needed between 2030 and 2040.

- In Germany, according to the German national office of statistics, they will need 100,000 new beds between 2011 and 2020, the highest number in Europe. By 2030, German will have to create a total 250,000 beds if it is to meet the challenge of its ageing people. As in most countries, it will also need to overhaul existing facilities, particularly those run by independent private operators, around 30% of the sector or about 275,000 beds in over 4,000 facilities.

To meet these needs will take tens of billions of euros in investment, at a time when most European state budgets are being squeezed. The private sector will be able to meet the challenge.

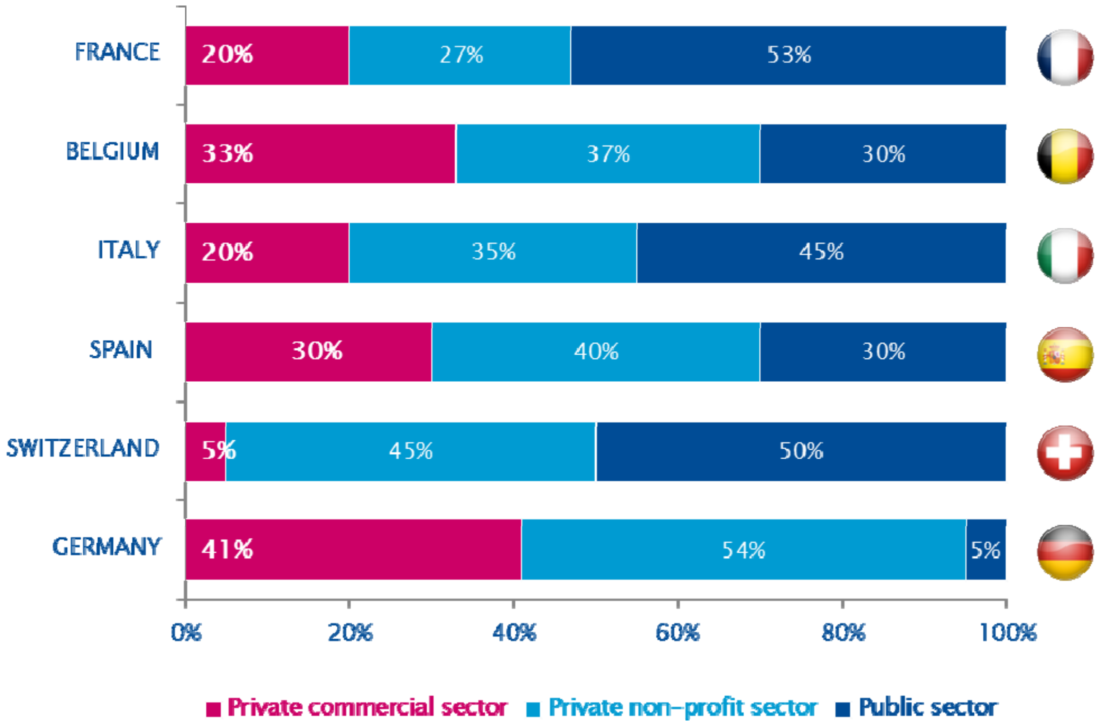
2.2 – Composition of the sector

The dependency care sector has similar characteristics in all European countries where the Group operates:

- strongly dominated by the public sector and association sectors which make up between 60% and 90% of existing beds;
- a still highly fragmented private for-profit sector, comprising numerous independent operators with ageing structures, requiring consolidation over the next few years;
- few European-scale operators other than Korian Medica and ORPEA.

The private for-profit sector manages only between 5% and 40% of beds in the countries where ORPEA operates, a major advantage in terms of the solvency of demand.
ORPEA's market share remains less than 5% in each country, giving it ample opportunities for further expansion in coming years.

Beds by country and operator type



The private for-profit sector is still heavily fragmented in all countries and we can therefore expect concentration in the future, including a notable fall in the market share of small independents.

In France, for instance, the top 5 operators (Korian Medica, ORPEA, DomusVi, Le Noble Age and Colisée Patrimoine) make up 55% of the private for-profit sector which totals 120,000 beds. This leaves around 40,000 beds run by independents.

In Belgium the top 4 operators (Senior Living Group owned by Korian Medica, ORPEA, Armonea and Senior Assist) make up just 35% of the private for-profit sector.

In Germany, there are only 10 groups with more than 4,000 beds and they make up only 21% of the private for-profit sector. As a result, there are around 275,000 beds, 30% of the sector total, which are held by small regional chains or independents.

2.3 – Increasing need for medical services and specialisation of facilities

2.3.1– Increased medical service in retirement homes

► **Increasingly dependent residents**

Nursing home residents are getting more and more dependent, an underlying trend seen in most European countries. In France, for instance, a DREES study in December 2014 found that women made up 75% of personnel. The average age of residents entering an institution is 85, compared to 82 in 1994.

The average length of stay is 18 to 20 months, compared to 3 to 3.5 years 20 years ago. The reason for this change is the development of better support to keep people in their own homes. Most European governments have invested heavily to expand home care, in response to demand from society. However, while most elderly people can stay at home, some have no choice but to go into a facility. It is estimated that at the age of 85, 85% of people can stay at home, with a greater or lesser degree of support, but 15% need residential care. This percentage rises sharply as you move up the age spectrum.

Alzheimer's disease is the most common cause of dementia in the elderly, accounting for over 70% of cases of dementia in France. It is also the main reason for entering a retirement home. Today, 50-70% of people living in nursing homes for the elderly in France show signs of early or confirmed dementia.
The PAQUID study assessed the prevalence in France of Alzheimer's disease and related syndromes with age. If 5% of people over 65 are affected, the disease is observed in 25% of people over 80 years.

In all European countries, therefore, the dependency rate of facilities is growing strongly. In France, for instance, 84% of residents are rated GIR 1-4 (total or partial dependency) compared to 75% in 2005.

► **Increased medical services to ensure quality**

Residents entering facilities at an ever later age and an ever higher rate of dependency requires more medical services to be offered by retirement homes, primarily by bringing in a multi-disciplinary care team, but also by having in place units specialised in caring for Alzheimer's patients and better safety standards.

This provision of medical services means heavy investment, particularly in terms of medical equipment and recruiting qualified care staff. The sector, and above all residents, has benefited from improvement particularly in terms of quality of care. Quality controls and standards have also been upgraded by the supervisory authorities in all European countries.

To meet these investments and the absolute requirement for quality control and compliance with standards, private groups have major advantages thanks to their ability to invest and their structure.

2.3.2 - Post-acute and rehabilitation care facilities

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

In addition to the phenomenon of the ageing of the population, there is a structural reducing trend, seen in all countries, in the length of stays in medical, surgical and obstetric (MCO) facilities due to changes in:

- medical and surgical practices, in particular outpatient surgery.

- the pricing system which, to improve productivity, has changed from a rate per day in hospital to a rate per type of intervention. This billing system was introduced in France in 2003 under the name T2A (*Tarification à l'Activité*).

Medical, surgical and obstetric units now try and move their patients out as quickly as possible to Post-acute and rehabilitation care facilities, which means that patients are arriving with more and more severe types of pathology.
The same trend is being encouraged by governments in Europe as the cost per day of Post-acute and rehabilitation care is much lower than medical, surgical and obstetric stays. For instance, the estimated cost to the French health insurance system of a day in post-acute and rehabilitation care is €120 to €130, compared to €500 to €800 for a day in a medical, surgical and obstetric unit.

Post-acute and rehabilitation care facilities have therefore taken the place of hospitals and medical-surgical clinics in France, which have an average stay of 5.9 days (or even 4.8 days in the private sector) compared with an average of around 34.3 days at post-acute and rehabilitation care facilities. (Source*: DREES – Panorama des établissements de santé – 2011 edition).*.

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

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

2.4 – Regulated and controlled activity

Caring for fragile patients and residents is inevitably a closely regulated sector, thus ORPEA is overseen by supervisory authorities which in most cases issue operating licences for the sector. Controls are similarly tight when it comes to technical, construction, safety and environmental standards and numbers of carers and non-care staff. Compliance with these standards is closely monitored in all European countries by their respective national or local supervisory authorities.
This complex, closely regulated, even restricted environment in some countries is a high entry barrier for new entrants who lack ORPEA's know-how, reputation and 26-year history.

In most countries where ORPEA operates (France, Belgium, Italy, Spain, Switzerland) an operating licence is needed to open a nursing home, post-acute and rehabilitation care centre or psychiatric clinic. Authorisations for new facilities follow strict procedures and are issued by local or national authorities depending on the country. Also, the number of new licences granted each year is limited and set by each country's supervisory authority. As a result, the business is subject to restricted numbers in these five countries, where it is not legally possible to open a facility without authorisation.

► France

Health and socio-medical care facilities in France are controlled and governed by a single supervisory authority, which issues licences, the Regional Health Agencies (*Agences Régionales de Santé* or ARS).

These were created in 2010 and plan the regional care offering, including health and socio-medical care.

In order to operate, long-term care facilities need to obtain authorisation to operate, which is granted for a period of 15 years by joint decree of the head of the Local Authority (*Conseil Général*) and the local Préfet for the funding of the national health system.
This licensing system concerns both requests to create new nursing homes and requests for extensions - i.e. increasing the authorised capacity - and conversions - i.e. changing the category of beneficiaries. In any case, these requests need to fall within the framework of the needs and objectives analysed and listed by the supervisory authorities, using their programming tools.

These requests to create new facilities or extend existing facilities must comply with a strict procedure, known as a call for proposals, including detailed specifications of the services and management of the project.

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

Like long-term care facilities, post-acute and rehabilitation care and psychiatric clinics need to obtain authorisation to operate. Authorisation is given for a period of five years. The creation, extension and operation of short-term care facilities is also governed by complex regulations designed to regulate hospital capacity with the dual aim of cost control and quality of care provision.
Licence renewal is subject to the results of an assessment report sent to the Regional Health Agency 14 months before the expiry date. If the results are satisfactory, the licence will be renewed automatically without further formality. However, if the results are not satisfactory, the ARH's (Regional Hospital Agency) General Manager will issue an injunction, stating the reasons. This is sent to the party holding the authorisation, which then has to present a request for renewal in accordance with the usual process.

In the last three years, since the new procedure came into force, there have been very few new licences granted in France for either health care or socio-medical facilities.

► **Belgium**
Belgium has a regional healthcare system. Rest homes and rest and care homes must have operating licences issued by the competent regional authority. Each region sets a quota of long-term care beds and care standards.

Due to these quotas and in order to obtain an operating licence, operators need to file an application with the regional health authority. An inspection follows to check that the facility complies with regulations, particularly as regards building standards, safety, care staff and care plans. One of the key criteria for obtaining an operating licence, apart from compliance with standards, is the level of need for long-term care beds identified by the region.

Operating licences are issued for indefinite periods in Wallonia and Flanders.
and for six years in the Brussels region. Authorities may refuse to renew a licence if there is a significant breach of the required standards.

▶ Italy

Italy's authorisation systems were initially defined on a national level. These national regulations set out the minimum structural and organisational requirements for nursing homes.

Then, on the basis of this national regulatory framework, each region has to adopt its own procedures and define its own requirements, which are inevitably tighter than the national ones.
The authorisation system is therefore planned by each region and then implemented by the local health authority (ASL).

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

▶ Spain

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

Regional administrative authorisation is needed to run a nursing home. These are issued on the basis of a proposal describing the project and a site inspection to ensure minimal quality and safety standards are being met.

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

▶ Switzerland

The operation of socio-medical and long-term care facilities also requires an operating licence. The health system and procedures are regionally governed and vary from canton to canton.

▶ Germany

Germany differs from France, Belgium, Italy, Spain and Switzerland in that there is no administrative authorisation process that restricts the activities of nursing home managers. Creation or extension of homes is thus initially unregulated.
However, the award of contracts to manage nursing homes depends heavily on compliance with applicable regulations.
The main conditions to meet are:

- The nursing home must be an economically independent institution – a "*wirtschaftlich selbständig wirtschaftende Einrichtung*";
- It must have staff with specific qualifications to continuously oversee the services and care delivered to residents;
- It must show it has a quality management system.

To claim payments from the dependency health insurance system, nursing home managers must negotiate contracts with the various Länders' nursing care insurance fund associations (*Landesverbände der Pflegekassen*) and social welfare organisations (*Sozialhilfeträger*).
There is also indirect regional regulation of the number of old people's homes, via the agreements that must be negotiated with local authorities to finance the "investment cost".

Overall, although German regulation is less restrictive when it comes to setting up new facilities, the need to comply with increasingly strict standards and quality controls by the supervisory authorities pose major entry barriers and favour structured groups.

2.5 – A CONTROLLED PRICING SYSTEM

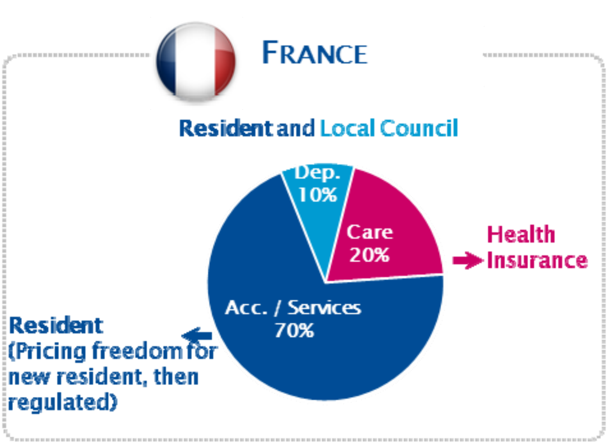
Pricing of dependency care facilities is controlled in all European countries in the interests of controlling public sector health spending: part of the day rate, mostly related to care costs are covered by each country's respective national health insurance.

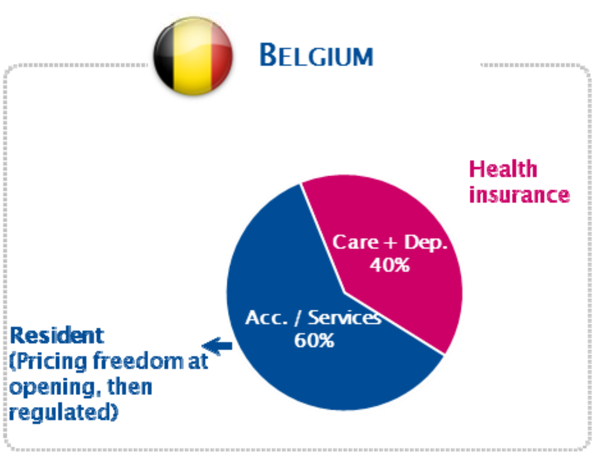
2.4.1– Nursing homes

The price of places in nursing homes is controlled, but only in part, and according to a similar model in all countries where ORPEA operates with the majority of revenue coming from residents' own resources. The price breaks down into three components:

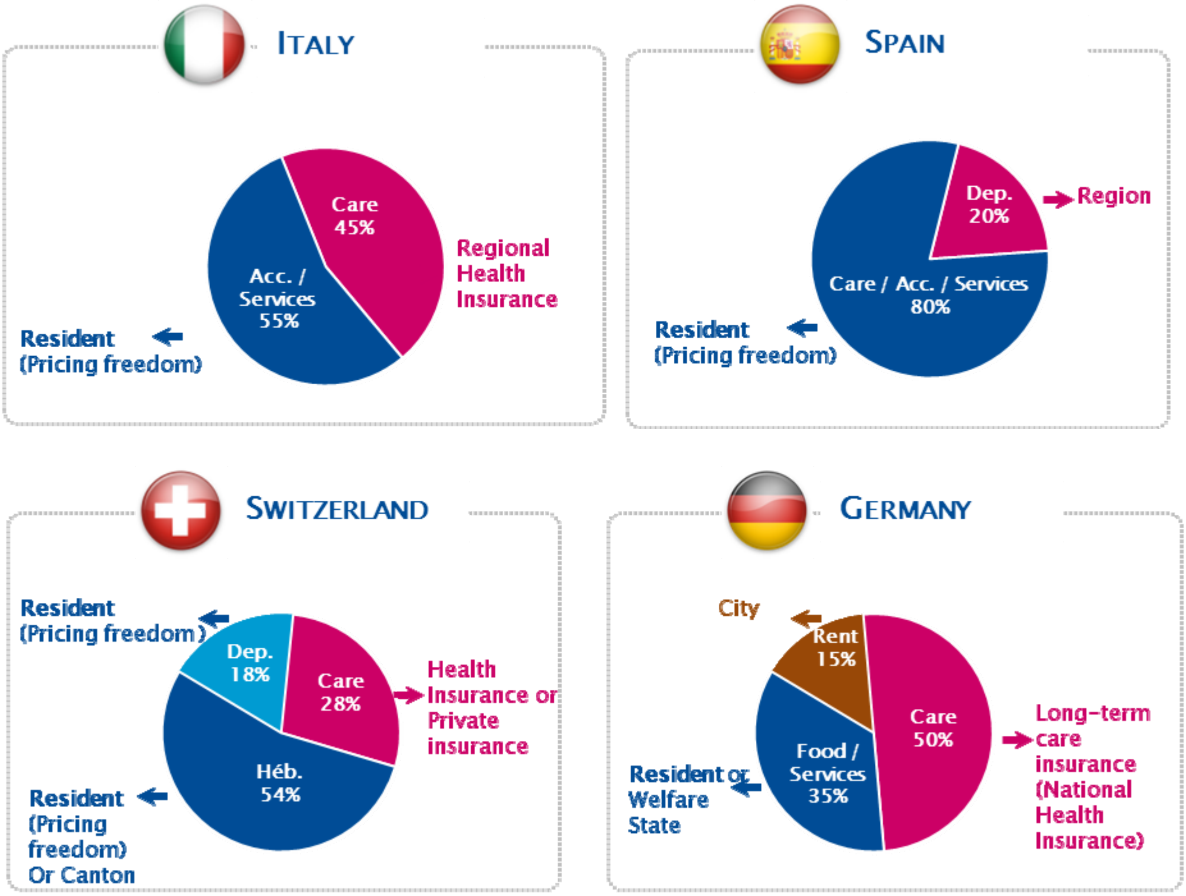
- **Accommodation**, food, service and social activities. It covers room rental, all general administration services, residency, meals, cleaning and social activities at the facility that are not related to people's level of dependency. This price represents 50-80% of the day rate, depending on the country. It is paid by the resident or their family. Price changes may be unregulated, as in Switzerland, Italy and Spain, partly controlled, as in France where only new entrants are free to set their prices, or regulated, as in Belgium. This fee is charged on a daily basis partly or in full (depending on the option selected by the long-term care facility).
- **Medical care allowance** This covers paramedical services needed for the care of residents' somatic and psychological conditions, as well as paramedical services corresponding to care services relating to residents' level of dependency. This charge represents 20-50% of the day rate, depending on the country. It is paid by national or regional health insurance or dependency insurance. It is wholly administered and controlled in every country. It is paid as a pure euro-for-euro reimbursement and facilities make no profit on these services.
- **Dependency allowance**. This covers support and supervisory services required to carry out essential everyday tasks, not related to the care services the elderly person may receive. These services correspond to the residents' level of dependency, whether this concerns relationship services and help with everyday and social tasks, or residential services and various supplies. This fee represents 10-20% of the day rate. Depending on the country, this fee may be included in the medical care allowance (as in Belgium, Germany or Italy) or separate as in France and Switzerland.

Day rates by country





ORPEA
LIFE GOES ON WITH US



► France

In France, each long-term care facility has to draw up and sign a five-year tripartite agreement with the head of the *Conseil Général* and the relevant authority for establishing care prices.

In France, the pricing of long-term care facilities breaks down into three components:

- The whole of the accommodation fee is paid by the resident (or the local authority if the facility has beds available for "social security support" cases). Changes to accommodation fees are controlled, as the French Finance Ministry determines the percentage change on 1 January of each year for residents in attendance at the facility at this time. However, the pricing of accommodation is not fixed for any new entrant;
- The dependency allowance is funded by the personal autonomy allowance (APA, or *Allocation Personnalisée d'Autonomie*), which covers part of the cost based on the elderly person's level of dependency and resources. This allocation is 72% financed by the *Conseils Généraux* and 28% by the government. (Source: Synerpa White Paper - March 2012);
- The care services fee is a day rate funded by the national health system (*Assurance Maladie*), paid directly to the facility on a monthly basis in the form of a lump sum.

The accommodation fee, paid by the resident or their family, makes up around 70% of the day rate; the care allowance, paid by health insurance, around 20%; and the dependency allowance, split between the APA and the resident, around 10%.

► Belgium

In Belgium, rest and care home charges break down into two components:

- The accommodation fee, wholly paid by the resident. Accommodation fees are set by prior application to the SPF Economie (*Service Public Fédéral*), Pricing Department. Following a ministerial decree of 12 August 2005, long-term care facilities cannot apply for a rate increase

without first submitting a request, providing quantitative justification of the requested increase. Price changes are therefore regulated and controlled ;
- The medical care allowance, financed from national health insurance (INAMI) based on the number of residents and their level of dependency. These amounts are paid on a quarterly basis in the form of a provision, with later payments when the INAMI has the necessary data and is able to finalise its calculations. The INAMI has the right to inspect facilities for compliance with standards and can impose financial penalties if they fail to do so.

The accommodation fee, paid by the resident or their family, makes up around 60% of the day rate and the medical care allowance around 40%.

► Italy

In Italy the pricing system is regional, with each region being independent. For example, the Marches region calculates the level of dependence of each resident and gives the facility a care services allocation. In other regions, the local health authority (ASL) gives the future resident a "Voucher" granting access to an accredited facility depending on the availability of accredited places.

The average accommodation fee, paid by the resident or their family, makes up around 55-60% of the day rate and the remaining 40-45% is paid by the region to cover medical and dependency care.

► Spain

Accommodation and care fees are freely determined in Spain and are paid in full by the resident.
In some cases, nursing homes and the regional supervisory authorities sign agreements with the main aim of "reserving" a number of beds for dependent people requesting help or full or partial provision of services. Under these agreements, rates are set in advance and any changes are subject to controls.

Because of ORPEA's specific circumstances and its mix of private and "reserved" beds, the fee paid by the resident or their family, makes up around 80% of the day rate and the remaining 20% is paid by the region.

► Switzerland

In Switzerland, the medical care allowance covers around 30% of the day rate, which is based on level of dependency, and is paid by the national health insurance or private insurance. The remainder, covering accommodation, services and dependency is paid by the resident or their family, or in part by the Canton if the resident cannot afford the whole amount. This part of the fee can be changed freely.

► Germany

In Germany, nursing home pricing breaks down into three components:
- A price for the real estate, called the "investment cost", covers rent or the investment to build the building. It is part paid by the local authorities;
- The price for food and services, which the resident or family pays;
- The medical and dependency care allowance, paid by the Dependency section of the national health insurance system. This is a secure funding system which has run an approximately €5 billion surplus for 16 years, since Germany reformed its long-term care funding system some years ago. The allowance varies based on the level of dependency care offered in the facility and differs from region to region. Changes are negotiated annually with local supervisory authorities.

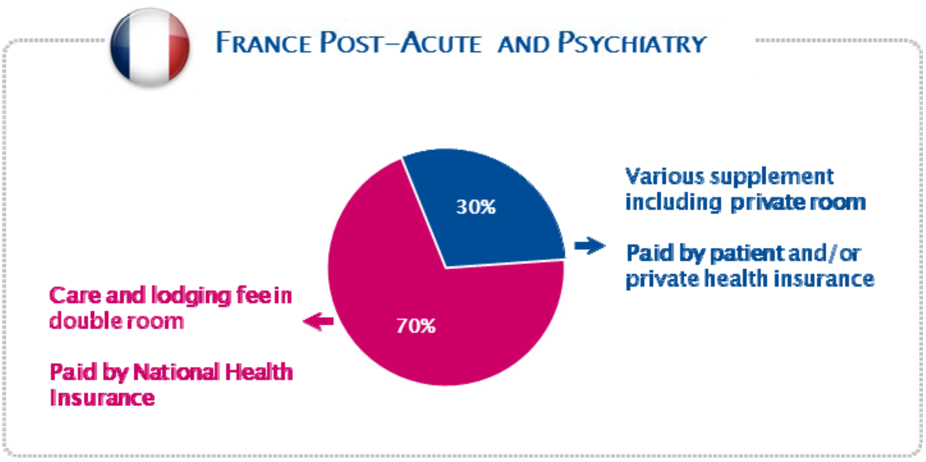
The care allowance, paid by national health insurance, makes up around 50% of the day rate, the investment cost 15% and the rest, paid by the resident, around 35%.

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

Rates for post-acute and rehabilitation care and psychiatric care in France are set by Social Security. They are set out in targets and resources contracts, signed by post-acute and psychiatric care facilities, whether public or private, with Regional Health Agencies.
On the basis of this pricing system, for each patient looked after, Social Security pays a day rate that covers all medical care, personal care, medicines and accommodation based on a two-bed bedroom.
Changes to this rate including all charges are regulated and controlled. Each year, the Social Security Budget Act (LFSS) draws up a national health spending target (ONDAM), allowing the government to determine – particularly for post-acute and rehabilitation care and psychiatric care facilities – a national financial target (OQN) representing the annual spending budget for the private hospital sector covered by Social Security.

Furthermore, in addition to the day rate paid by Social Security, facilities can receive additional payments relating to residential services such as private rooms, television and telephone, etc. These additional charges are paid directly by the patient, who requests reimbursement of all or part of the cost from his/her top-up mutual insurance company. This rate can be changed freely.
The allowance paid by national health insurance, therefore, makes up around 70% of the day rate and the additional charges around 30%.

Summary of post-acute and rehabilitation and psychiatric care day rates



3. THE FOUR PILLARS OF THE ORPEA MODEL: VALUES, QUALITY, ORGANISATION AND REAL ESTATE MANAGEMENT

ORPEA's strong growth over the last 26 years, set to continue in coming years thanks to the robust fundamentals of the sector, is based on four unchanging strategic foundations:

- Its founding values of ethics, respect, listening, trust and professional conscience;
- A rigorous quality policy, permanently improved, as the basis of the ORPEA offer;
- Centralised organisation to ensure efficiency and quality;
- A long-term real estate policy built around owning a significant part of the premises used by the Company.

3.1 – STRONG FOUNDING VALUES

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

To ensure its long-term business survival, in the interests of its patients, residents and employees, the Group has from the start defined strong values that it reproduces internationally while also respecting national differences: ethics, trust, kindness, mutual assistance and professional conscience;

The term "value" relates to both a financial aspect and a moral aspect. ORPEA takes the view that there can be no value creation without founding values that guide its actions and form the basis of the corporate culture.

The ability to invest in people in order to raise relational and moral standards at the same time as purely technical aspects is a positive factor. The Group's reputation rests on basic values such as kindness, compassion, empathy, availability and human warmth, as well as performance in terms of its skills and technical expertise.
Satisfaction surveys underline the essential nature of these values: exit comments focus on the kindness of the staff just as much as the quality of care. Fundamentally, the Group's core value is unquestionably the warmth and humanity of its employees.

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

► **Ethics: an everyday requirement**
The core value that underlies all these values is clearly ethics. This core value guides the Group, particularly in designing quality and training policies.

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

The value of a charter that has been put together by a facility's staff is another matter altogether.
It is on the basis of this assumption that the Group has drawn up an original code of ethics. The idea is simple but requires a certain amount of energy and time.

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

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

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

3.2 – QUALITY POLICY AT THE HEART OF ORPEA'S EXPANSION

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

The ORPEA Group's Quality policy is structured around:

- protocols and care procedures that are harmonised and subject to continuous improvement;
- satisfaction surveys;
- internal and external assessments;
- competitions and other prizes;
- staff training.

► The Quality Department

Whatever the country, the role of the Group's Quality Department is:

- to provide facilities with methodological assistance in the context of the implementation and oversight of their quality and risk management initiatives;
- to support facilities through their assessment processes (certification, accreditation);
- to develop training:
    - o and assessment tools with a view to improving planning teams' know-how,
    - o and overseeing standard audit initiatives,

  - such as scorecards, indicators, quality, etc.;
- to set up the Quality Award;
- to organise the annual satisfaction survey;
- to conduct audits, as a team training exercise, or to audit the quality of services delivered to residents/patients;
- to monitor regulations and documents within the context of quality, risk management or regulatory initiatives as they relate to the various activities carried out at our care facilities.

► Quality organisation

In each country, the Quality Department reports to the Chief Operating Officer and works in close collaboration with the Operating Divisions and Head Office Departments.

A quality dashboard is compiled each month by facilities and sent to the Quality and Operations Management, who track the continuous improvement process and identify and prevent any potential risks.

In France, this quality approach is driven by a team of over 20 people led by the Quality Manager, in close collaboration with the Medical Director.

In ORPEA's other countries of operation, one or more quality officers are in place to structure the quality approach in the facilities. The quality officers are in permanent contact with Group Quality Management to ensure the Group's quality policy is applied consistently, with values respected and risks managed, and to adapt the approach to local regulations.

For over 15 years, strict procedures – standardised across the network – have been implemented and are constantly evolving.

3.2.1 – Satisfaction surveys of residents and patients

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

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

Satisfaction surveys are carried out in the Group's nursing homes to measure the satisfaction of residents and their families.

► Survey results: France, Italy, Belgium and Spain

In France, Italy, Belgium and Spain, the Quality department puts together a "satisfaction barometer" each year, which enables residents and their families to assess the services provided by the facility.

This yearly satisfaction barometer has been designed to listen to all parties concerned and thereby allow for any corrections that need to be made and for strengths to be consolidated. Each facility therefore gives out a satisfaction questionnaire to all residents and their families. On receiving the responses – which are anonymous – the Quality department sends them to an external company to analyse the results.

In 2014, 24,378 satisfaction questionnaires were sent to all residents and families and 13,567 were returned and analysed, representing a 55.7% response rate. 90.6% of residents and families said they were satisfied or very satisfied with the quality of the facilities' services and 91.5% said that they would recommend the Group's facilities.

Finally, an annual satisfaction survey is carried out on DOMIDOM's home care services, based on phone sampling for customers of each agency. In 2014, 471 customers took part in the satisfaction survey: 91% said they were satisfied with DOMIDOM's services and 91% of these would also recommend DOMIDOM.

► Survey results: Switzerland

In Switzerland, Senevita hired TerzStiftung to carry out a satisfaction survey of its residents. TerzStiftung is an independent foundation that works as a not-for-profit charity defending the interests of elderly people. It awards the "terzLabel" to services, products or infrastructure that achieve a high level of customer satisfaction.

In 2014, all 14 of Senevita's facilities included in the survey were awarded this label. With an average score of 8.5 out of 10, the Group amply exceeded the 7 point qualifying threshold for the label.

The satisfaction questionnaire used covers five areas: general satisfaction, employees, services, care, quality of life. Compared to 2012, the year of the last study (the label is valid for two years in the services sector), Senevita improved its score in every one of these headings.

► Purpose of satisfaction surveys

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

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

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

3.2.2 - External assessments of the Group's facilities

The benefits of the pro-active Quality improvement procedures in place within the ORPEA Group since 1998 can be seen in the external assessments of its facilities.

► In the clinics

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

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

This procedure therefore allows for:

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

Certification therefore fits in with a dual international trend advocating:

- a professional approach to promoting continual quality improvement based on an industry reference framework and external assessment by peers;

- and assessment of the level of quality achieved against the backdrop of increased obligations to report to the public on the quality of services provided.

In 2014, the procedure was developed so that facilities could apply a continuous quality process. Facilities must now report on their quality and risk management policy every 18 to 24 months, through the quality account. There is also an on-site inspection every four years.

The Group's clinics which have already taken this certification have obtained satisfactory results.

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

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

► In nursing homes

In France, since the law of 2 January 2002 which overhauled the delivery of social interventions and socio-medical care, nursing homes, like other socio-medical facilities, have been obliged to implement a "continuous improvement process for activities and service quality".

This entails regular assessments of each nursing home: a self-assessment and an assessment by an outside body.

Self-assessment or in-house assessment: every five years, the nursing home's employees must carry out a self-assessment of their activities. The self-assessment involves evaluating actions taken and their impact on residents. The in-house assessment involves participation by residents, families and professionals. Results and the associated improvement plans will influence the resources which are allocated by the financing bodies (regional health agency and general council) every five years.

External assessment: every seven years, the nursing home must have an "external" assessment done by consultants from outside the facility who have been authorised by the National agency for quality and assessment of social and socio-medical facilities (ANESM). The inspectors look particularly at respect for users' rights and whether practice at the nursing home matches up to the facility plan.

The results of the external assessment are important as they dictate whether the facility will have its licence renewed. Delays to the inspection schedule meant that the first assessments only took place in 2013.

However, to anticipate the assessment progress, since 2009, the ORPEA Group voluntarily decided to obtain external assessments of 19 of its facilities for the elderly, in the form of certification based on the "Qualicert" standards set by SGS (*Société Générale de Surveillance*).
This certification process therefore allows for an assessment of the facility's standards, comfort, quality of welcoming and integrating new residents, respect for "rights and freedoms", maintaining social ties, care given to residents and training of staff. Once facilities have been certified, monitoring is organised

each year to check that the commitments made are observed, particularly as regards the quality and consistency of the services it offers.

In 2010, the ORPEA Group decided to involve over 50 additional residences in this process.
Since March 2014, 83 of the ORPEA Group's long-term care facilities obtained Qualicert - Services Certification from SGS.

This certification policy has enabled the ORPEA Group to effectively anticipate external assessment, an obligation defined as part of the Decree of 15 May 2007, by preparing our facilities' teams for the audit process to be conducted by external operators.
This advance preparation has also been recognised insofar as the Decree of 30 January 2012 acknowledged the certification process as part of the external assessment.

At 31 December 2014, all the ORPEA Group's facilities obliged to have external assessments before the target date of 3 January 2014 had complied and submitted their external assessment reports to the supervisory authorities on time.

In Spain, AENOR, the International Certification Body approved by the Health Ministry, carries out a multi-site certification audit, renewable every three years and awards certification, issuing a public certificate that must be posted in each home.
The headquarters and sites are audited by AENOR specialist auditors.

At the headquarters, the auditors audit the procurement and HR processes as well as the quality policy and continuous improvement process.

The facilities undergo a full on-site assessment that covers:

- compliance with regulations and standards in all its sectors of activity;
- customer satisfaction;
- remedy of non-compliance, follow-up of corrective and preventative actions;
- in-house oversight and training.

In 2014, all sites belonging to the ORPEA Ibérica Group were AENOR certified except for the five facilities most recently acquired in July 2014. They will be incorporated into the audit process as from March 2015.

In Italy, Belgium and Switzerland, quality controls are carried out by the supervisory authorities to check that quality standards required in each region are being properly applied. These checks look at good practice in care for residents and check that the correct number of qualified staff are present for the elderly population being cared for.

In Germany, all facilities undergo annual inspections by the medical services of health insurance funds, the MDK (*Medizinischer Dienst der Krankenkassen*) who follow a methodology and framework defined by Book XI of the German Social Code and validated by the Health Ministry. These audits include inspection of a sample of nine residents, three from each level of dependency (*Pflegestufe*).
To promote transparency in care quality for the elderly, a summary of MDK inspections is published for each nursing home in Germany and must be posted in the facility. This "transparency report" (*Transparenzbericht*) includes an overall score between 1.0 "very good" and 5.0 "inadequate" and specific scores for the following areas:

- Care and medical care (up to 32 criteria assessed);
- Care of dementia patients (up to 9 criteria);

- Social activities and ties (up to 9 criteria);
- Accommodation, food, cleanliness and tidiness (up to 9 criteria).

There is also a customer satisfaction score (up to 18 criteria). This, however, is unrepresentative given the low number of respondents.

The 58 Silver Care facilities inspected in 2014 all scored between 1.0 and 1.6 (very good and good). More than half the residences got the top score of 1.0.

Avivre Consult carries out an annual analysis of MDK scores of the Top 50 private nursing home operators in Germany. This study takes an overview of results but also drills down to the headings and individual questions. In 2014, Silver Care, for the third year running, came first in the category of groups with 30-plus facilities.

DOMIDOM has embarked on a Qualicert certification process for its home care services, based on the SGS "Services to individuals - RE/SAP" guidelines. This certification promotes trust in the Company by customers and partners, by guaranteeing:

- standardised practice across the network;
- professionalism of employees;
- services tailored to customer needs;
- willingness to improve in response to customer needs.

3.2.3 - The ORPEA - Clinea Quality Awards

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

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

- selection of finalists, during which more than 400 criteria are assessed, headed by the Quality department, the medical department and regional departments and/or divisions for clinics;
- a control audit of non-finalists by the Quality department and the medical department;
- the final stage, with a new assessment grid and case studies, headed by the Quality department and the medical department, in addition to a member of the Executive Management team (the Chairman, the Chief Operating Officer or the Chief Financial Officer).

In 2014, the prize winners in **France** were:

- 1st prize: the Montmorency (95) post-acute and rehabilitation care clinic and the Cavalaire care home (83)
- 2nd prize: the Argenteuil (95) Psychiatric clinic and the Niort Sevret care home (79)
- 3rd prize: the Pau (64) post-acute and rehabilitation care clinic and the Limoges care home (87)

In **Belgium**, the winners of the 2014 quality prize were:

- 1st prize: the Saint-François care home in Liège
- 2nd prize: the Zennehart care home in Alsemberg
- 3rd prize: the Saint-Jean de Nivelles care home in Nivelles

Finally, in **Spain**, two residences were honoured:

- 1st prize: the Las Rozas care home in Madrid
- 2nd prize: The ORPEA Cartagena care home in Cartagena

Each of these facilities is awarded a prize fund allowing them to carry out an innovative and original project to improve the care given to residents or patients. This project is designed by all of the facilities' teams.

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

3.3 – OPTIMISED AND EFFICIENT ORGANISATION TO ENSURE QUALITY

► Centralised organisation

Thanks to a highly organised head office, facility directors are relieved of administrative duties and can therefore focus the majority of their efforts on helping residents and patients and in managing their teams.

This centralised system allows for the pooling of costs and optimisation of how facilities are run.

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

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

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

► an IT department and systems at the heart of the organisation

The ORPEA Group also develops IT applications in order to have management and operating tools that meet its actual needs, helping it optimise management of its facilities and enhance safety.

Within this framework, the Group has invested in research and development to adapt its "Hospital Manager" IT system, needed for the management of its clinics.

Hospital Manager is an integrated solution for looking after patients' administrative and medical information. Its various modules – including invoicing, PMSI, prescriptions, pharmacy and medical records – allow it to address the problems relating to dispensation of drugs and regulatory changes, such as the diagnosis-related group payment system. The notions of "multi-facilities" and multi-disciplinarity (medical, surgical and obstetric/psychiatric/post-acute and rehabilitation care) were fundamental in the design of this system, allowing for the creation of a single database – Oracle – facilitating checks, data extractions and medical and financial analyses.

Since the project was launched several years ago, the ORPEA Group has made a significant contribution to ensuring that Hospital Manager meets users' demands and that it is intuitive to use, facilitating the roll-out among its users.

► An organisation designed for international development

As part of the intensive international development policy begun in 2014, with around 40% of its network outside France, ORPEA has adapted its organisation so that it can reproduce its model internationally, so guaranteeing the same level of quality and optimising its management.

Each country has a local management team with in-depth knowledge of national regulations and robust experience of the economic, demographic and cultural issues affecting the country. Each country also has its own head office that carries out most central functions, as in the French model.

To standardise Group procedures and oversee the proper functioning of each international subsidiary, ORPEA has created a team of around fifteen international managers, either internally promoted (excellent knowledge of Group processes) or externally recruited, in each support department: HR, Quality, Finance, Development, Procurement, Works etc

The team's role is to initiate, advise on, monitor and control implementation of Group policy in each country and each area of expertise while simultaneously adapting practice to local culture and law. The team is further supported by a project manager when implementing specific action plans.

Attached to each national headquarters, the international manager acts both as a support for operating teams in each country and a conduit for standardising practice in line with the ORPEA model.

3.4 – Real estate: a strategic asset

Since it was founded, ORPEA has always placed great emphasis on its real estate strategy:

- the quality of buildings built and maintained by the Group;
- quality of locations in town centres or near major population centres;
- internal architecture and project management unit to design specialised buildings for the business;
- self-ownership of a major portion of its premises.

► Quality buildings in attractive locations

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

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

In France, the Group's assets are often located in dynamic regions such as Ile-de-France (Paris and west of the Paris region), Provence-Alpes-Côte d'Azur (Mediterranean coast), Aquitaine and Poitou-Charentes. In Belgium most of the network is in Brussels or Flanders. In Spain, over 70% is in Madrid. In Italy, the Group is only present in the northern regions, etc.

The Group also pays particular attention to:

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

► Real estate strategy: ownership of a major portion of premises

For many years, ORPEA's real estate strategy has been to remain the owner of a major portion of its real estate stock. The objective of this real estate policy is to:

- control its operation to provide the best quality service and maintain the flexibility to perform any work needed;
- increase the Group's net worth through acquiring new and well located assets;
- secure ORPEA's profitability in the medium and long term;
- provide a source of financial security and flexibility in the form of assets that are not volatile and easily saleable.

In recent years, ORPEA has acquired a number of groups that owned none of their own real estate (100% rented), such as Medibelge, Mediter, Mieux Vivre, Silver Care in Germany, Senevita in Switzerland, which reduced the Group's overall share of its owned real estate to below 50%.

At 31 December 2014, the Group's real estate portfolio comprised 268 buildings, including:

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

This portfolio represents a built area of 890,000 m² over more than a million m² of land. The Group also owns land and assets under construction.

The real estate assets (including assets under construction) thus accounted for a figure in the balance sheet of €2,782 million, after deducting real estate assets held for sale on 31 December 2014, for an amount of €124 million.
All of the fully or partially owned real estate assets operated by the Group (under joint ownership, for the parts owned by the Group) are recognised at fair value, without the valuation method differing according to the type of ownership.
Assets under construction are recognised at the cost of building work and land at its acquisition cost.

The Group's real estate is financed by long-term loans or lease financing agreements.
The Group is a leaseholder under a number of lease financing agreements concerning 89 properties, most of which are located in major cities.
The lease financing method is favoured by the Group as, by paying a fee just above the ordinary rent, it has the option to become owner of the building after a period of 12-15 years by paying a low residual value. The Group therefore becomes owner of a number of leased properties each year.

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

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

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

- disposal by lots to individual investors;
- direct transfer of entire buildings to property companies, family offices or institutional investors, such as insurers, seeking a secure long term investment. It appears that insurers, particularly life insurers, show a strong interest in the Group's assets;
- if necessary, transfer to the ORPEA Group's OPCI (*Amundi Immobilier Novation Santé* OPCI), [Property Collective Investment Organisation], approved on 28 November 2008 by the AMF.

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

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

Internationally, ORPEA is now applying the same strategy in Belgium, Italy and Spain. The two groups acquired in 2014 in Switzerland and Germany own no real estate assets: all their buildings are held under operating leases. In future, the Group plans to replicate its model and own a proportion of its buildings which it will build itself.

► **Real estate management**

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

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

The Project Management department is in charge of the construction of buildings belonging to the Group, thereby allowing it to control the quality of its constructions.
It is headed by a Delegated Project Manager, who is supported by business managers who are qualified engineers or architects, and a works accounting department.

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

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

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

The agents for each facility are responsible for everyday building maintenance:

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

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

At the end of each year and on the basis of the checks carried out and requests from directors, provisional works budgets are prepared and approved by Executive Management.
These works include all the needs for N + 1: bringing technical and safety equipment up to standard, replacing dilapidated equipment, major repairs to traffic areas and/or bedrooms, changes to the layout in order to improve services, and safety works in the area for Alzheimer's patients.

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

CHAPTER V: 2014 MANAGEMENT REPORT

This management report provides details of the operations of ORPEA SA and the ORPEA Group in 2014. The Chairman's report is attached to this report and provides additional information for all sections stated. The Board of Directors has put forward the reasons for the draft resolutions submitted to the shareholder vote at the general meeting in a separate report.

1. OVERVIEW OF 2014

In 2014, ORPEA accelerated its expansion outside France, notably by acquiring two groups: Senevita in Switzerland and Silver Care in Germany. The Group also continued its efforts of selective development through targeted acquisitions and by obtaining licences in the European countries in which it operates. Lastly, the project for the opening of the first retirement home in Nankin, China, continued.
In parallel with its international expansion, the Group continued to optimise its financial structure, taking advantage of the strong interest of international and French investors in its risk profile and historically low interest rates.
In 2014, the Group also recorded profitable high growth, in line with its past history.

1.1 – TWO STRATEGIC ACQUISITIONS OUTSIDE FRANCE

In accordance with its international development strategy, in 2014 ORPEA completed two significant acquisitions. These transactions represent a total of 8,256 beds, corresponding to a 20% increase of the network and, when mature, will generate more than €330 million in new revenue over a full year.

► Acquisition of Senevita in Switzerland

In March 2014, ORPEA acquired Swiss nursing home operator Senevita from Austrian group SeneCura.
Senevita's network comprises 21 facilities, breaking down as follows:

- 13 existing facilities with 1,182 beds, generating annual revenue of approximately €68 million;
- 8 facilities under construction with 1,111 beds, due to open in the next three years.

This large, secured growth pipeline means that Senevita's operational network should double in the next three years to almost 2,300 beds, resulting in revenue of around €132 million in 2016.

Senevita’s concept successfully implemented in Switzerland consists of a mix of nursing homes and assisted-living facilities on each site.
Senevita's facilities are of a very high quality and are located in German-speaking Switzerland (cantons of Bern, Zurich, Basel, Aargau, Solothurn and Fribourg).

The acquisition was paid for entirely in cash, in compliance with ORPEA's financial criteria. Senevita does not own any real estate, but has long-term leases with institutional investors. It is debt-free.
The acquired company has been consolidated by ORPEA as of 1 April 2014. This acquisition had an earnings-enhancing effect on the EPS as soon as 2014.

► Acquisition of Silver Care in Germany

In April 2014, ORPEA completed a second strategic transaction by acquiring German nursing home group Silver Care from Private Equity Firm Chequers Capital.

This was ORPEA's first acquisition in Germany, a country marked by significant ageing population and an inadequate offering of dependency care facilities.
Founded in 2006, Silver Care has developed through targeted acquisitions of regional groups to create a homogeneous network of nursing care facilities. Silver Care has 61 retirement homes for the dependent elderly, with 5,963 beds including 290 beds under construction due to open in 2014. It generated revenue of about €200 million in 2014.

Silver Care has developed a high-quality network of facilities in regional dusters:

- an excellent reputation: ranked N°1 large nursing home group in 2012, 2013 and 2014 on quality, according to the MDK national ranking system;
- carefully selected locations in high-potential Federal States such as Lower Saxony, Baden Württemberg, North Rhine-Westphalia;
- modern, recently built facilities with an average of 100 beds;
- one of the highest ratio of single rooms in Germany at almost 80%.

So far, Silver Care has not owned its properties but rented them on long-term double net lease contracts, pursuing an Asset Light Strategy.
The acquisition, fully paid in cash, became effective on 1 July 2014. Therefore, Silver Care Group has been consolidated by ORPEA since 1 July 2014. It has been earnings accretive for the ORPEA Group since 2014 and the accretive impact will increase as of 2015.

1.2 – SELECTIVE DEVELOPMENTS IN LONG-STANDING MARKETS CONTINUED

During the 2014 financial year, ORPEA continued to implement its development strategy, consisting in:

- organic growth with the opening of 20 newly built or redeveloped facilities, representing 2,200 beds in Europe;
- obtention or extension of licences in the various countries in which the Group operates;
- selective external growth with the acquisition of independent facilities in France, Belgium and Spain.

1.2.1 - Robust organic growth momentum: new constructions and redevelopments

► 20 new facilities opened

During 2014, ORPEA opened 21 new facilities and extended existing sites for a total of 2,250 beds, comprising facilities created from scratch and major redevelopments.

In France, ORPEA Group opened 13 facilities during the year, with capacity of 85 beds on average and private rooms. They are highly attractive in terms of residential services and their excellent locations in the Ile de France region (e.g. Parmain, Eaubonne, La Garenne Colombes), in Rouen and also in Biganos.

In Italy, building and redevelopment operations of Italian sites continued. Early in the year, ORPEA opened a geriatric complex in Turin, the Richelmy home, bringing together nursing home and post-acute and rehabilitation care beds, notably for geriatric care. This facility, located in a refurbished heritage building in the heart of Turin, perfectly illustrates ORPEA's development strategy in Italy, aimed at creating a high-quality network with single rooms and the highest standard of care.
In Belgium, the Group opened two new facilities in two dynamic neighbourhoods (Uccle and Ixelles) in the Brussels Capital District, with a total of 259 beds.

In Switzerland, after being acquired on 1 April 2014, Senevita opened four facilities that were under construction at the time of the acquisition, representing 427 beds. They have similar features as the existing facilities: they offer a combination of assisted-living facilities and nursing homes, and high-quality care and services. They are located in the cantons of Basel, Zurich and Aargau.

In Germany, after being acquired on 1 July 2014, Silver Care opened two facilities that were under construction at the time of the acquisition, representing 200 beds.

► **New licences acquired during the year**

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

For instance, ORPEA secured a licence to create a 34-bed long-term care facility in the 15th arrondissement of Paris.

1.2.2 - Selective external development continued

ORPEA has pursued its policy of targeted acquisitions of facilities in operation in France, Spain and Belgium. These activities concerned the entire dependency care sector and provide strong growth and profitability leverage opportunities for the coming years.

► **In France**

Acquisition of goodwill:

- NANCY (54): 50-bed post-acute and rehabilitation care facility
- NANCY (54): 28-bed post-acute and rehabilitation care facility
- NEVERS (58): 12-bed post-acute and rehabilitation care facility

Acquisitions of equity interests and controlling interests:

By ORPEA S.A		
SARL AUGEO Via AUGEO SARL LIVRY TRAITEUR	0.02% of share capital	
SAS RESIDENCE CASTEL GEORGES	Remaining 70% of share capital	Long-term care facility in GENNEVILLIERS (92)
SAS ACTIRETRAITE MONTGERON	100% of share capital	Long-term care facility in MONTGERON (91)

Via subsidiary CLINEA (wholly-owned by ORPEA)		
SAS CLINIQUE DU CHATEAU DE SEYSSES	100% of share capital	Psychiatric clinic in Seysses (31)
SARL AUGEO Via AUGEO SARL LIVRY TRAITEUR	99.98% of share capital	
SAS CLINIQUE MONTEVIDEO - SAS LA TOURELLE	99.9% of share capital	Post-acute and rehabilitation care in Boulogne Billancourt (92)
SAS CLINIQUE DU DOCTEUR BECQ	100% of share capital	Psychiatric clinic in Fronton (31)
SAS LE CENTRE DE REEDUCTATION FONCTIONNELLE DE NAVENNE	100% of share capital	Post-acute and rehabilitation care in Navenne (70)

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Via subsidiary SARL 97 (indirectly owned at 100% by ORPEA)		
SAS TCP DEV	Remaining 30% of share capital	Holding company
Via TCP DEV		
SAS AGE PARTENAIRES	100% of share capital	Holding company
Via AGE PARTENAIRES		
SAS AP BRETIGNY		
SAS L'OASIS PALMERAIE	100% of share capital	Long-term care facility in Bretigny sur Orge (91)
SAS BON AIR	100% of share capital	Long-term care facility in Villeneuve de Riviere (31)
SAS LA CHENERAIE	100% of share capital	Long-term care facility in St Barthelemy d'Anjou (49)
SAS MAISON DE RETRAITE LA MADONE	100% of share capital	Long-term care facility in Rambert en Bugey (01)
SAS LE CERLCE DES AINES		Long-term care facility in Angers (49)
SAS ALICE ANATOLE & CIE	100% of share capital	Long-term care facility in Amberieu en Bugey (01)
SARL AP IMMO 1		Long-term care facility in Bonnières sur Seine (78)

Via subsidiary DOMIDOM (wholly-owned by ORPEA)		
SAS ADHAP PERFORMANCES	100% of share capital	Holding company
Via ADHAP PERFORMANCES		
SARL APAD	100% of share capital	Centre in Clermont-Ferrand (63)
SARL APAD 26	100% of share capital	Centre in Valence (26)
SARL APAD 42	100% of share capital	Centre in Saint Etienne (42)
SARL APAD 59	100% of share capital	Centre in Dunkerque (59) and Valenciennes
SARL GAPAD - GRENOBLE ASSISTANCE PERSONNALISEE A DOMICILE	100% of share capital	Centre in Grenoble (38)
SARL ETAPE ENTREPRISE DE TRAVAUX D'AIDE AUX PERSONNES	100% of share capital	Centre in Paris (75)
SARL SENIORS COMTOIS SERVICE	100% of share capital	Centre in Besancon (25)
SARL LP SOLUTIONS	100% of share capital	Network computer developments
SARL AIDADOMICILE 37	100% of share capital	Centre in Valenciennes (59)
SARL AIDADOMICILE 59	100% of share capital	Centre in Tours (37)
SARL PARTEN'AIDE	26% of share capital	

► Spain

In Spain, ORPEA acquired four facilities (licences and buildings) on 1 July 2014, representing 660 beds and 100 day care facilities. In addition, it now manages the 150-bed Santo Domingo nursing home. These facilities are particularly attractive: they are strategically located in Madrid and its periphery in buildings of recent construction and have a high ratio of single rooms.

► Belgium

ORPEA acquired a nursing home in Liege to be redeveloped.

1.2.3 - Development project in China continued

China is already facing a major challenge with the ageing of its population, which will gain momentum in the coming years. In fact, the number of people over 60 will increase by a multiple of 2.5 by 2050, from 185 million to 450 million, 30% of whom - i.e. 150 million - will be over 80.
In light of this population explosion, the accommodation and care offering is very limited. Thus, the country will have to acquire a formidable number of medical establishments, able to care for highly dependent people and persons with Alzheimer-type neurodegenerative diseases.
Even if the public system will meet most of these needs, a significant part of the industry will remain entirely private, in particular for people and families with a high purchasing power seeking high-quality services.

After several months of research and many contacts, in 2013 ORPEA decided to enter this market.

The Group has launched a first project which will serve as pilot to adapt its model to Chinese culture. ORPEA signed a memorandum with Nankin's public planning company and the Gulou hospital, to develop a nursing home. Nankin is a highly dynamic city with 8 million residents, of whom 10% are over 65. The project is located in a newly built residential neighbourhood within the prestigious Golou hospital, which comprises 10,000 beds across several sites.
Redevelopment work and decoration started in 2014 under the supervision of ORPEA teams, together with the processes required to hire and train staff, and to establish a marketing plan and partnerships with the various local hospitals.
This top-of-the-range nursing home will cater to highly dependent people. ORPEA expects that the facility will open by the end of 2015.

1.3 - FINANCIAL STRUCTURE OPTIMISATION CONTINUED

The policy of diversifying financing sources and optimising the financial structure, introduced in 2012, was continued in 2014 with further bond issues through private placement totalling €52 million, a Schuldschein issue of €203 million and the establishment of conventional bank facilities. These funding transactions were carried out on especially attractive terms, taking advantage of historically low interest rates and ORPEA's risk profile. As a matter of fact, in light of the visibility of its industry, its track-record of profitable growth and its real estate assets, ORPEA poses limited short-, medium- and long-term risks for investors.

► Bond private placement in 2014:

- €52 million, redeemable on maturity on 31 July 2021, with a 3.327% coupon.

► €203 million Schuldschein issue

In July 2014, ORPEA carried out a Schuldschein-type bond issue for a value of €203 million, at both variable and fixed rates and with different maturities, aimed at French, European and Asian investors:

- €117.0 million maturing on 25 July 2019, at both fixed and variable rates;
- €29.5 million maturing on 27 July 2020, at both fixed and variable rates;

- €50.0 million maturing on 27 July 2021, at both fixed and variable rates;
- €6.5 million maturing on 25 July 2024, at fixed rate.

► Bank facilities

ORPEA also continued with conventional sources of financing in 2014, with both its long-standing partners and new European facilities, by:

- obtaining new property leases to finance real estate investment;
- obtaining new loans repayable over the medium to long term to finance its expansion.

1.4 – PROPERTY POLICY CONTINUED

ORPEA's property strategy – consisting in maintaining ownership of approximately half of its properties – remained unchanged in 2014. However, the two groups acquired in 2014, Senevita in Switzerland and Silver Care in Germany, representing 8,256 beds, i.e. 20% of the network, do not own any real estate, as their strategy is to be lessees only and sign long-term lease contracts.
Consequently, these acquisitions diluted the Group's average real estate ownership rate.

The property policy continued across the rest of the Group in 2014.

ORPEA thus sold properties worth €255 million at market value, versus €230 million in 2013.
A number of investors (individuals, insurers, particularly life insurers, family offices, etc.) were showing a keen interest in Group assets. Indeed, these players are seeking investments offering both security and visibility over the long term and are faced with investment constraints on equity and government bond markets. Indeed, these players are seeking investments offering both security and visibility over the long term and are faced with investment constraints on equity and government bond markets. The interest in property assets operated by ORPEA is in line with this approach.
As part of these disposals, regardless of the purchaser, ORPEA's strategy is to get attractive terms in order to control its rental expenses over the long term: a competitive initial return rate, but also attractive indexation.

In parallel, the Group has become the owner of certain properties having been acquired or completed.

2. OPERATING AND FINANCIAL REVIEW AS AT 31/12/2014

2.1 – CONSOLIDATED RESULTS

in thousands of euros	31 Dec 2014	31 Dec 2013
SALES	1,948,580	1,607,922
Cost of materials consumed and other external charges	(548,910)	(431,179)
Staff costs	(968,591)	(798,504)
Taxes other than on profit	(81,235)	(77,669)
Depreciation, amortisation and provisions	(78,886)	(70,734)
Other recurring operating income	7,363	2,508
Other recurring operating expense	(7,080)	(5,063)
Recurring operating profit	271,242	227,282
Other non-recurring operating income	285,406	255,943
Other non-recurring operating expense	(247,716)	(214,838)
OPERATING PROFIT	308,931	268,386
Financial income	15,705	15,492
Financial expenses	(114,877)	(106,083)
Net finance cost	(99,172)	(90,591)
Change in JVO (*)	(25,100)	(4,893)
PRE-TAX PROFIT	184,659	172,902
Income tax expense	(65,755)	(61,030)
Share in profit (loss) of associates and joint ventures	1,788	1,899
NET PROFIT	120,692	113,771
Attributable to minority interests	(85)	(140)
Attributable to owners of the Company	120,777	113,911
NET PROFIT (GROUP SHARE) excluding change in net JVO (€15.6m)	136,339	116,945
Number of shares	55,567,893	55,476,991
Basic earnings per share (in euros)	2.18	2.15
Diluted earnings per share (in euros)	2.08	2.08

(*) JVO: Fair Value of the entitlement to the allotment of shares in ORNANE bonds

► **The ORPEA Group's consolidated revenue in 2014**

ORPEA's growth accelerated in 2014, with revenue up 21.2% to €1,948.6 million, 10% over the €1,770 million target announced at the start of 2014.

Given that the economic and financial climate remained unfavourable and volatile in 2014, this performance reaffirmed the strong resilience of ORPEA's business to the extent that long-term care is a structural requirement that cannot be put off. This robust growth thus confirms that macroeconomic factors such as the price of raw materials, currencies or growth have only limited impact on ORPEA's business. As a matter of fact, the business has a stronger correlation with demographic trends, and reliable, easily predictable statistics.

This revenue growth also stems from the effectiveness of ORPEA's business model, which combines:

- robust organic growth of +6.0%. Mature facilities continue to show high occupancy rates owing to their attractiveness in terms of quality of care, services and residential services. Organic growth was also boosted by the ramp-up of the facilities opened in 2013 and the opening of approximately 2,350 beds (in newly built and redeveloped sites) over the year, of which half outside France.

- robust external growth outside France, with the acquisitions of Senevita in Switzerland and Silver Care in Germany, as well as continued targeted acquisitions across all the countries the Group operates in.

International business continues to grow in percentage terms and accounted for 23% of 2014 consolidated revenue versus 11% three years previous, in particular through the acquisitions in Switzerland, Germany, Belgium and Spain. Following the acquisitions of 2014, international sales grew by 69.0%.

in € M IFRS	2014	2013	% change	2012
France	1,499.8	1,342.3	*+11.7%*	1,227.4
% of total sales	*77%*	*83%*		*86%*
International	448.8	265.7	*+69.0%*	201.8
% of total sales	*23%*	*17%*		*14%*
including:				
Belgium	165.0	158.1		105.6
Spain	55.6	49.6		48.7
Italy	41.6	38.5		32.2
Switzerland	84.4	19.5		15.4
Germany	102.2	0.0		
Total sales	1,948.6	1,607.9	*+21.2%*	1,429.3
*Organic growth**			*+6.0%*	

** Organic growth reflects the following factors: 1. the growth in revenue (in period n vs. period n-1) of existing facilities as a result of changes in their occupancy rates and daily rates, 2. the growth in revenue (in period n vs. period n-1) of restructured facilities or those with capacity increased during period n or n-1, and 3. Sales generated in period n by facilities set up in period n or n-1. Organic growth includes the improvement in sales recorded at recently-acquired facilities by comparison with the previous equivalent period.*

In **France**, 2014 revenue rose 11.7% to €1,499.8 million, illustrating the attractiveness of the Group's facilities, the quick ramp-up of the facilities opened in 2013 and 2014 and the successful integration of recently acquired facilities.
ORPEA maintained high occupancy rates at its mature facilities thanks to the quality of its up-to-date offering, which meets the changing needs of people requiring dependency care. The ramp-up of facilities opened in 2013, the opening of 12 facilities in 2014, which were either newly built or redeveloped, and several extensions of existing facilities also contributed to this good performance. All these new facilities boast a high-quality residential environment and strategic locations in dynamic cities (Biganos, La Garenne Colombes, Parmain, Rouen, Lyon, etc.) and modern equipment. These facilities cover the whole physical and psychiatric care sector, both medium and long-term, and make it possible to improve the care continuum through a tailored quality care offering.
The Group also pursued its policy of targeted acquisitions with 10 facilities, some of which are in need of redevelopment or regrouping.
Lastly, since 1 January 2014, ORPEA holds 100% of DOMIDOM, a major home support service provider in France. This business, which meets the demand of public authorities and society, enables ORPEA to offer its patients and residents continuity of care between post-acute and rehabilitation care facilities, long-term care facilities and their home.

In **Belgium**, revenue was up 4.3% over the year to €165.0 million.
Mature facilities maintained a high occupancy rate. ORPEA's business in Belgium was boosted by the ramp-up of newly opened facilities, as well as the opening of two new facilities in the dynamic Uccle and Ixelles neighbourhood of Brussels.
Lastly, the Group acquired a nursing home in Liege to be redeveloped.

In **Spain**, revenue was up 12.1% to €55.6 million.
This positive performance by the Spanish business, in spite of the closure of three facilities which no longer met the Group's strategy and location selection criteria, was driven by:

- the strength of existing facilities, in particular the ones in Artevida, acquired in 2012 and all located in Madrid
- the acquisition on 1 July 2014 of four facilities and the execution of a management agreement covering 810 beds and 100 day care facilities. This acquisition shares some interesting aspects with Artevida: they are strategically located in Madrid and its periphery in buildings of recent construction and have a high ratio of single rooms.

In **Italy**, ORPEA's revenue stood at €41.6 million, up by 8.0%. This increase followed the ramp-up of the facilities opened or redeveloped in 2013 and the opening of a 180-bed geriatric complex in Turin, the Richelmy home, which offers both nursing home and post-acute and rehabilitation care beds, in particularly for geriatric patients.
This good performance confirms the long-term strategy adopted by ORPEA in Italy: obtention of licences and construction or redevelopment of high-quality facilities in Northern Italy, with a high ratio of single rooms.

In **Switzerland**, revenue stood at €84.4 million, versus €19.5 in 2013. This very robust business growth was driven by the consolidation of Senevita as of 1 April 2014. On the date of its acquisition, Senevita comprised 13 facilities representing 1,182 open beds combining both a nursing home and assisted-living services. In the last three quarters, Senevita opened an additional four facilities which were under construction in the cantons of Basel, Zurich and Aargau.
Lastly, the Swiss business was also driven by the continued ramp-up of the Bois Bougy post-acute and rehabilitation care facility, opened in 2013, and the good performance of its psychiatric clinic.

In **Germany**, revenue stood at €102.2 million. This figure is the result of the consolidation of Silver Care from 1 July 2014, consisting of 61 nursing homes representing 5,963 beds, of which 290 were under construction and were opened in the second half.

► Profitability and net profit

In millions € (IFRS)	2014	% of sales	2013	% of sales	▲%
Revenue	1,948.6	100%	1,607.9	100%	+21.2%
EBITDAR (recurring EBITDA before rents)	537.8	27.6%	433.2	26.9%	+24.1%
Recurring EBITDA	350.1	18.0%	298.0	18.5%	+17.5%
Recurring operating profit	271.2	13.9%	227.3	14.1%	+19.3%
Operating profit	308.9	15.9%	268.4	16.7%	+15.1%
Net finance cost	(99.2)	n.a.	(90.6)	n.a.	(+9.5%)
Change in JVO*	(25.1)	n.a.	(4.9)	n.a.	n.a.
Net profit (Group share) excluding change in net JVO*	136.3	7.0%	116.9	7.3%	+16.6%
Net profit	121.0		113.9		n.a.

* JVO = fair value of the entitlement to the allotment of shares in ORNANE bonds

All performance indicators grew strongly, driven by the acquisitions and the ramp-up of mature facilities.

Recurring EBITDAR (recurring EBITDA before rents, including provisions relating to "external charges" and "staff costs") rose by +24.1% to €537.8 million, accounting for 27.6% of revenue versus 26.9% in 2013 and 25.9% in 2012. This ongoing growth in the EBITDAR margin is due to good control of staff costs and rigorous centralised purchase management enabling economies of scale. In addition, the EBITDAR margin of international activities recorded strong growth of 330 basis points in 2014, reaching 25.3%, versus 22.0% in 2013. This revenue growth is due primarily to an EBITDAR margin of the businesses acquired in Switzerland and Germany higher than the Group's.

Recurring EBITDA (recurring operating profit before depreciation, amortisation and provisions, including provisions relating to "external charges" and "staff costs") grew by +18.5% to €350.1 million.
Operating lease payments amounted to €187.7 million, up 38.8%, due in particular to the effect of acquisitions (+€40.7 million in additional lease payments, of which €34.2 million for Senevita and Silver Care, as the properties they use are all leased), openings (€4.0 million in additional lease payments) and property asset disposals (+€6.3 million in additional lease payments). On a like-for-like basis, lease payment fluctuations remained limited to +1.2%.

Recurring operating profit was up 19.3% to €271.2 million, amounting to 13.9% of revenue. This margin, virtually unchanged from 2013, stands for a really good performance, especially taking into account the losses caused by the ramp-up of beds opened in 2013 and 2014 and the 2,232 beds under renovation.

Operating profit amounted to €308.9 million, up 15.1%. It comprises non-recurring net income of €37.7 million, versus €41.1 million in 2012, linked in particular to the disposal of property assets, and net income and expense from acquisitions through business combinations.

The **net finance cost** was €99.2 million, up just 9.5% on 2013, excluding the change in the fair value of the entitlement to the allocation of shares in ORNANE bonds (determined on the basis of the ORPEA stock price) issued in July 2013, for €25.1 million. Notwithstanding the fast pace of investment, this poor performance was due to the optimisation of the financial structure launched by the Group in 2011.

Pre-tax profit on ordinary activities (excluding the change in the fair value of the entitlement to the allotment of shares in ORNANE bonds) was thus €209.8 million, up 18.0%.

The income tax expense for the year (excluding the change in the fair value of the entitlement to the allotment of shares in ORNANE bonds) was €75.3 million compared with €62.9 million the previous year, an increase of 19.7%.

2014 **net profit (Group share)** amounted to €136.3 million (excluding the change in the fair value of the entitlement to the allocation of shares in ORNANE bonds), up 16.6%.
Taking into account the change in the fair value of the entitlement to the allotment of shares in ORNANE bonds, net profit (Group share) stood at €120.8 million in 2014.

2.2 – CONSOLIDATED BALANCE SHEET

in thousands of euros	31 Dec 2014	31 Dec 2013
Assets		
Goodwill	677,270	398,394
Net intangible assets	1,543,579	1,439,714
Net property, plant & equipment	2,197,996	1,992,900
Properties under construction	584,532	568,942
Investments in associates and joint ventures	51,371	50,999
Non-current financial assets	46,227	28,404
Deferred tax assets	28,100	24,084
Non-current assets	**5,129,075**	**4,503,436**
Inventories	6,625	5,695
Trade receivables	104,558	80,259
Other assets, accruals and prepayments	224,024	183,835
Cash and cash equivalents	621,906	468,351
Current Assets	**957,112**	**738,140**
Assets held for sale	**200,000**	**210,014**
TOTAL ASSETS	**6,286,187**	**5,451,590**

Liabilities		
Share capital	69,460	69,346
Consolidated reserves	1,081,919	1,006,038
Revaluation reserve	225,812	223,079
Net profit for the year	120,777	113,911
Equity attributable to owners of the Company	**1,497,968**	**1,412,374**
Minority interest	379	979
Total equity	**1,498,346**	**1,413,353**
Non-current financial liabilities	2,479,025	1,920,047
Change in the fair value of the entitlement to the allotment of shares in ORNAN	29,993	4,893
Provisions	50,645	34,146
Post-employment and other employee benefits obligation	46,136	33,998
Deferred tax liabilities	790,096	756,829
Non-current liabilities	**3,395,894**	**2,749,914**
Current financial liabilities	321,669	285,436
Provisions	19,177	18,030
Trade payables	234,217	199,426
Tax and payroll liabilities	244,490	188,288
Current income tax liability	3,579	9,246
Other liabilities, accruals and prepayments	368,816	377,885
Current liabilities	**1,191,947**	**1,078,310**
Liabilities associated with assets held for sale	**200,000**	**210,014**
TOTAL LIABILITIES	**6,286,187**	**5,451,590**

Operating assets

At 31 December 2014, on the asset side of the balance sheet, goodwill amounted to €677 million, compared with €398 million at 31 December 2013. This increase was due in particular to the acquisition of Silver Care in Germany, as operating procedures in this country do not lead to the recognition of operating licences as intangible assets. Intangible assets (mainly comprising operating licences) totalled €1,544 million[6] compared with €1,440 million at end-2013. This growth was due mainly to the acquisitions completed in 2014, in particular Senevita in Switzerland.

[6] Minus the intangible assets held for sale for €76 million

Impairment testing of goodwill and intangible and property assets has not revealed any impairment losses.

Property portfolio

The ORPEA Group's operating properties are included in assets, representing a total development area of 890,000 sq.m. (over one million sq.m. of land), with 268 buildings, 138 of which are wholly owned and 130 partially owned. Partial ownership represents condominiums in which the Group owns a portion of lots primarily intended for services in common: restaurant, entertainment rooms, first-aid room, staff facilities, etc.

The total value of the portfolio is €2,783 million[7], of which €584 million in land and properties under construction or redevelopment. Year-on-year, the total value of the portfolio grew €221 million, namely 8.6%, due to the effect of acquisitions or the completion of construction, the value of the long-standing portfolio remaining unchanged.
All of the fully or partially owned real estate assets operated by the Group (under joint ownership, for the parts owned by the Group) are recognised at fair value, without the valuation method differing according to the type of ownership.

This real-estate portfolio, primarily comprising new and recent buildings located in dynamic economic areas, represents a significant asset value for the Group and secures medium- and long-term profitability. It is also a particularly attractive portfolio for many individual and institutional investors (family offices, life insurers, etc.) seeking a secure, long-term investment.
ORPEA took advantage of the interest shown by investors in the Group's properties and of attractive terms as regards rent and indexation to continue its disposals in 2014, which amounted to €285 million (at market value) up from the €230 million announced in early 2013.

As a whole, property charges – including rent and depreciation of property assets wholly or partially owned – represented €256.2 million in 2014 (€68.5 million for depreciation and €187.7 million in rent), versus €200.3 million in 2013 (€65.1 million in depreciation and €135.2 million in rent).

Financial structure and debt

At 31 December 2014, shareholders' equity (Group share) stood at €1,498.0 million, versus €1,412.4 million at 31 December 2013. This figure does not incorporate the OCEANE 2016 conversion of €180 million, triggered on 22 December 2014 but carried out on 4 February 2015.

At end-2014 the Group's cash and cash equivalents were €621.9 million compared with €468.4 million at end-2013, notably thanks to the proceeds of the debt issuances carried out in the second half of 2014, such as the €203 million Schuldschein issue.

Net current financial liabilities stood at €2,178.8 million[8], versus €1,737.0 million at 31 December 2013. This increase was due to the fast pace of investment in 2014, in particular the acquisitions in Switzerland and Germany. At the end of 2014, net financial liabilities comprised:

- Gross current financial liabilities: €321.7 million[8];
- Gross non-current financial liabilities: €2,479.0 million;
- Cash and cash equivalents: €(621.9) million.

Notwithstanding the acquisitions of Senevita in Switzerland and Silver Care in Germany – two groups with no real estate assets – this debt is mostly property-related (68%) and is therefore backed debt as it is linked to high-quality property assets with low volatility.

[7] Minus available for sale real estate assets worth €124 million
[8] Excluding liabilities associated with assets held for sale, €200 million

Gross current financial liabilities stood at €321.7 million at 31 December 2014[9]. They consisted primarily of bridging loans financing properties that have been recently acquired or are under redevelopment or construction. This debt is therefore primarily property-related. Bridging loans comprise financing lines dedicated to a specific project and general bank credit lines. These properties are intended either to be sold to third parties or to be kept by the Group, in which case they are usually subsequently refinanced through finance leases.

The Group continues to enjoy significant financial flexibility, with debt ratios ("covenants") far from the imposed limits. At 31 December 2014 they were:

- restated financial leverage of property = 2.8 against 1.4 at end-2013 (authorised level 5.5);
- restated debt-to-equity ratio = 1.2 against 1.1 at end-2013 (authorised level 2.0).

If the financial structure had remained unchanged, the OCEANE conversion would have further boosted the Group's flexibility by lowering the two ratios to 2.7 and 1.1 respectively.

In 2014, the Group continued the optimisation of its financial structure begun in 2011, by means of new hedging transactions and diversified financing sources. As a result:

- at 31 December 2014, 47% of net debt is non-banking, versus 11% at the end of 2011;
- the average maturity of net debt went from 4.3 years at the end of 2011 to 5.2 years at the end of 2014.
- Over the 2015-2019 period, 95% of net debt is contracted at fixed rates or hedged.

Other Asset/Liability items

Changes in other receivables and liabilities were in line with the Group's growth strategy and mostly involved construction projects and sales of property assets as well as external growth operations.

2.3 – Cash flows

In € M	2014	2013	2012
Recurring EBITDA	+350	+298	+258
Cash flow from operating activities	+290	+247	+208
Cash flow from investing activities	(587)	(235)	(279)
Cash flow from financing activities	+450	+93	+124
Change in cash and cash equivalents	+154	+106	+53

Cash flow from operating activities increased by 17.4%, in line with the expansion of the Group's EBITDA, thereby maintaining a sound cash conversion ratio of 83%.

Cash flow from investment activities rose strongly, in particular on the back of the acquisition of the Senevita and Silver Care groups. Excluding these strategic acquisitions, net cash flow from investment activities was in line with the previous years, in light of the Group's development.

Cash flow from financing activities was positive at €450 million, in line with the different transactions completed during the year.

2.4 – Dividend proposed to the General meetings of shareholders

The Board of Directors has decided to propose a dividend of €0.80 per share (up 14% on the previous year) to shareholders at the annual general meeting on 23 June 2015 called to approve the 2014 financial statements. The overall distribution would stand at €44.4, equal to a distribution rate of the

[9] Excluding liabilities associated with assets held for sale, €200 million

2014 net profit (Group share) (excluding the change in the fair value of the entitlement to the allotment of shares in ORNANE bonds) of 33%.

2.5 – RESEARCH AND DEVELOPMENT

The Company did not incur any significant research and development expenses during the year.

3. REVIEW OF STATUTORY FINANCIAL STATEMENTS AT 31/12/2014

3.1 – STATUTORY INCOME STATEMENT

(in euros)	**31 Dec 2014**	**31 Dec 2013**
- Revenue	**625,094,135**	**552,525,700**
- Inventory change	(22,300,245)	(14,873,711)
- Other operating income	25,366,417	23,110,665
- Purchases and other external charges	227,619,877	199,992,951
- Taxes other than on profit	31,954,538	28,600,775
- Staff costs	297,091,500	263,084,449
- Depreciation, amortisation and provisions	23,103,120	19,125,917
- Other operating expense	913,075	3,280,239
OPERATING PROFIT	**47,478,199**	**46,678,323**
- Financial income	68,553,048	62,346,011
- Financial expenses	101,313,144	96,703,312
NET FINANCE COST	**(32,760,096)**	**(34,357,301)**
PRE-TAX PROFIT ON ORDINARY ACTIVITIES	**14,718,103**	**12,321,023**
- Exceptional items	(2,438,903)	(4,542,032)
- Employee profit-sharing		
- Income tax	4,767,843	4,826,545
NET PROFIT	**7,511,357**	**2,952,446**

Revenue:
2014 revenue came to €625.1 million, up 13.1% on 2013.

ORPEA's core business line of operating long-term care facilities generated revenue of €608.1 million, up 13.1% compared with €537.7 million in 2013. This growth reflects ORPEA's expansion policy, as described above, which combines organic growth and acquisitions.

Revenue from the sale of property assets came to €17.0 million compared with €14.8 million in 2013.

Operating profit:

"Purchases and external charges" increased by 13.8% to €227.6 million, due to the effect of the opening of new facilities and of development.

Taxes other than on profit were up 11.5% to €32.0 million.

Staff costs remained under control, rising 12.9% to €297.1 million, in line with revenue growth.

Depreciation, amortisation and provisions grew by 20.9% to €23.1 million, versus €19.1 million in 2013.

Finally, operating profit rose 1.7% year-on-year to €47.5 million in 2014.

Net finance cost

The net finance cost was €(32.8) million against €(34.4) million in 2013, comprising mainly an expense net of interest relating to the Company's net debt. This 4.7% reduction in net finance cost was due, notably, to the payment of €13 million in CLINEA dividends in 2014.

Exceptional items

Exceptional items stood at €(2.4) million, versus €(4.5) million in 2013. This fall was the result of lower restructuring and development costs in 2014 compared with 2013.

Net profit

After a tax expense of €(4.8) million, net profit came to €7.5 million compared with €3.0 million in 2013.

Non-deductible expenses provided for in article 39-4 of the French General Tax Code (article 223 quater of the French General Tax Code)

Non-deductible expenses totalled €150,698 in 2014.

3.2 – STATUTORY BALANCE SHEET

ASSETS (in euros)	31 Dec 2014			31 Dec 2013
	Gross	Depr., Amort. and provisions	Net	Net
Non-current assets				
- Intangible assets	275,088,280	1,770,685	273,317,595	230,872,966
- Property, plant and equipment	286,060,197	114,138,919	171,921,279	154,287,405
- Financial assets	892,783,503	7,354,148	885,429,355	691,919,861
TOTAL NON-CURRENT ASSETS	**1,453,931,981**	**123,263,752**	**1,330,668,229**	**1,077,080,232**
Current assets				
- Inventories and work-in-progress	70,509,380	1,188,655	69,320,725	56,689,538
- Advances and downpayments made	3,381,043		3,381,043	2,741,617
- Trade receivables	18,388,040	5,482,164	12,905,876	14,175,525
- Other receivables	1,390,647,382	764,736	1,389,882,646	1,237,745,274
- Marketable securities	128,353,127		128,353,127	87,310,461
- Cash	342,753,072		342,753,072	293,940,510
- Prepaid expenses	6,100,607		6,100,607	2,837,680
TOTAL CURRENT ASSETS	**1,960,132,651**	**7,435,554**	**1,952,697,097**	**1,695,440,607**
- Deferred charges		-	-	-
TOTAL ASSETS	**3,414,064,632**	**130,699,306**	**3,283,365,326**	**2,772,520,839**

EQUITY AND LIABILITIES (in euros)	31 Dec 2014	31 Dec 2013
Equity		
- Share capital	69,459,866	69,346,239
- Share premiums and reserves	425,097,055	460,870,063
- Retained earnings	3,220,202	249,273
- Net profit for the year	7,511,357	2,952,446
- Special tax-allowable reserves	4,815,761	3,670,386
TOTAL EQUITY	**510,104,241**	**537,088,407**
Provisions for liabilities and charges	27,966,432	21,345,241
Liabilities		
- Borrowings and financial liabilities	2,146,181,615	1,606,365,160
- Advances and downpayments received	4,471,298	3,594,151
- Trade payables	59,289,919	40,066,247
- Tax and social security liabilities	89,932,198	72,603,693
- Other liabilities	406,816,502	472,692,231
- Prepaid income	38,603,119	18,733,731
TOTAL LIABILITIES	**2,745,294,652**	**2,214,055,212**
Unrealised currency gains		31,979
TOTAL LIABILITIES	**3,283,365,326**	**2,772,520,839**

ORPEA S.A.'s **net non-current assets** totalled €1,330.7 million at 31 December 2014 compared with €1,077.0 million a year earlier. This rise was generated primarily by financial assets, following the acquisition of Senevita and Silver Care.

Net current assets totalled €1,952.7 million compared with €1,695.4 million at 31 December 2013, in particular due to the increase in cash and cash equivalents, and marketable securities, which rose from €381.2 million at end-2013 to €471.1 million at end-2014.

Equity stood at €510.1 million at 31 December 2014, against €537.1 million at end-2013.

Borrowings and financial liabilities – the Company's main debt item – came to €2,146.2 million at 31 December 2014, versus €1,606.4 million at 31 December 2013, in particular following the bond issuances.

Total assets amounted to €3,283.4 million at 31 December 2014 compared with €2,772.5 million at 31 December 2013.

3.3 – INFORMATION ON SUPPLIER PAYMENT TERMS

In accordance with articles L. 441-6-1 and D. 441-4 of the French Commercial Code, we inform you that at the end of the last two financial years, amounts owed to suppliers broke down as follows by due date (the payment times for trade payables at the end of the year were determined by comparing the date of each invoice with the effective date of payment).

		31-Dec-14	31-Dec-13
Trade payables		44,403,834	24,342,738
	Less than 30 days	8,622,566	5,082,736
	30-60 days	15,305,371	9,285,254
	60-90 days	16,464,694	10,291,016
	More than 90 days	4,011,202	1,917,502

3.4 – SUBSIDIARIES AND OTHER EQUITY INTERESTS

3.4.1 - CLINEA: performance and results

Revenue

Revenue for the operation of care facilities amounted to €485 million, up 13% compared with €428.6 million in 2013. This growth reflects the Group's expansion policy, as described above, combining organic growth and acquisitions.

Operating profit

"Purchases and other external charges" rose by 14% to €157 million, versus €137.9 million in 2013.
Taxes other than on profit were up 15% to €37 million.
Staff costs remained under control, rising 12.6% to €230 million.

Operating profit came to €51 million, up by 20% over 2013.

Net finance cost

The net finance cost was €(8.7) million against €(14.6) million in 2013, comprising mainly an expense net of interest relating to the Company's net debt.

Exceptional items

Exceptional expenses amounted to €(2.0) million, compared with €(5.3) million in 2013, due to the impact of redevelopment and development costs.

Net profit
After a tax expense of €(12.3) million, net profit came to €27.7 million compared with €14.7 million in 2013.

Balance sheet:
Net non-current assets for CLINEA SAS totalled €674 million at 31 December 2014 compared with €544.5 million at 31 December 2013, illustrating the Company's brisk rate of expansion.

Net current assets totalled €392 million versus €189 million at 31 December 2013.

Equity **stood at** €295.6 million at 31 December 2014, against €280.4 million at end-2013.

Borrowings and financial liabilities fell to €55.7 million at 31 December 2014, against €65.2 million at 31 December 2013.

Total assets amounted to €1,066 million at 31 December 2014 compared with €733 million at 31 December 2013.

3.4.2 - Performance and results of other main subsidiaries

NIORT 94, a property development subsidiary required for the Group's business, generated revenue of €146.9 million against €164.4 million in 2013. This derives from sales of property assets (€133 million), recognised on completion, and rental income received (€13 million). The subsidiary generated a loss of €9 million.

Belgian subsidiaries generated revenue of €165.0 million, versus €158.1 in 2013 (up 4.4%). Recurring EBITDAR (recurring EBITDA before rents including provisions relating to "external charges" and "staff costs") came to €35.5 million versus €35.1 million in 2013. This limited variation was the result of a number of current developments and the opening of new facilities in Belgium.

Spanish subsidiaries generated revenue of €55.6 million in 2014 versus €49.6 million in 2013, up 12.1%. Recurring EBITDAR (recurring EBITDA before rents including provisions relating to "external charges" and "staff costs") came to €13.2 million versus €12.1 million in 2013.

Italian subsidiaries generated revenue of €41.6 million in 2014, up 8.1% (€38.5 million), notably in light of the ramp-up of recently opened facilities. Recurring EBITDAR (recurring EBITDA before rents including provisions relating to "external charges" and "staff costs") came to €5.4 million versus €5.3 million in 2013.

Swiss subsidiaries, including the acquisition of Senevita on 1 April 2014, generated revenue of €84.4 million in 2014 versus €19.5 million in 2013. Recurring EBITDAR (recurring EBITDA before rents including provisions relating to "external charges" and "staff costs") came to €31.3 million versus €5.8 million in 2013.

German subsidiaries, consolidated with the acquisition of Silver Care on 1 July 2014, generated revenue of €102.2 million, with recurring EBITDAR (recurring EBITDA before rents, including provisions relating to "external charges" and "staff costs") of €28.0 million.

3.4.3 – Main equity interests

See Annexe 1: Main investments.

4. EVENTS OCCURRING SINCE 1 JANUARY 2015

4.1 – OUTLOOK

By leveraging its new development platforms in German-speaking Europe, the expertise of its teams and its robust financial flexibility, the Group will continue to be proactive in developing its business in 2015 by means of:

- organic growth activities, with the construction of new facilities, in particular in Germany, Switzerland, Austria and the Czech Republic. High value-creating projects have already been identified. The Group plans to replicate its real estate model in these countries, building the facilities itself and owning a proportion of its buildings;
- targeted acquisitions across the dependency care sector in all the countries in which ORPEA operates offering many opportunities in the private sector, currently being consolidated;
- new strategic transactions, such as the acquisition of SeneCura, a leading nursing home operator in Austria, completed by the Group in early 2015.

In all its development efforts ORPEA continues to prioritise the quality and location of its projects and value creation.

The Group has all the necessary strengths to pursue its development in Europe and China:

- proven know-how in acquiring and integrating care facilities;
- structured platforms in each country, supported by experienced managers and local networks;
- unique know-how in designing and building healthcare facilities;
- opportunities to secure funding at historically low rates.

Following the consolidation of SeneCura from 1 April 2015, the Group is already forecasting revenue of €2,310 million in 2015, up 18.5%, without taking into account any other potential developments, with robust profitability and limited debt in light of the average cost of borrowing.

4.2. – EVENTS OCCURRING SINCE 1 JANUARY 2015

► Early redemption of OCEANEs maturing in 2016 – Press releases of 5 January and 4 February 2015.
On 4 February 2015, ORPEA finalised the early redemption of all bonds convertible into new or existing shares outstanding as at 27 January 2015 (ISIN FR0010973057 – "OCEANEs").

Press release announcing early redemption published on 5 January 2015
Accordingly, holders of OCEANEs will be entitled to exercise their right to be allocated 1.122 ORPEA shares for every OCEANE bond, until 26 January 2015 (inclusive). Early redemption for holders not exercising their right to the shares will be completed at par, namely €44.23 per OCEANE bond, plus the interest accrued from the last date interest was paid, i.e. €0.160 per OCEANE bond. Interest will cease to accrue from 4 February 2015.

Should all holders exercise their option, the maximum number of new shares will be capped at 4,564,504. In accordance with the provisions of the issuance contract, the new shares issued from the conversion will not give the right to any dividends that may be paid in respect of 2014.

Any OCEANEs not submitted for conversion will be paid for in cash on 4 February 2015.
Applications to exercise the right to be allocated shares must be received no later than 26 January 2015 (5 PM CET), by the centralising agent, Société Générale Securities Services.

Yves Le Masne, ORPEA Chief Executive Officer, commented: "This very early redemption will enable ORPEA to strengthen its financial structure by increasing its equity. The redemption, together with the high number of financing opportunities on very attractive terms, further boosted the Group's financial flexibility. By bolstering its equity, in 2015 ORPEA will be able to pursue its extremely intensive development outside France, always focusing on value creation."

Outcome of the early redemption offering
As announced in the press release of 5 January 2015, on 4 February 2015, ORPEA finalised the early redemption of all outstanding convertible bonds maturing in 2016, i.e. 4,068,186 convertible bonds.

The repayment was completed by means of:
- *the delivery of 4,536,578 new shares, in consideration of 4,043,284 convertible bonds contributed to the conversion, representing a conversion rate of 99.4%;*
- *the cash payment of €1,105,399.78 (i.e. the price of €44.39 per convertible bond) for the 24,902 convertible bonds not contributed to the conversion.*

Following completion of the early redemption, the total number of ORPEA shares currently outstanding is 60,113,284.

Yves Le Masne, ORPEA Chief Executive Officer, commented: "This successful redemption will enable ORPEA to strengthen its financial structure by increasing its equity by almost €180 million and to secure savings on the payment of coupons due in relation to 2015. This financial flexibility has already allowed the Group to announce the acquisition of the leading player in the private nursing home sector in Austria, SeneCura, which will create high value and enhance earnings per share from 2015."

▶ Acquisition of SeneCura Group in Austria – Press release of 20 January 2015
On 20 January 2015, ORPEA announced the acquisition of SeneCura, the leader of private dependency care in Austria, which is also establishing operations in the Czech Republic.

SeneCura, the leader in Austria of private dependency care
Established in 1998, SeneCura is a family group which has expanded significantly in the last 10 years to become the Austrian leader in private dependency care, with a comprehensive range of services offering elderly people genuine support in their lives and their care. nursing homes (day care facilities, Alzheimer units, temporary accommodation), rehabilitation clinics, and home care and services.

Thanks to the experience of its executives and the know-how of its teams, at end-2014 SeneCura had a unique network of 55 facilities, comprising 4,236 beds, breaking down as follows:
- *Austria: 3,936 beds (52 facilities), of which 480 under construction;*
- *Czech Republic: 300 beds (three facilities) under construction.*

In 2014, SeneCura generated revenue of €125 million. Benefitting from a growth pipeline of 780 beds, the Group has already secured revenue of €180 million for 2018, corresponding to a 44% increase.

SeneCura's offering and model are similar to ORPEA's:

- *a care and services offering renowned for its quality: SenaCura has won a number of regional awards;*
- *locations in the heart of cities or urban centres, covering seven out of nine Austrian regions;*
- *a private room ratio of approximately 70%;*
- *recent buildings, mostly built after 2003;*
- *occupancy rate close to 100%;*
- *a mixed property policy, combining full ownership, financial leases with a purchase option and operating leases, ensuring a rate of real estate ownership of 30% in the long run.*

Unique positioning in a country with sound fundamentals

With over 15 years of experience in geriatric dependency care, SeneCura is the recognised leader of the private nursing home sector in Austria based on the quality offered, and benefits from a unique position in this country. The other private groups, of significantly smaller size, are mostly local and focus on just one region.

The Austrian dependency care sector has strong and momentous fundamentals, with an outlook of sustained, robust growth in the coming years:

- *significant population ageing: the number of people aged over 80 will double by 2040, reaching 800,000, one of the highest growth rate in Europe;*
- *insufficient care offering: one of the lowest numbers of long-term care beds per head of population in Europe and, as a consequent, the need to create 30,000 beds by 2030, corresponding to a 50% increase of current capability across all sectors;*
- *overwhelming predominance of public players and associations, accounting for 90% of beds approved so far in the context of cuts to public spending;*
- *restrictive and complex regulations, with regional licensing systems requiring proven experience and know-how for business development;*
- *high purchasing power, with annual GDP per head of $49,050, 40% higher than the European Union's average.*

In the Czech Republic, SeneCura has started operations in areas with high purchasing power, in particular in the Prague region.

These two countries thus perfectly meet the ORPEA Group's criteria with a view to robust and long-lasting growth in the coming years.

A unique development platform for the future

With ORPEA's support, SeneCura will be able to accelerate its expansion in both Austria and the Czech Republic, by creating new facilities and carrying out targeted acquisitions.

Supported by an experienced management team, an established contact network, in particular with health authorities, and a sound reputation in terms of quality and innovation, SeneCura aims to:

- *strengthen its position in Austria across all dependency care business lines;*
- *become the industry leader in the Czech Republic by creating facilities that meet the Group's standards;*
- *optimise profitability by leveraging ORPEA's centralisation skills.*

These ambitious goals, which mark ORPEA's strategic positioning in Austria and in the Czech Republic, will generate high value for the Group.

<u>A new acquisition to enhance earnings from 2015</u>
The acquisition of SeneCura will be completed on 1 April 2015 and consolidated from the same date.
It will be paid for entirely in cash and funded using ORPEA's cash. As a matter of fact, following the early redemption of its OCEANE bonds announced in January and several financing opportunities secured at attractive terms, the Group now enjoys significant financial flexibility.

This acquisition of a strategic asset and a real estate portfolio was carried out in accordance with the Group's investment criteria and financial discipline. Like the two most recent acquisitions in Germany and Switzerland, this transaction will also boost the earnings per share of the ORPEA Group as from 2015.

After this acquisition, the ORPEA network will include 56,314 beds in 579 facilities, of which 43% outside France.

Yves Le Masne, ORPEA Chief Executive Officer, commented: "After the acquisitions of Senevita in Switzerland and Silver Care in Germany in 2014, ORPEA started 2015 with a new strategic transaction offering great potential for expansion.
This acquisition of an asset with a unique competitive edge in Austria and in the Czech Republic will give ORPEA a new source of growth and profitability, as well as expansion opportunities that will create value.
The Group thus continues to expand its European network, adding another building block to its future growth, without neglecting its profitability criteria.
With great financial flexibility and financing opportunities, the Group will pursue its international expansion strategy, by means of targeted acquisitions and licences."

Dr Jean-Claude Marian, ORPEA Chairman, concluded: "The powerful international development momentum set in motion in 2014 will continue to drive from the start of 2015. In 12 months, the Group will have completed three strategic acquisitions representing 12,492 beds, of which 17% under development. This corresponds to additional annual revenue of €510 million at maturity.
These acquisitions are even more promising taking into account that ORPEA will thus acquire three platforms combining expansion capacity and solid operational reputations, in countries with strong, dynamic and stable economies, and an elderly population with high purchasing power."

<u>Advisors</u>
Acxit Capital Management, represented by Thomas Klack and his team, acted as financial adviser to ORPEA and Bredin Prat as legal counsel.
Credit Suisse and EY acted as financial advisers to SeneCura, and Klemm Rechtsanwalts-GmbH as legal counsel.

► Other acquisitions

With a view to completing its home support services offering, ORPEA acquired the Adhap Services network, which specialises in home care. This acquisition - which complements the DOMIDOM network - will enable ORPEA to facilitate continuity of care for people who are losing their independence between facilities, their home and nursing homes, as encouraged by public authorities and expected by the patients' families.

▶ Sales for Q1 2015 - Press release dated 5 May 2015

On 5 May 2015, ORPEA announced its revenue for the first quarter to 31 March 2015.

Strong growth of revenue

In € M	*Q1 2015*	*Q1 2014*	*Change*
France	***391.1***	*359.8*	***+8.7%***
% of total sales	*73%*	*84%*	
International	***146.9***	*68.2*	*+115.4%*
% of total sales	*27%*	*16%*	
Belgium	*41.0*	*40.7*	
Spain	*15.6*	*12.3*	
Italy	*10.7*	*9.7*	
Switzerland	*27.5*	*5.5*	
Germany	*52.1*	*0.0*	
Total sales	***538.0***	*428.1*	***+25.7%***
Organic growth[10]			***+5.8%***

In Switzerland, Senevita has been consolidated as of 1 April 2014; in Germany Silver Care has been consolidated as of 1 July 2014 and in Austria SeneCura will be consolidated as from 1 April 2015.

Yves Le Masne, ORPEA Chief Executive Officer, commented: "Activity in the first quarter confirmed the excellent growth momentum that continues to push ORPEA forward, with new strong growth of revenue of +25.7% to €538 million.

All the countries in which ORPEA is established have recorded robust growth, both organic and external. The Group continues to reap the benefits of its international expansion policy: international revenue ex-France more than doubled (+115%), notably following the acquisitions in Switzerland and Germany.

The quality of ORPEA's value-creating development model is evidenced by its organic growth, remaining solid at +5.8%. As a matter of fact, occupancy rates remain outstanding in all countries, in light of strong industry needs, but also due to the quality of the Group's team and facility location. Organic growth was also boosted by the ramp-up of recently opened facilities. In the first quarter, ORPEA opened 550 beds in six facilities, of which 2/3 outside France (Germany and Belgium).

This robust and powerful growth trend will continue throughout the year, in particular thanks to the contribution of the Austrian leader in nursing homes, SeneCura, the acquisition of which was completed on 1 April as planned.

ORPEA can thus comfortably confirm its 2015 revenue target of €2,310 million, up 18.5%, which does not include any additional expansions."

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[10] Organic growth reflects the following factors: 1. The growth in sales (in period n vs. period n-1) of existing facilities as a result of changes in their occupancy rates and daily rates, 2. The growth in sales (in period n vs. period n-1) of restructured facilities or those with capacity increased during period n or n-1, and 3. Sales generated in period n by facilities set up in period n or n-1. Organic growth includes the improvement in sales recorded at recently-acquired facilities by comparison with the previous equivalent period.

Completion of the SeneCura acquisition in Austria and in the Czech Republic

As expected, on 1 April 2015 ORPEA completed the acquisition of the SeneCura Group, leading player in the Austrian private nursing home market with 3,936 beds which also operates in the Czech Republic with 300 beds under construction.
This acquisition, paid for entirely in cash, will have an earnings-enhancing effect on the EPS as of this year.
It is perfectly in line with ORPEA's strategic expansion outside France:

- *a complex regulatory framework, with strong entry barriers;*
- *a country with high purchasing power and a private for-profit sector accounting for just 10% of the offer;*
- *a group with a solid reputation for its quality, sole leadership (45% of beds in the private sector) and an experienced, recognised management team.*

ORPEA is delighted to welcome SeneCura's 2,000 employees, who are already involved in the integration process through the sharing of expertise in dependency care. ORPEA's experience in this field enables the development of optimisation processes which are, of course, adapted to respect the different customs of each country.
With the significant financial resources contributed by ORPEA and the specific real estate expertise of the Group, several value-creating projects are already being considered in Austria.

5. RISK MANAGEMENT

5.1 – RISK IDENTIFICATION AND GENERAL MANAGEMENT POLICY

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

This is why ORPEA has an active risk prevention and management policy aimed at ensuring that the risks related to its business are kept under control as much as possible.
The risks presented below are those considered by the ORPEA Group, on the date hereof, to be those that could have a negative effect on the Group, its activity, results and/or development.

Promoted by Executive Management and implemented by the Quality and Medical Department, as well as by the Operational Departments, risk management translates daily into the attention paid by each facility, through its management team, to the management of its activities: risk identification with a risk mapping, definition of preventive action to eliminate or reduce risks, implementation of staff training and raising of awareness, strengthening of self-assessment and auditing processes, and monitoring of action plans by the risk surveillance committees.

5.2 – RISKS RELATED TO THE GROUP'S BUSINESS SECTOR

5.2.1 - Regulatory risk management related to the acquisition and retention of operating licences

The operation of a socio-medical or health facility in France, as in Italy, Belgium, Spain and Switzerland, requires that licences be obtained from the relevant competent authority in each country (Regional Health Agency and/or General Council in France, the ASL (local health authority) in Italy, Social Services of the autonomous communities in Spain, COCOF (French Community Commission), COCOM (Common Community Commission) in Belgium, etc.).

In France, the creation, transformation or extension of a long-term care facility is subject to a licence jointly issued by the General Council and the Regional Health Agency, subsequent to a competitive bidding procedure. This licence is valid for 15 years from the date of issue.

The creation, extension and operation of short-term care facilities is also governed by complex regulations designed to regulate hospital capacity with the dual aim of cost control and quality of care provision.

Under this regime, healthcare facilities must obtain authorisations, which last for five years, during specific time windows established by the General Managers of Regional Health Agencies. These windows are opened for a minimum of two months, twice yearly. Two weeks prior to the opening of these windows, an assessment of quantified on-site care targets is published to determine the admissibility of applications. These assessments are based on quantified on-site care targets as defined in regional health projects (PRS) and more specifically within regional medical care plans (SROS) which form part of the regional health project according to the needs of the local population.

The retention or renewal of socio-medical and health facility licences is subject to assessment and control procedures of the services provided:

- socio-medical facilities must conduct internal and external assessments, every five and seven years, to assess the facilities' ability to perform the duties entrusted to them and the quality of their activities with regard to their licences;
- health facilities must produce a licence renewal application file and report on the results of their quality procedure (indicators, quality committee, certification processes, etc.).

Any licence granted to a facility may lapse if:

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

To avoid the risk of lapse due to the first two points above, the ORPEA Group has developed an active policy of acquiring land or properties concurrently with or ahead of obtaining the licence.

In Belgium, the 6th state reform entered into force on 1 July 2014. It includes changes that affect care facilities for the elderly, in particular:

- transfer of powers from the federal State to federated entities; it is probable that in the long run there will be different models in each region;
- transfer of budgets from the federal State to federated entities⇒ A federal grant has been allocated to federated entities since 1 July 2014. This grant will change each year in relation to the population aged 80 years and over, and will be indexed and linked to changes in the GDP.

Retirement and rest and care homes must have operating licences (given different names from one region to another) issued by the competent regional authority. This regional independence enables each region to define its own standards and criteria.

Each region has a quota of long-term care beds. This bed quota is presented as a programming number which is based on demographic changes and the budget, to support the mandatory supervision of care. Due to these quotas and in order to obtain an operating licence, operators need to file an application with the regional health authority. An inspection follows to check that the facility complies with regulations, particularly as regards building standards, safety, care staff and care plans.
In Flanders, no new advance licence has been granted to date[11]. Existing advance licences (*voorafgaande vergunningen*) are, in turn, subject to an accreditation schedule (*erkenningskalender*) since 1 January 2015. In concrete terms, for any introduction of new beds[12] in 2015 or 2016, holders of advance licences must notify, prior to 01/01/2015, their intention to seek accreditation, specifying the quarter in which such beds will be operated. For introduction after 2016, the accreditation request must be sent on or before 1 January two years prior to the year for which accreditation is sought. The Flemish Health and Medical Care agency (*Vlaams Agentschap Zorg en Gezondheid*) may therefore either approve the accreditation schedule, or decide to postpone it by one or more quarter(s). It may also bring it forward by a quarter, subject, however, to the agreement of the applicant. If the holder of an advance licence does not produce the accreditation schedule request as required, the advance licences will be cancelled in full or in part.

In Brussels and Wallonia, no specific legislation is currently in place.

Operating licences are issued for an indefinite period in the Wallonia region, for a specific period in the Flanders region and for six years in the Brussels-Capital region. To obtain a licence renewal, the required procedure must be followed. Authorities may refuse to renew an operating licence if there is a significant breach of standards, though this may only apply to part of the facility (e.g. one sub-standard room). Operating licences may also be withdrawn by the health authorities if there is a serious fault (e.g. charges of maltreatment).
ORPEA BELGIUM has never been in such a position.

In addition, ORPEA BELGIUM actively tries to anticipate possible changes to the regulations in force, so as to adapt to legal changes affecting nursing homes and rest and care homes. ORPEA BELGIUM has, for example, anticipated the existing moratoriums by obtaining, over the last few years, the licences required to operate its residences currently in development. All accreditation schedule requests have also been sent to the Flemish Health and Medical Care agency within the timescales required.

In Italy, the operation of a nursing home is subject to an authorisation and accreditation system, based on the submission of an application.
The vigilance committee of the regional ASL verifies, annually, that the facilities still have the required structural, technological and operational qualities that led to the granting of their operating licences, their accreditation and the signature of contractual agreements, in the absence of which the ASL may impose penalties that could lead to the licences being revoked.

[11] Unless the advance licence relates to a new replacement building with a transfer of beds, having no effect on the programming.

[12] The accreditation schedule does not apply to new replacement buildings.

In Spain, the licences of facilities fall under the jurisdiction of the Autonomous Communities (Regions). Each region establishes its own criteria in relation to the facilities, the number and type of employees required and the procedures to be followed.

The Regions conduct inspections of the facilities to confirm the proper application of their standards. Each region determines its own inspection procedures and these may vary significantly. For example, in Madrid, the licence issuing body conducts two inspections per year in addition to other ad hoc inspections in the event of a serious complaint. Those facilities with public places are inspected four times per year to ensure that standards are properly applied.

In the other regions where ORPEA operates, there is only one inspection per year.

In the event of non-compliance with the standards, penalties may be imposed: decrease in public sector funding, loss of licence, closure of a facility.

The ORPEA Group in Spain has never been in this position.

In Germany, currently, there is no administrative authorisation process similar to those in the other countries; however there are conditions to be met in terms of the number of qualified staff and the quality procedures. In addition, the facilities must initiate negotiations with the nursing care insurance fund associations of the various *Lander* (*Landesverbände der Pflegekassen*) and/or the social security authority (*Sozialhilfeträger*). Current negotiations could lead to an increase in the powers given to municipalities with the option for them to introduce a bed planning system. To date, this idea has not yet been the subject of any regulation.

Each year, audits are conducted by the medical services of health insurance funds on a regional scale, "MDK" (*Medizinischer Dienst der Krankenkassen*).

Generally speaking, the ORPEA Group has never been in this position, thanks to its internal control procedures and strict follow-up by its various support departments and services (Medical Department, Regional Divisions, Quality, Works and Procurement Departments, etc.).

In fact, the Group quality procedures in force in all subsidiaries, applicable at all stages of resident care, as well as the care provision traceability implemented by the medical department, combined with the audits performed by the support services allow the ORPEA Group to protect itself against the potential risk of operating licences not being granted or renewed.

5.2.2 - Management of regulatory risks related to pricing for Group facilities

In France, the pricing of socio-medical facilities is broken down into three components:

- accommodation fee;
- dependency allowance;
- medical care allowance.

Only the accommodation fee is paid by the resident (or the local authority if the facility has beds available for "social security support" cases). Accommodation fees are set freely when a resident first arrives and then increase annually on 1 January each year by the percentage set by the Ministry of the Economy and Finance (or the local authority for residents on social security support). During the accommodation contract, therefore, the ORPEA Group, like other nursing home operators, does not have control over its pricing. For 2015, prices cannot go up by more than 0.05% compared with the previous year for residents already in situ at 1 January.

The medical care and dependency allowances are closely related to the health authorities' pricing policy (approximately 30% of the revenue of socio-medical facilities).

The dependency allowance is funded by the Personal Autonomy Allowance (APA) paid by the local authority, and covers a part of the cost depending on the level of dependency and the resident's resources. In any case, the resident remains responsible for nominal user fees.
The medical care allowance is funded by Social Security.

There is a risk that the health authorities may limit their part of the funding.

For post-acute and psychiatric care facilities

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

- the care and accommodation component: the day rate, which accounts for about 70% of revenue and is paid for by the national health service;
- and a residential supplement, which accounts for about 30% of revenue and is paid for by the patient (or the patient's private insurance).

For the ORPEA Group's short-term care facilities, like other operators, rate changes are therefore partly contingent upon public policy.
There is therefore a risk that public funding for this type of care could be reduced for cost-cutting reasons. A general decrease in rates could have a negative impact on the Group, its results and financial position.
In 2015, prices for post-acute and psychiatric care facilities are set to fall by 2.5% on average.

In Belgium, nursing homes and rest and care home charges break down into two main parts:

- the daily accommodation fee, paid by the resident (60% of revenue);
- the medical care allowance, paid by INAMI (40% of revenue).

Long-term care facilities may not increase the accommodation fee without first submitting a request, providing quantitative justification of the requested increase. Several procedures exist according to the request made:

- setting a new price (opening or creation of a new service);
- automatic index-linking to the consumer price index;
- fee increase over and above the indexation increase, in the event of major works to or financial loss of the operation.

Currently, the free pricing of accommodation for new residences is maintained in each of the regions.

With regard to the funding of care services and subsequent to the 6th state reform (entered into force in July 2014), this was transferred from the National Institute for Health and Disability Insurance (INAMI) to the federated entities. There is currently a transition period (from 01/07/2014 to 31/12/2017) during which INAMI will continue to manage the transferred powers (medical care allowance) on behalf of the federated entities. Long-term care homes are funded on the basis of the number of residents present, their level of dependency and the way in which the staff standards are applied. The KATZ scale is used to measure dependency. Gradings of O and A, B, C, and D, from the least dependent to the most dependent, are given by a nursing home nurse and sent to the insurers (private top-up insurers) within seven days of the resident entering the facility. Any change following a reassessment of the person must be approved by their doctor and notified to the insurer again. Assessments are carried out following each change in the person's health. Care staff standards are also defined on the basis of the KATZ grid.

The transfer of federal powers to federated entities could, after 2018, result in changes to the pricing policy (namely a reduction in medical care allowance) and impact the Belgian subsidiary. That said, no change of this type has been announced to date. Moreover, the target clientele of ORPEA BELGIUM residences has a higher purchasing power than the Belgian average and can afford relatively higher accommodation fees. Consequently, a potential reduction in medical care allowance would have a limited effect on the financial results of ORPEA BELGIUM.

In Italy, the pricing of facilities consists of an accommodation component and a care component. There is a large regional disparity in the management of prices.
The care component (45% of revenue on average) is administered by the ASL and the accommodation component is borne by the residents, except for those with low income for which the accommodation fees may be paid by the municipality.

Care component prices may be lower depending on the region and the number of allocated staff (the calculation is made in relation to the number of minutes of care by level of dependency of the resident) and the quality standards expected.

A reduction in the amount paid by the ASL could have a negative impact on the Group's financial position.

In Spain, since the introduction of the Dependency Law in 2006, ORPEA Spain has incorporated the levels of dependency into its prices, such that a resident pays more or less according to his or her level of dependency (3 existing levels).
In the case of private clients, the risk is that the maximum price of their stay could be restricted. This is already the case for residences under the administrative concession system (Las Rozas, San Blas, Sanchinarro, Alcobendas, Carabanchel, Pinto 1) but ORPEA prices still remain above average and help to provide a service that meets ORPEA quality standards.
One region alone, Catalonia, has established a price ceiling above those of the administrative concessions. It is a maximum price that must not be exceeded and is equivalent to the price of public places in Catalonia. Nevertheless, as this price is only a basic price, ORPEA can also invoice for additional services such as, for example, a client's request to have a private room.

In the case of private clients, price increases are generally linked to the either inflation or salary increase, whichever is highest.
In the case of "conventional" places that are recognized and eligible for reimbursement by the health care system, there is little risk insofar as the resident pays a portion of his or her bill, relating to his care, and the remaining balance is paid by the agency. In this case, pricing is determined by the agency and is updated in line with inflation.

In Switzerland, a resident's stay in a retirement home is funded by the resident himself, the his health insurance (28% of revenue), and potentially the canton if the resident is not in a position to pay the full amount of his accommodation costs. Similarly to the other countries, there is the risk that the health insurance or payment of expenses may be withdrawn, and these would no longer be covered by the price of the stay paid by the resident.

In Germany, the cost of a nursing home is divided as follows:
- 50% funded by the regional health insurance funds;
- 15% funded by the municipality in respect of investment costs;
- 35% charged directly to the resident.

The health insurance system is funded by employee contributions and this system has been structurally in surplus for more than 16 years. In Germany, one of the major concerns for the government is maintaining a source of funding sufficient to anticipate the demographic growth of the country; in this context, an increase in contributions of 0.5% per year was approved until 2017.

5.2.3 - Management of risks related to a change of public policy

Generally speaking, in all countries, the public authorities have decided to promote home care for the dependent elderly and, consequently, to devote more funding to the provision of home care than to nursing homes. This could put a brake on the Group's development.

The ORPEA Group, regardless of the country in which is established, does not consider home care to be a direct competitor to its business but rather an additional capability, as the Group cares for people whose level of dependency would in any event not allow them to stay at home, and a certain number of studies have shown it essential to create residential beds for the elderly in the coming years.

In Germany, for example, the need for new beds in nursing homes is estimated at 100,000 beds between now and 2020 (Source: German national office of statistics).

Moreover, changes in social policy in France, Belgium, Italy, Spain, Switzerland and Germany, could have a negative effect on the results of the ORPEA Group.

In France, foreshadowed by the Minister responsible for the Elderly, the reform of dependency was to have been ready by the end of 2013.
In the end, the government decided to go ahead with the law on autonomy in two stages:

- in February 2014, the government unveiled the main measures of a bill “for the adaptation of society to ageing”, which was adopted by the Council of Ministers in September 2014 and passed by the Senate on 19 March 2015, the enforcement instruments of which are to be published before the end of 2015. The proposed measures are focused primarily on the development of home care: €375 million revaluation of the personal autonomy allowance (APA) for people remaining at home, €140 million to improve the funding of technical assistance to allow people to remain at home (remote assistance, fitting of small equipment in homes, prevention, home automation, etc.), government funding for the renovation of 2,200 sheltered houses and the adaptation of homes for the elderly, etc.
- followed by another series of measures for the retirement home sector which should have been presented before the end of 2014. However, in January 2015, the secretary of state for the elderly announced that the government did not have the budgetary resources to carry out this second stage of the reform of dependency for retirement homes.

It should be noted that several reports during the last few years have put forward various reform possibilities, which could include:

- a change in the rules governing the granting of the personal autonomy allowance (APA): the establishment of a claim on the estate of high earners, with no benefits paid to people in GIR group 4;
- an overhaul of accommodation support: combination of the legal social aid and housing aid mechanisms;
- abolition of tax relief on accommodation expenses.

These measures combined could lead to an increase in the accommodation fees payable by residents and patients and therefore have an adverse impact on the Group's operations.

However, this risk is attenuated as the average income of the elderly has increased. People over the age of 85 will enjoy a 20% increase in their annual income from 2005 to 2015 and a 42% increase between 2005 and 2020.

Lastly, another possibility being considered is the introduction of an optional "long-term care insurance" contribution from an as yet unspecified age (40 has been mentioned), to enable elderly people faced with loss of autonomy to finance their own accommodation costs.

In any event, it should be remembered that the private sector only accounts for about 20% of total beds for the elderly, hence posing less of a solvency problem in relation to the statistical distribution of wealth among the very elderly.

In Italy, the licences, accreditations and the signed contractual agreements do not depend on the political framework; nevertheless, the distribution of public funds allocated to the different players (retirement homes, homes for people with disabilities, clinics, hospitals) could be subject to modification. Amongst others, it should be noted that the public authorities tend to favour in the coming years a transformation of clinical and hospital beds into nursing homes.

In Belgium, the population of care homes could reach 2,500 persons per year between now and 2025 with significant requirements in Flanders.
In addition, ORPEA BELGIUM intends to develop "assistance homes" in Flanders, which would allow the elderly people, the dependency level of which is not too high, to be cared for in some of its care homes and/or serviced residences.
The regions support this type of treatment because the care is administered by independent nurses paid on a fee-for-service basis. These services are integrated within home care services and funded by the Belgian Federal Budget and therefore do not affect regional allowances and budgets.
Finally, it is necessary to highlight the importance of public and voluntary sectors which represent almost 70% of the sector, making major changes to the healthcare funding policy highly unlikely. In addition, Article 23 of the Belgian Constitution guarantees each citizen the right to health care.

In Spain, it is the Autonomous Communities (Regions) that are responsible for the regulation of retirement homes, meaning that changes in these Regions affect our facilities more than changes that occur in the Central Government. Nevertheless, the Central Government decides on the framework and outline, meaning that a change on its part could result in political movements that could potentially affect us. For example, the dependency law emanates from the Central Government, but its implementation is the responsibility of the Autonomous Communities (payment methods, timescales, etc.), which can pose problems when certain Autonomous Communities are not in a favourable economic position. The ORPEA Group in Spain has been only mildly affected since "just" (this figure is more significant within the sector) 33% of its beds are public, the majority of which (86%) are in Madrid, where the economic position of the regional authority is favourable.

Over the last few years in Spain, the ORPEA Group has been affected by a reduction in the price of conventional beds (in Madrid, for instance, from €57 to €50 per day) but which was eased by an increase strategy of private beds in our residences, beds which can be occupied at higher prices. This increase in private beds was made possible by the increase in demand for beds in our sector and the lack of new openings in the coming years, due in particular to the construction crisis. In addition, ORPEA was relatively unaffected by this reduction in prices considering a large portion of the beds in question are governed by an administrative concession, the fixed price of which is linked to the concession period (50 years in general) and is significantly higher (€70 to €80 per day).

The risk for ORPEA in Spain now is a radical political change that would exclusively prioritise public services, to the detriment of private services, by increasing the cost of conventional places, not specifically by a price increase but by an increase in the number of places, thereby removing the options in the private market.

In Switzerland, there are currently no political initiatives or changes in place that could have a fundamental impact on our business model. There are ongoing discussions relating to the introduction of a dependency insurance (*Pflegeversicherung*), which would constitute an additional source of funding. However, there has not yet been any concrete progress in relation thereto.
Changes today are therefore more at cantonal level, but are not a major concern. One example is the debate in certain cantons on the appropriateness of billing the resident for a LIMA materials allowance (materials on the list of devices and equipment; in Germany: MIGEL) rather than considering this covered by the medical care allowance. This separate pricing system would, however, not be applied in all cantons and would have a very limited effect on the resident. For instance, this LIMA allowance would amount to CHF 2 in the canton of Fribourg.

In Germany, changes at national level could occur with varying degrees of impact depending on the Lander.
In the Baden-Württemberg Lander, for example, from 2019, facilities currently in operation will no longer be allowed to accommodate residents in double rooms. The Silver Care subsidiary has already taken steps in response to this new regulation, both for facilities currently under construction (these will only contain individual rooms) and those currently in use (anticipation of changes).
In addition, certain cantons have announced for the coming years an increase in their requirements in terms of care staff quotas. This provision does not represent as much of a risk in terms of additional costs incurred (in fact, these shall be borne by the medical care allowance), but more in terms of the shortage of care staff in the country.

5.2.4 - Management of social risks

► Risk identification

Difficulties in recruiting care staff and the turnover of staff can affect the organisation and smooth running of the Group's facilities. These persistent difficulties could have an adverse impact on the quality of care provision.
In addition, a prolonged shortage of qualified care staff, if left unmanaged, could jeopardise the number of beds authorised or even the operating licence itself, as staff compliance with standards applies to all subsidiaries.
All facilities must be able to provide residents and patients with continuity of care and medical treatment by an adequately staffed, qualified care team. Development of the Belgian subsidiary in Flanders and the substantial care staff requirements in Germany and Switzerland also pose the same problem.

► Risk management

In order to address these risks, the Group has chosen, for example, to focus on its mobility and recruitment in France and Belgium specifically.
In order to identify and anticipate the recruitment needs of each subsidiary, tailored action plans have been implemented:

- Specifically define recruitment needs per subsidiary and job profile. There is not currently, for instance, any staff shortage in Spain or in Italy;
- Ensure visibility of our job offers by using appropriate media and introduce procedures for the processing of these job applications;

- Develop mobility within countries but also between subsidiaries. The aims are to create staff loyalty, retain skills within the group and in some instances, to keep staff in employment (Italy and Spain);
- Lead a dynamic policy in establishing relationships with schools in all countries. This allows us to promote our jobs and our Group, anticipate our requirements by meeting and training students or employees on our facilities;
- Participate in recruitment campaigns such as job fairs or job dating, targeted to our most at-risk profiles or those experiencing shortages and develop local action with employment partners;
- Lead and manage, as the Group has done for many years, an active training policy allowing the development of skills and employee loyalty, through numerous programmes such as language training in the case of job mobility, ESCP for the promotion of our talents or even the development in Belgium of a team of more than 70 internal trainers and the introduction of ICAS (nurses in charge of welcoming students).

5.2.5 - Management of climate risks

► Risk identification

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

► Risk management

The ORPEA Group's facilities are equipped to cope with heat or cold fronts that could endanger the health of residents and patients.
The Medical Department has drawn up procedures and protocols (staff mobilisation, hydrating residents, adapting diets, etc.) to be applied in all the Group's facilities and staff training has been organised to guarantee the continued care and well-being of residents.
Agreements have been signed with a nearby health facility in order to set out terms of cooperation and in particular how to care for residents weakened by a heatwave.

Cooled rooms have been installed in all Group facilities, **in France, Italy and Belgium**; some facilities in the warmest climates or for which there is a regulatory requirement are fully air-conditioned.
The Group's internal procedures comply with the regulatory requirements set out in the government's Plan Bleu/Blanc (in France) or crisis management plan (other subsidiaries), which must be triggered in all the Group's facilities once a certain heat alert level has been reached.

In France and following the publication of texts relating to the safety of residents in nursing homes in the event of an energy failure, the Electrical Failure Risk Analysis Document (DARDE) has been implemented in all Group facilities.
This document sets out what to do in terms of the risks affecting each facility should the power supply be interrupted. Preventive risk management measures have thus been defined, as well as measures to be adopted when risks arise.
Electricity generators have been installed in most facilities to tackle this risk; where technical and/or architectural constraints did not allow the installation of such equipment in the home, a national master lease agreement has been signed with 2 AST (response 24/7 within four hours on weekdays and six hours on weekends), and a source inverter has been installed to allow the temporary use of a generator.

5.2.6 - Management of risk of pandemic

▶ **Risk identification**

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

▶ **Risk management**

The ORPEA Group took all appropriate preventive measures when faced with the potential risk of an external epidemic (such as the H1N1 flu epidemic in the second half of 2009):

- preparation and availability of a Crisis Management Plan incorporating the Business Continuity Plan;
- staff information and training, including a reminder of best hygiene practices and isolation protocols in case of patient or resident infection, etc.;
- identifying and ordering the necessary equipment (masks, protective eyewear, antiseptic solution, etc.) to cope with an epidemic and avoid spreading the virus, whilst protecting residents, patients and staff;
- informing visitors through posted notices, limiting visits and giving recommendations in terms of good hygiene practices;
- creation of a national crisis unit (comprising members of the Group Operations Department, Medical Department and Quality Department), which is responsible for coordinating actions across the entire Group and centralising information issued by each facility's crisis unit.

In addition to these internal provisions, each country must refer to the measures imposed by the different governments, both in relation to the procedures to be adhered to and to the forms of conduct to be implemented.

Finally, every year the Group's facilities ensure improved communication with patients, residents and staff in order to raise awareness and encourage them to get immunised. For residents and patients, immunisations are covered by their social security and for employees, the cost of immunisation will be borne either by the facility or by health insurance.

5.2.7 - Management of competitive risks

▶ **Risk identification**

The dependency care sector's offering is highly diversified in terms of both the type of facilities and the modalities of care: home care, sheltered housing, serviced residences and long-term care facilities. Industry players come from very different backgrounds and are part of the public, associative or private sector, offering different services and prices. Consequently, residents and their families and patients must choose a facility based on several criteria (location, quality, cost, etc.). In this context, the ORPEA Group facilities must remain competitive and highly attractive.

▶ **Risk management**

Residents and patients mostly come from hospitals, in the case of healthcare facilities, and from families, referring physicians or social services in the case of retirement homes. They advise future patients and residents on choosing a facility based on a number of criteria, in particular its location, expected quality of care, team expertise and bed availability. This is the reason that ORPEA is continually working on enhancing the attractiveness of its facilities: investment in and renovation of

buildings, city centre locations, quality optimisation and audits. Each facility manager cultivates local relationships with prescribing medical specialists, often inviting them to visit their facility.
A satisfaction survey is conducted annually among prescribing medical specialists in order to gauge their expectations and their level of satisfaction.

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

The risk of new operators entering the market or of a substantial increase in competing care facilities is limited. Opening new socio-medical and long-term care facilities is regulated and subject to obtaining an operating licence in the majority of the countries in which the Group is established. Even in Germany, the most open country, where there is no system of authorisation, numerous regulations and standards must be complied with and require the implementation of procedures.

In addition, due to the ageing of the population, the supply of beds in retirement homes remains well below the needs identified in all European countries.

5.3 – Risks specific to the ORPEA Group or related to its strategy

5.3.1 - Management of risk of maltreatment

► **Risk identification**

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

Taking into account the Group's business, said liability action could mainly relate to the risk of maltreatment as the Group's facilities care for dependent and/or disoriented elderly people and vulnerable patients.

► **Risk management**

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

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

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

In addition to these preventative measures, each ORPEA Group facility is committed to providing good treatment.

Good treatment is founded on respect for the person, their dignity and their individuality.
Originating in a shared culture, a professional attitude geared towards good treatment is a way of being, acting and talking whilst respecting the other person, meeting their needs and requests and accepting their choices and refusals.
Good treatment requires at the same time a collective reflection on practices, ensuring regular objective assessment by professionals, and the rigorous application of the measures generated and recommended by this collective reflection to improve practices.
In this sense, it is a culture that involves continuous self-reflection, including in terms of changes in skills and discoveries in human, social and medical sciences.
Striving to provide good treatment entails continuous reflection by and cooperation among professionals, users and close relatives, as well as other stakeholders in the initiative, with a view to best meeting needs identified at any given time.

It is to this end that the ORPEA Group has decided to implement different measures in each facility.
In France, for example, two good treatment advisers have been appointed in each of its nursing homes.
These advisers will be trained beforehand by the Medical Department.
Their role will be to support all teams on a daily basis by:

- contributing to a cooperative environment in the team and ensuring new employees are well received;
- anticipating residents' needs, by listening to them and making themselves available in an attentive and kind manner;
- leading the team in an ethical reflection on its daily practices and conducting mini training sessions if required;
- taking part in the drafting of a facility plan ensuring objectives are complied with;
- warmly welcoming residents and their relatives and supporting them at difficult times.

A good treatment register is available for staff, residents and their relatives to acquire information on the actions carried out to develop and monitor the facility's good-treatment approach.

Good treatment is really a task and a reflection that must be shared by everyone to ensure respect of people and their dignity and well-being. The appointment of advisers will ensure the long-term development of this team culture.

An ethics committee has been established in the French care facilities, to support the collective reflection of daily practices.

Lastly, the Group decided to introduce an Ethics Committee in 2015, the reflections of which will support the team practices of the various ORPEA facilities, in France and internationally.

The ORPEA Group has always been committed to proactive approaches to positive treatment by continually raising staff awareness of the values and best practices that are essential to ensure respect for the dignity and individuality of its residents and patients. These values are set out in the ORPEA Quality Charter with a customised version included in the team charter found in each Group facility in France and Belgium.
Difficulties identified whilst caring for a resident/patient are discussed at the weekly briefing meetings held in each Group facility. Equally, the best solutions to respect the resident or patient's freedom and rights, their individuality and dignity, are identified by participants working as a team.

Lastly, the Group's operating structure allows for closer monitoring of the quality of care provided, as well as closer management of staff in relation to everyday problems, as facility directors are relieved of the majority of support functions.

5.3.2 - Risk related to safety of premises

Ensuring the physical safety of the people to whom it provides accommodation is vital for any medical or socio-medical facility. In this area, regulations are growing in number and becoming increasingly more complex and restrictive.
Compliance requires significant financial and human resources for a group like ORPEA, which operates close to 550 facilities and accordingly has many premises to maintain and keep compliant with the applicable standards at all times.

► Risk identification

Like all premises open to the public, the Group's facilities are subject to strict regulations in terms of safety, in all countries in which it is established.
Failure by the Group's facilities to comply with these rules could result in civil and/or criminal action against the ORPEA Group, lead to the revoking of operating licences and have a negative impact on its business and financial position and/or damage its reputation.
ORPEA has risen to this challenge by opting to invest heavily each year to ensure that its facilities, in all countries, comply with the government health, safety and fire directives. As such, a works budget is allocated, each year, by the Group Works Department and the General Management to fully comply with regulatory standards.

► Risk management

To prevent this risk, the ORPEA Group pays close attention to compliance with safety standards in its facilities.
Its key priority is to make all facilities high-quality, secure and comfortable places. ORPEA's facilities were built or redeveloped recently and therefore form a consistent, homogeneous portfolio of assets that meet the most stringent regulatory standards and provide a level of comfort rivalled by few in the sector.
A Works Department established in each of the countries is responsible for the implementation and monitoring of building safety and maintenance.

- *Maintenance and safety policy*

The Group has adopted an investment policy to ensure regular maintenance and repair of all its facilities.

A preventive and remedial maintenance book has been developed and circulated in all of the Group's facilities.
Checked daily, this book keeps track of all preventive maintenance operations to be executed to ensure our buildings are safe and their quality optimised.

All remedial operations (repairs, etc.) are also systematically tracked so that for any given problem, the corrective measure, the interlocutor and the execution date can be identified.

In parallel, the ORPEA Group has hired specialised independent companies to verify the safety of installations and premises (fire, elevators, electricity, gas, water, etc.).

- *Fire risk*

In terms of fire safety, the Group's facilities all strictly apply the standards currently in force in each of the countries, performing quarterly, biannual or annual maintenance operations (fire security system, smoke control, fire doors, extinguishers, etc.).

A prevention policy has been implemented though training provided to all Group employees (annually or biannually depending on the country) by an approved company. In Switzerland, it is a legal requirement that one adviser per facility undergoes training subsequent to which a certificate is issued permitting him or her to conduct staff training.

A safety committee is also tasked with conducting reviews of compliance with recommended fire safety measures; this committee meets every three years in France, every five years in Italy and every six years in Belgium. In Spain, this committee meets only at the time of opening of a facility and instead periodic safety controls ensure compliance with the safety standards.

Each of the Group's facilities has a fire safety register which can be accessed 24/7 by emergency services. In Switzerland, this register is not compulsory; however in the interest of harmonising practices and ensuring the proper tracking of documents relating to fire safety, this register shall be installed in all Senevita facilities in 2015.

Safety instructions and evacuation plans are displayed in each facility, showing the exact route to follow and the meeting point.

Tests are regularly carried out in our facilities to verify staff's reaction times in the event of a fire alarm.

- *Risks linked to hot water*

► Risk identification

Legionellosis is a serious lung disease caused by inhalation of water aerosols contaminated with legionella bacteria. Legionellosis is subject to epidemiological surveillance based on a mandatory reporting system.

Legionella bacteria ubiquitously colonise natural freshwater and damp soils, as well as many artificial environments. Water temperature is a critical factor affecting the survival and proliferation of legionella. Legionella bacteria proliferate in water at temperatures of between 25°C and 45°C, when water stagnates in the presence of limescale deposits, but their viability decreases at a water temperature of 50°C and higher.

The disease has two forms:

- a mild form known as Pontiac fever, a flu-like syndrome. It cures itself spontaneously within two to five days. It accounts for 95% of cases, and is probably under-diagnosed;
- a severe form, known as legionellosis, that occurs in vulnerable hosts. Risk factors identified at present are advanced age, immunosuppression and smoking.

It is characterised by severe acute lung infection causing death in 11% of cases.

► Risk management

In all of its facilities, ORPEA has implemented a policy to prevent and control legionella risk, based primarily on best practices in water system maintenance (hot water systems in particular) and installations at risk.

A technical protocol of preventive measures against legionella risk has also been put in place in all of the Group's facilities by the Quality Department and the Works Department, listing all maintenance and upkeep operations.

A protocol of actions to be taken in the event of unsatisfactory results has also been drawn up. It sets out the various stages of remedial treatment to be taken by the facility to ensure resident, patient and staff safety.

In this context, disposable anti-microbial filters can be fitted to ensure the non-presence of pathogens in water.

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

In France, and in order to confirm with the significant regulation on this subject, the ORPEA Group facilities keep up to date records containing all information concerning the management of water in the facility (network diagnosis, maintenance and repair operations performed, preventive treatments performed to combat limescale and corrosion, temperature monitoring, results of checks for legionella, etc.).

In Spain, the legislation on the legionella risk (Real Decreto 865/2003) is very similar to the French regulation and is implemented in all facilities (records, results of checks for legionella, network diagnosis, maintenance including the annual disinfection of the network).

In Belgium, Flanders has also introduced a policy (Flemish government decree of 9 February 2007) identical to that applicable in France. In the absence of any regulations related to legionella in the other Belgian regions, the ORPEA Group has decided to apply the Flemish legislation throughout the country.

Italy currently has no legislation on the control of legionella. However, in the interest of harmonising our practices and preventing risk, searches for legionella are performed and a programme of preventive maintenance has been introduced to protect equipment against corrosion, scaling and clogging and to avoid bacterial proliferation, including legionella.

The situation is the same in Switzerland, where the ORPEA Group follows the prescriptions of "*Legionellen und Legionellose – Letze Aktualisierung* – May 2005."

Finally, in Germany, the presence of legionella is checked and monitored by the relevant health authorities.

Independently of legionella risk, ORPEA attaches great importance to preventing the risk of scalding due to DHW. To prevent this risk, the showers of residents/patients are routinely fitted with mixers.

Each week, the maintenance officer of each facility is required to check water temperature at three points, before and after mixing.
All mixers are also subject to a biannual check of the temperature delivered (January and June: traceability in the facility's records).

- *Risks linked to cold water*

In France, type D1 potability analyses are performed (bacteriological and physico-chemical analysis) to ensure the quality of drinking water. Since January 2015, the French facilities have extended this analysis to include checks for pseudomonas aeroginosa.
In 2013, ORPEA equipped all of its facilities with new water dispensers. They are fitted with a UV treatment system ensuring that water is devoid of bacterial contamination.
Water dispensers are maintained daily, and undergo biannual preventive maintenance based on a specific protocol.

Belgium has decided to apply the same type of analysis to all three regions (Flanders, Wallonia and Brussels-Capital). Drinking samples are taken for bacteriological and physico-chemical analysis.

In Italy, Spain and Switzerland, bacteriological and physico-chemical analyses are performed in accordance with current regulations in these countries.

- *Risk linked to asbestos*

Every year the ORPEA Group invests the amounts required to allow its facilities to comply with the orders given by public authorities in terms of health protection measures.
In this context, the ORPEA Group pays particular attention to asbestos-related risks and to compliance with regulations.

As such, in France, all facilities built prior to 1 July 1997 have been checked for asbestos and have had a Technical Asbestos File (DTA) drawn up, making it possible to check the state of conservation of elements containing asbestos but also the risk of deterioration. All of these elements are combined in an "asbestos" folder which can be accessed by supervisory authorities and companies carrying out works or maintenance tasks.

In Italy and Spain, analyses have also been conducted to check for the presence of asbestos; there has been no non-compliance detected to date.

- *Risk lined to radon*

► Risk identification

Radon is a radioactive gas derived from the breakdown of uranium and radium in the earth's crust. Rising up from soil and water, radon diffuses into the air; through the effect of confinement, concentrations are higher inside than outside buildings. Solid radon progeny are then inhaled with the air we breathe and deposited in the lungs. Radon is the biggest source of natural radiation exposure to which humans are subject.

The health risks associated with exposure to radon have been established through numerous studies in humans (particularly among miners) and animals, showing a link with lung cancer. The annual number of deaths from lung cancer attributable to indoor radon exposure in France varies from about 1,200 to 2,900 based on the exposure-response relationships used. These figures show that residential radon exposure is a major public health issue in France.

► Risk management

In France, the Code of Public Health currently requires radon to be measured in 31 départements, and work to be carried out in places open to the public where the length of stay is significant.
The law requires every owner of a medical or socio-medical facility to conduct radon measurements in facilities referred to in the decree of 22 July 2004. These measurements are then repeated every 10

years or whenever work is carried out to modify the ventilation of the building or to seal it against radon.
When results exceed 400 Bq/m³, the owner must first make *simple modifications* to the building to reduce human exposure to radon (e.g. restoration of natural ventilation channels, aeration by opening windows). If these modifications are not sufficient, the owner must then carry out more substantial work on the basis of a diagnosis of the building (methodical inspection to determine the causes of the presence of radon in the building).
In compliance with this regulation, ORPEA has commissioned APAVE, a provider of inspection services, to carry out radon diagnostics on all of its facilities located in départements covered by the order of 22 July 2004. Pursuant to Article 15 of this order, a register has been established in these institutions (diagnosis, measurement of results and actions undertaken). It can be consulted by health authorities.

In Belgium, the Royal Decree on Radon risk was adopted on 15 September 2009. The at-risk zones are mainly south of the Sambre-Meuse valley, in the districts of Verviers, Bastogne, Neufchâteau, Dinant and Marche. Our facilities therefore do not require Radon checks.

The situation is the same for our facilities in Italy.

5.3.3 - Management of risks linked to provision of care and good practices

- *Risk of infection*

The Group could be held liable in the event of infections in its facilities.

In France, all nursing facilities have a committee for the prevention of nosocomial infections, which is responsible for supervision and prevention plans (protocol, training, audit, etc.) designed to control the risk of infection.

Within the framework of the 2011-2013 National infection prevention programme for the socio-medical sector, socio-medical facilities are asked to establish procedures that ensure that each site can assess the risk of infections and determine its level of control over them, through a self-assessment tool developed by the Hospital Hygiene Practices Assessment Group (GREPHH), combining the five committees for the prevention of nosocomial infections. This assessment has been conducted by the facilities as part of their internal assessment process.

Once the review was completed, each facility drew up an action plan formalised in an Infection Risk Review Document (DARI).

In order to prevent the risk of exposure to infection of its residents/patients, the ORPEA Group has implemented procedures in terms of both compliance with hygiene rules (washing hands, standard precautions) and specific measures to limit the risk of contamination of other residents/patients (isolation measures).

The Group's public health specialists have been trained in the prevention and management of the risk of infection for the teams in each facility.
In parallel, awareness campaigns have been executed with staff, notably through yearly Days on hand hygiene and/or resident/patient safety.

The generalised use of hydro-alcoholic solution in our facilities allows a reduction of the risk of infection through hand contact.

Lastly, audits are carried out regularly by the Quality and Medical Departments to ensure hygiene rules are complied with, systems are under control (laundry, waste, etc.) and to ensure awareness-raising among staff, residents/patients and visitors.

In the other countries and under the responsibility of the local quality and medical teams, procedures for the management of the risk of infection have been prepared and implemented in all facilities; they are regularly monitored, both internally and by the relevant authorities during their annual inspections. Specifically in Italy, these procedures are the responsibility of the Health Director of the facility.

- *Management of potentially infectious healthcare waste (DASRI)*

► Risk identification

As they handle certain healthcare waste, staff are exposed to risks of infection.
Healthcare and similar potentially infectious waste contain viable micro-organisms or their toxins, which we know or we have good reason to believe cause disease in humans or other live organisms due to their nature, quantity or metabolism.

► Risk management

In order to prevent contamination risks, the Group's facilities must comply with rigorous logistical and organisational procedures in accordance with the regulations in force with regard to the management of waste from potentially infectious healthcare activities (DASRI).

All facilities are equipped with special receptacles for collecting certain types of waste: containers for needles and sharp objects and "Cliniboxes" for other waste.
Waste is removed by an authorised company under a service agreement.
As required by law, each facility keeps waste destruction records for three years for traceability purposes (Cerfa slip No. 11352*01).
These agreements and traceability records are made available to the various inspection organisations, mainly the Regional Health Agency.

The ORPEA Group has developed a management protocol to identify good practices to follow. It has been circulated in all facilities.
Each facility has an up-to-date cabinet file for managing potentially infectious healthcare waste, ensuring traceability.

A training DVD has been created in partnership with our supplier, to raise staff awareness in all our facilities about the proper management of this waste: compliance with hygiene rules, compliance with procedures, compliance with sorting, storage and removal rules for this waste.

In the other countries, the protocols for managing potentially infectious healthcare waste set out procedures for interim and final storage and removal for destruction at defined intervals which vary according to the legislation in these countries.

- *Medical equipment and devices*

► Risk identification

The use of medical devices may give rise to a risk. This risk can be due to their operation, caused by their use or by a series of other causes. This risk may affect the patient, the user or third parties.
It can arise from all medical devices of the same type, model or supplier.

► **Risk management**

There are no specific provisions in any country; good practices apply to all ORPEA facilities, regardless of their geographical location.

Incidents generated by this risk can be prevented by ensuring comprehensive supervision on all medical devices.

Within the ORPEA Group, medical devices are checked and an annual maintenance plan has been drawn up, as well as maintenance protocols for these medical devices.

In parallel, a materials vigilance officer has been appointed in those clinics where medical devices are used more commonly, and is in charge of supervising medical devices: reporting incidents, approval of measures to be implemented, etc.

The implementation of a materials vigilance system is an integral part of risk management and safety and quality improvement in each facility.

The relevant authorities, during their annual inspection, check that equipment complies with regulatory provisions.

- *Medical error or negligence*

► **Risk identification**

Residents or patients could make claims or complaints about the quality of accommodation and the medical and paramedical care provided by an ORPEA facility or take action for professional errors or negligence.

The facility could be held liable for professional errors or negligence committed by one of its employees, even though its doctors are also personally liable in this respect.

Apart from the image risk for the facility and the resulting reputational risk for the Group as a whole, ORPEA could also be forced to pay compensation to the plaintiffs.

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

► **Risk management**

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

- *Drug-related iatrogeny*

► **Risk identification**

Drug-related iatrogeny refers to adverse effects on the health of a patient from any act or procedure performed or prescribed by a qualified professional aimed at protecting or curing an individual.

Undesirable effects can result from:

- an act by a professional with or without medical error; or
- the use of a drug, whether or not its use corresponds to its standard indication.

If iatrogeny results solely from use of a drug in accordance with its marketing authorisation, the facility has a duty to alert the relevant authorities. If iatrogeny results from a “medication” error, the facility could be held liable.

A medication error is an omission or non-intentional action during the provision of care involving medication, which may cause a risk or an undesirable event for the patient.

The error may be due either to poor design of the medication and its information (name confusion, inappropriate packaging, labelling or information, leaflet problems, etc.) or to the systemic organisation of the patient's treatment process (medication management procedure, human factors, environmental factors, professional practices, etc.).

► Risk management

ORPEA is closely involved in controlling this risk with many departments (operations, medical, quality, purchasing, IT, training, legal, etc.), which are actors in the rollout of tools and aids in securing the medication of patients/residents.

In socio-medical facilities in France, the medication management procedure is set out by an agreement signed with the dispensing pharmacy as well as by an agreement signed with the prescribing physicians working as independent contractors with the facilities.

Good practice procedures complete the safety measures for medication management: receipt of medications, storage conditions, preparation, administration, management of expired products, withdrawal of batches, etc.

A geriatric coordinating committee comprised of medical representatives, carers at the facility and independent contributors meets twice a year to discuss drug treatment in particular.

In French healthcare facilities, drug management is governed by strict regulations and controlled by the National Health Authority (HAS) in the certification process of the facility and the Regional Health Agency (ARS) during pharmacy inspections.

Pursuant to the prevailing regulations, each institution has declared to the National Medicine and Health Product Safety Agency (ANSM) a health professional who provides immediate reporting of adverse reactions potentially caused by a drug (pharmacovigilant) or a component by-product (haemovigilant).
To disseminate the national medical guidelines in case of an alert, all facilities are linked to health authorities 24/7 (MSNA, HAS, CRPV, etc.). Alerts are dealt with immediately to ensure the safety of all.

In Italy, Spain, Belgium, Switzerland and Germany, strict medication management procedures have also been defined in order to secure the process as a whole.

The introduction of computerisation a few years ago in all Group facilities, due to finish in 2015 in France and Belgium, has allowed ORPEA to roll out computerised prescription, dispensing and administration tools adapted to each sector of activity and to regulatory requirements. These elaborate and scalable technological tools mean that our Group can rapidly deploy additional security to prevent any drug-related iatrogeny.

To ensure the sustainability of this security, the Group Quality Department has deployed tools for making declarations relative to specific drug incidents, allowing all stakeholders to report incidents in a timely manner.

At the end of each month, incidents are reviewed by the team to identify the causes and prevent their re-occurrence.

To complete this medication management process, every quarter each facility self-assesses its procedure to identify potential risks and adopt the required corrective measures. Audits outside the facility are also performed by the support services.

In view of the type of patients cared for in our facilities, particular attention is paid to polypharmacy in elderly patients, with nationwide action on selected issues such as the use of benzodiazepines or the prescription of anticoagulants.

In Spain, for example, a national study on drug-related iatrogeny and polymedication has placed the ORPEA Group amongst the leaders of innovative medical projects (reduction in neuroleptics).

In addition, ORPEA conducts employee training on all the tools available for securing the drug supply chain.

- *Runaways (or exit without the knowledge of the facility)*

► Risk identification

Population ageing and the increase in Alzheimer patients have led to a rise in the risk of patients running away from health facilities and nursing homes today.
Running away (or rather wandering) by senile patients or patients with psychiatric conditions may lead to significant harm and the facility may be held responsible.

► Risk management

Prevention of the risk of residents/patients wandering is an integral part of the good practices applied, as a priority, by the ORPEA Group.
The procedures drawn up by ORPEA include the good practices below, applicable in all countries.
From admission and in light of the assessment by the facility's doctor or the health supervisor when regulations do not require the presence of a doctor, residents/patients who are potentially at risk are identified and sent to appropriate and protected units. Otherwise, appropriate surveillance measures are taken (anti-wandering bracelets, etc.). These different measures are always discussed with the doctor, staff and the resident's legal representative, safeguarding the resident's/patient's well-being, rights and freedoms.

Staff have been trained to identify any behaviour which could lead to a wandering risk. All incidents are immediately reported to Management and to staff in order to take the best possible measures and adjust the resident's life and care plan.

Should a resident/patient run away, the ORPEA Group has drawn up a very strict protocol for all its facilities to enable all search resources to be accessed very rapidly based on a detailed alert sheet (description of patient/resident, clothes, photograph, previous address, etc.).

- *Falls*

► Risk identification

Repeated falls are frequent, with the prevalence amongst elderly people over 65 calculated at between 10 and 25%. They mostly occur during simple daily activities such as walking, standing up from a seated position or sitting down.
Repeated falls are associated with high morbidity/mortality, accelerating loss of independence and self-sufficiency, and with a high hospital admission rate.
5% of falls lead to fractures; 10% to the need for care.
Falls represent the number 1 cause of mortality among persons over 65.

► Risk management
Prevention of the risk of falls is an integral part of the good practice procedures drawn up by the ORPEA Group within its subsidiaries, both in terms of fall prevention and risk management.
From admission, the resident's risk of falls is assessed by multi-disciplinary teams.
Training activities are conducted to raise staff awareness about all the risks relating to falls: removal of obstacles in corridors, room layout, assistance for patient transfers, etc.
In parallel, all facilities are equipped with significant resources that also contribute to reducing this risk (Alzheimer beds, bed barriers, handrails, ramps, etc.).

All falls are immediately reported and identified for traceability (resident's name, time of fall, cause, consequence, measures immediately implemented and in particular care provided).
Preventive measures adapted to the patient are taken based on a review by a multi-disciplinary team, in particular the adjustment of their personal plan.
The family and treating physician are informed of the resident's fall and actions are taken.

A subsequent analysis will identify the collective measures required, in particular in the case of repeated falls due to the same cause.

- *Suicide*

► Risk identification
Suicide is a real concern for the population in our facilities, first and foremost in our psychiatric clinics, but also in nursing homes, considering that even though suicide rates decrease with age, mortality rates remain higher amongst elderly people who decide to take their lives.

► Risk management
The healthcare team assesses the potential suicide risk from admission, taking into account the resident/patient's background and/or current situation, signs of vulnerability and impulsiveness, the individual, family and psychosocial factors.
In the case of a person at risk, in addition to the required close surveillance, the treating team (doctor, nurses, care workers, psychologist) also establish protective measures such as the strengthening of family and social connections or projects allowing the resident/patient to build a future and/or find alternative life options.
In any case, the patient/resident is cared for in a protected environment: limited opening of windows, no access to areas identified as "dangerous" for residents/patients, removal of hazardous objects.
In parallel, a care plan is adjusted to take into account the resident/patient's suicidal risk.
In the case of suicide, a procedure describes the good practices to follow to manage the event. Care is immediately provided to the family and close relatives and the facility's teams are debriefed. An internal unit, comprising a doctor, the facility's Manager and a psychologist, coordinate the actions to be taken.

The training module "Preventing suicide risks" has been developed and rolled out in France to improve prevention in our facilities and train all staff members.

Lastly, with regard to the management of the most delicate cases, the Group established an institutional emergency psychological unit in 2009, comprising 20 psychologists especially trained to provide care for post-traumatic syndromes, who can lead group or one-to-one therapy sessions in the 24 hours following the incident, in both France and Belgium.

5.3.4 - Management of risks related to food products

▶ **Risk identification**

A failure in the food chain may lead to the risk of collective food poisoning, which can negatively impact the residents'/patients' and employees' health as well as the facility's reputation. The facility may be liable in the case of such an infection.

▶ **Risk management**

It is not enough just to prepare good, tasty and nutritionally appropriate meals; these must also meet food safety standards.

In France, the Health Master Plan is in place in all facilities and combines all procedures comprising good hygiene practices, implementing HACCP plan measures and the traceability system. Its content is supplemented and adapted by the chef (or manager) and the Group food representative.

In the subsidiaries outside of France, kitchen hygiene is monitored on the basis of the HACCP plan; internal procedures describe the processes to be followed and are combined in a manual of good practices available in each kitchen.

Monitoring the sanitary quality of manufactured products is outsourced to an external laboratory at defined intervals.

The purpose is to verify and monitor the sanitary quality of food served to consumers and to ensure compliance with the rules of hygiene and those governing temperatures of storage rooms of meals. Sampling is performed on a random basis by a technician mandated by the laboratory.

In all countries, quarterly audits monitor compliance with food safety practices. In the event of non-compliance, action plans are implemented under the supervision of the food and/or quality services relevant in that country.

5.3.5 - Management of risks related to the Group's development

▶ **Competitive risk in acquisitions**

For many years now, ORPEA has carried out an active development policy, in particular through the acquisition of existing facilities or small groups of facilities. Since 2014, the Group also has an acquisition policy for larger international groups.

More significant competition is emerging in light of the concentration push observed in the dependency care sector in the last few years. As a matter of fact, the emergence of national groups in the long-term care and post-acute and rehabilitation care sectors could cause a risk of overheating in the prices paid for independent facilities.

This risk could potentially put a brake on the Group's expansion policy given the difficulty in identifying facilities that meet its selective acquisition policy and its business and financial criteria.

However, for the moment, the number of possible targets remains high, given the number of countries in which ORPEA is established (six). In fact, the only other European-scale operator is Korian-Medica. Competition is rather from national or regional groups, even private equity groups. Nevertheless, the sector remains highly fragmented in most European countries.

In France, the five leading private commercial groups represent only 10% of the entire sector. In Germany, close to 30% is owned by independent or small, often family-owned, groups. Generally, these facilities no longer have the means to comply with regulatory standards or wish to hand over the reins, often because the founder has reached retirement age. Thus, opportunities continue to abound in the private commercial sector. On the other hand, following the funding difficulties faced by local authorities, certain association facilities are struggling and therefore represent a source of development for the Group.

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

The network of ORPEA Group facilities has increased sharply in the last few years, through internal and external growth: The ORPEA network grew almost 45% between 2012 and the end of 2014, notably with significant acquisitions in new countries, such as Switzerland and Germany.

The Group has solid experience in acquiring facilities and proven expertise in bringing them up to its own quality standards.

There is a formal acquisition and integration procedure which has been circulated to all regional and divisional directors, setting out:

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

This model, which has proven its worth across the ORPEA network both in France and abroad, allows for a facility to be integrated into the Group in six to nine months. However, like all procedures, it has its limitations and cannot guarantee the systematic success of all integrations the Group may make in the future: ORPEA could encounter difficulties in integrating some facilities, whose long-term profitability may not be as good as expected.

► **Risk related to obtaining new financing:**

ORPEA can provide no assurance that it will be able to obtain the financing it needs for its expansion, and particularly that market conditions will be conducive to raising funds, whether in shareholders' equity or debt.

However, ORPEA's banking partners are confident in the Group due to the excellent visibility over future cash flows, which are not particularly affected by the current economic crisis, and its property portfolio. In addition, since 2012, the Group has significantly diversified its funding sources; 47% of its net debt is non-banking, versus 11% at the end of 2011.

Furthermore, ORPEA can rely on a flexible financial structure, with covenants that are significantly lower than the authorised limits.

As such, the Group was left with cash of €622 million at 31 December 2014, giving it considerable financial flexibility to pursue further growth.

5.3.6 - Management of property risks

► **Risk related to operating properties**

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

The risk related to safety in the Group's facilities is dealt with in point 5.3.2 - Management of the risk related to safety of premises.

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

Furthermore, in order to keep the facilities appealing, the Group has adopted a policy of investing in renovation and maintenance so that it can provide a quality offering to its residents and patients.

► Construction risk

ORPEA develops a large percentage of its portfolio itself.
It is therefore vulnerable to all risks involved in construction, including:

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

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

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

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

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

► Risks related to property ownership

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

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

Consequently, the properties owned by ORPEA stand out from office and residential real estate due to their visibility and ability to maintain high occupancy rates.

► Risks related to property disposal

The Group regularly sells operating properties in a block or by lots to third-party investors. Where these disposals are off-plan, the Group may face construction uncertainties that may significantly increase the cost of the building and result in losses.
To limit these risks, the Group has an in-house Property Development Department, which oversees all construction projects and a Financial Control Department in charge of monitoring construction budgets.

► **Risks related to property leases**

ORPEA sells a part of the properties it operates and leases them back for a given period of time. There is a risk of rent increase based on rent indexation and of increase upon renewal of the lease.
To keep rental costs under control, most leases are indexed yearly, at a fixed or capped rate, so as to protect the Group against the risk of inflation.
Upon renewal, ORPEA has some flexibility because the Group holds the operating licence for the facility.

5.3.7 - Management of information systems risk

The ORPEA Group uses information tools and systems to manage resident, patient and staff files.
Failure of a software supplier used by the Group or the malfunction of one of its tools could temporarily disrupt the smooth running of the business.
The ORPEA Group has therefore opted to develop a substantial part of its applications in-house, which also provides it with a system and applications geared specifically to its needs in terms of size, business and strategy.
In addition, the ORPEA Group has implemented the resources required to secure its network and information systems and to avoid the risk of data loss, including daily data backup and centralisation of applications on a single platform.
Lastly, the ORPEA Group sets aside an annual budget for developing its information systems and its security against cyber-attacks.

With regard to the challenges and risks posed to the Group's activity, IT security is an essential component of the applications and systems provided by the IT Department to support the business processes.
The Group management gives full support to IT security through concrete action: sponsorship project, staff skills development, training, appointment of a Head of Information Systems Security.

In France, Information Systems Security is managed on the basis of the ISO 27001 information security management standard, the code of practice for information security controls (ISO 27002) and the information security risk management standard (ISO 27005). This management takes into account the PMSI (France's DRG-based information system) as well as the health code and ministerial directives.
The scope of information security is transversal. Information Systems Security is involved in the (internal and external) management of flows, storage, and the processing of data whether it is in transit, idle or in use. Financial, accounting and HR applications naturally come under the scope of IT security.
ORPEA has identified the major Information Systems Security risks and applies the following to their risk treatment plan: eliminate, transfer, accept the residual risk and reduce.
For each risk identified, the security criteria of confidentiality, integrity, availability and proof are applied.
The risks mainly relate to the manipulation of sensitive medical data and financial data: authentication and access rights, confidentiality (encryption and anonymisation), quality and integrity, safeguarding, archiving, exporting and transporting data.
The risks linked to the availability of information are in turn handled through the implementation of a business continuity plan. The Group uses a highly secure Datacentre for the hosting of data, which includes:

- Video surveillance, access controls and a fire extinguishing system;
- A supervised IT infrastructure;
- Safeguarding of all data;
- A secure, reliable structure of services, based on tried and tested procedures;

- A technical escalation plan with operating solutions in degraded mode;
- A Disaster Recovery Plan within a backup datacentre;
- A team on call 24/7, 365 days a year.

Due to the fact that many IT developments are carried out internally, the teams have a real understanding of the changes and developments in the software used.
These developments also incorporate the notion of user profiles, ensuring that each user only has access to the data required to perform his or her duties, thereby maintaining confidentiality.
Surveillance is carried out though the daily tracking of user activity in compliance with an IT security charter used as an awareness tool (namely to cover human risk).
Other topics such as the monitoring of vulnerabilities and incident follow-up form part of the process that contributes to the security of the IT system.
Lastly, risks associated with outsourcing are covered by a rigorous partner selection process but also by contracts and management to ensure that security is taken into account as part of any service provided.
Even if there is still room for improvement in the security of information, in all companies, given the constant evolution of threats, the current level of the Group is satisfactory and will be improved through projects such as encryption standardisation, the slim-line management of data export and a continuous improvement review of security processes by the Head of Information Systems Security.

To keep threats under control, the Group relies on four axes: strategic, organisational, project and technical.
The strategic axis was mentioned above as the Group management sponsorship but also close and effective collaboration between the Head of Information Systems Security and the Data Protection Officer.
In organisational terms, the centralisation of applications and the datacentre facilitates the business continuity plan. This plan is managed and understood by the infrastructure teams who organised the redundancy of the network devices and server.
The personalisation of applications, the effectiveness of solutions implemented and the pragmatism of project managers who listen to their internal clients represent the third axis.
Finally, from a technical point of view, network surveillance, access control and 24/7 user support complete the panoply of risk management.

This system is applied in France, Belgium, Spain and Italy.

Given the legislation that applies to our Swiss subsidiary, their data is stored in a Swiss datacentre.

In Germany, one of the first steps taken at the time of the Silver Care integration was an audit of their information system security and the implementation of any action necessary to reduce potential risks.

<u>Protection of personal data</u>
The European Directive no. 95/46/EC of 24 October 1995 covers the processing of personal data. This directive was transposed into French law through Decree no. 2005-1309 of 20 October 2005. Since 2005 and the publication of the decree implementing the Data Protection Act, the appointment of a Data Protection Officer is possible. This appointment is made with the CNIL (French data protection authority).

The ORPEA Group has decided to confirm its commitment to the protection of personal data very quickly through the appointment of two Data Protection Officers within the IT department, to guarantee legal security, strengthen IT security and to enhance information assets.

Our Data Protection Officers work in conjunction with all teams (medical, legal, purchasing, human resources).
The creation of a Data Protection division within the Group allows us to:

- better protect against legal risks, as the division works closely with legal services;
- secure the use of data: a form assessing the risks during processing has been jointly completed by the data protection division and the Head of Information Systems Security;
- avoid the loss of data and breaches in confidentiality: our Data Protection Officers regularly raise awareness in our teams. An IT security charter was created (collectively with the HR/Quality/Information Systems Security services). A Data Protection area on the applications portal allows for the sharing of awareness tools;
- monitor the relevance of data collected (limitation: omission, etc.);
- reinforce the ethical aspect within the Group of the use and retention of data and discuss potential new technology (RFID "Radio Frequency Identification", Telemedicine, etc.).

Our Data Protection Officers also prepare for the future and have been working for several months on the replacement of Directive no 95/46/EC by the European regulation on the protection of personal data.

5.3.8 - Management of risk related to subcontractors and suppliers

► Risk identification

Although the ORPEA Group does not consider itself to be dependent on one or more subcontractors or suppliers, discontinuance of service or failure to pay by one or more of them or low-quality services or products could affect the Group, in particular by lowering the quality of its services as well as increasing the associated costs, notably because of the replacement of non-performing subcontractors with more expensive service providers.

► Risk management

This risk is reduced primarily by the Group's drive to keep most functions in-house: food catering, works, cleaning, etc.
ORPEA has a central Purchasing Department that has been managing the Group's purchase policy for nearly 15 years and relies on the international Subsidiary Departments. Its mission goes well beyond the mere selection of suppliers or subcontractors. This department ensures the quality of suppliers, cost rationalisation and implementation of purchasing procedures at Group level, and contributes to the successful integration of new facilities.
Not only does this Purchase Policy allow cost optimisation, but it also ensures traceability and, more generally, the quality of purchased products and services (purchased food, outsourcing of laundry services, medications, medical devices, etc.).
The Group is careful not to rely on a single provider for its supplies or services, thereby reducing the risk of temporary lapses in the quality of services provided should there be a change in supplier.

5.3.9 - Management of risk related to the departure of key employees

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

To limit the disruption that could be caused by the departure of a key employee, ORPEA has endeavoured, since its very creation 25 years ago, to build up and retain high quality, experienced teams.

With this in mind, the continuous training policy, and in particular the Cadrelan programme established in 2008 in partnership with ESSEC and subsequently with ESCP, helps ORPEA to develop the skills of employees who may, in time, be transferred to new positions within the Group.

5.3.10 - Risks linked to ORPEA's international operations

ORPEA derived approximately 23% of its consolidated revenue from international operations in 2014: Belgium accounted for 8.5% of consolidated revenue, Spain 2.9%, Italy 2.1%, Switzerland 4.3% and Germany 5.3%. The proportion of international operations will continue to grow as a result of significant acquisitions completed in 2014 in Germany and Switzerland.
The operation of dependency care facilities in these countries is subject to regulations that are unique to each country. The main risks for this business sector and the risks inherent to the ORPEA Group, in particular the risks described above, are applicable in the context of international operations.
Changes in the regulatory framework and requirements applicable to international operations could have a negative impact on the ORPEA Group's strategy, financial position, income and expansion outlook in these countries.

However, ORPEA has a head office and a dedicated local team in each country, maintaining trustworthy relationships with Supervisory Authorities and continuously monitoring any changes in regulations.

In Switzerland and Germany, the acquired groups have experienced management teams that are familiar with and monitor regulatory changes and the national economic climate.

In 2013, the Group also decided to initiate expansion in China. This new country offers compelling opportunities for ORPEA (ageing population, limited supply, lack of know-how) but also risks: geographical distance, cultural differences, regulatory differences, absence of structure in the sector to date, barriers related to the political environment, etc. To mitigate these risks, the Group has embarked on a prudent policy of limiting the amount of its investments and by mandating financial, legal and medical advisors recognised in China for their expertise.

5.4 - MANAGEMENT OF FINANCIAL RISKS

5.4.1 - Management of customer risk

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

In nursing homes, about three-quarters of revenue is paid in advance by residents and/or their families. The risk is therefore spread across all residents in ORPEA's facilities, and no individual resident is a significant customer for the Group. In addition, the Care and Dependency sectors are supported by the public authorities in the various European countries.
To protect against the risk of non-payment, the Group's nursing homes require all new residents to provide a security deposit plus a guarantee from a third party if necessary.

For post-acute and psychiatric care facilities, the per diem rates are paid directly to facilities by Social Security.
To prevent the risk of default over the remaining portion to be paid by the patient and/or his/her private health insurance, pre-admission and admission procedures have been implemented within facilities.
Thus, during pre-admission, conditions of cover by private health insurers are systematically requested and the patient is informed of the balance to be paid in connection with his/her hospitalisation.
On admission to the facility, the patient must provide the following paperwork: signed document providing financial information, payment of a deposit, etc.
An invoice is given to patients every fortnight so that they can pay the amounts due, and careful monitoring is performed weekly so as to issue reminders to patients who have not paid their bills.
Billing statements are sent to private health insurers weekly, and monitoring is performed every fortnight.

Permanent controls are performed by the head office Billing Department, which is in charge of customer disputes, for nursing homes and care facilities alike.

5.4.2 - Credit, liquidity and treasury risk

► Liquidity risk associated with the ORPEA Group's debt

Until 2008, the ORPEA Group financed its expansion primarily through borrowings from banks or financial institutions.
Since 2009, ORPEA has diversified its portfolio of borrowings by issuing bonds or carrying out capital increases (reserved or not). This policy of diversification and optimisation of the financial structure continued in 2014 resulted in a significant change in the debt profile:

- net non-bank debt represented 47% of net debt at the end of 2014, compared with 11% at the end of 2011;
- the average maturity of net debt has been extended, and was 5.2 years at the end of 2014, compared with 4.1 years at the end of 2011.

The ORPEA Group's gross debt was €3,001 million at 31 December 2014.

Thanks to the growth of the bond market in Europe, the Group's financing can be broken down into four categories:

- financing operating properties through finance leases or bank loans repayable over a typical period of 12 to 15 years;
- financing properties or business acquisitions through private bond issuances with maturity ranging from 5 to 14 years;
- financing the acquisition of facilities, operating licences, etc., mainly through bank loans repayable over a period of seven years;
- financing properties recently acquired or in the course of redevelopment or construction through bridging loans.
  Bridging loans comprise financing lines dedicated to a specific project and general bank credit lines. These properties are intended either to be sold to third parties or to be kept by the Group, in which case they are usually subsequently refinanced through finance leases.

Property debt accounts for 65% of the Group's total net debt.

The ORPEA Group only signs bilateral loan agreements with banks, i.e. without syndication, which ensures fluidity in repaying its borrowings by avoiding major repayments at the end date.

The nominal amount of loans taken out by the Group cannot be more than €50 million excluding bonds.

The repayment schedule is provided in Note 3.12 of the notes to the 2014 consolidated financial statements.

At 31 December 2014, the Group's cash was €622 million, notably thanks to the proceeds of the various debt issuances arranged during the 2nd half of 2014.

The majority of depreciable loans taken out by the Group, other than property finance leases, are subject to commitments set out on the basis of banking covenants calculated twice a year, which the Group continued to observe and which were well below the contractual limit at 31 December 2014.

► **Interest rate risk associated with the ORPEA Group's debt**

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

The Group's strategy is to hedge its interest rate risk on around 95% of its consolidated net debt. To do this, the Group uses a portfolio of financial instruments in the form of interest rate swaps under which the counterparty receives mainly three-month Euribor and pays a fixed rate specific to each contract, and interest rate options (caps, collars etc.). These financial instruments are qualified as cash flow hedges in accordance with IAS 39. Unrealised gains and losses arising from the remeasurement of these derivatives at fair value are recognised in equity at the year end.

Interest rate derivatives portfolio:

At 31 December 2013, the average notional amount of the derivatives portfolio with maturity at 1 year was €1,366 million. At 31 December 2014, the average notional amount of the derivatives portfolio with maturity at 1 year was €1,372 million. As at 31 December 2013, the portfolio comprised fixed for floating (mainly three-month Euribor) interest rate swaps and interest rate options. These derivative instruments have either a constant or decreasing nominal profile.

Analysis of sensitivity to changes in interest rates:

The impact of a +/- 1% change in interest rates on the Group's earnings stems from:

- the change in interest payable on floating-rate net debt;
- changes in the fair value of hedging instruments.

The fair value of its hedging instruments is sensitive to changes in interest rates and in volatility. This latter is assumed to be constant for the purposes of the analysis.

At 31 December 2014, net debt amounted to €2,379 million, of which around 33% was contracted at fixed rates and the remainder at floating rates.

Taking account of the hedges:

- the impact of a 1% (100 basis points) rise in interest rates would increase the Group's financial expense by €2.9 million (before tax and capitalisation of financial expenses);
- the impact of a 0.2% drop (20 basis points given current interest rate levels) would reduce financial expense by €0.6 million.

Details of the Group's hedging positions are provided in Note 3.14.1 of the notes to the 2014 consolidated financial statements.

► **Exchange rate risk**

ORPEA has minimal exposure to exchange rate risk as the majority of its operations are in the euro zone. Following the acquisition of Senevita in Switzerland, the Group generates a little over 4% of its revenue in Switzerland, however its expenses are also in Swiss Francs.

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

5.4.3 - Legal risks: legal and arbitration proceedings

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

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

5.5 - ORPEA GROUP INSURANCE AND QUALITY POLICY

Main insurance contracts

Under its insurance programme, the ORPEA Group has taken out policies with first-class insurance companies to cover property damage and business interruption, as well as consequential losses arising from liability claims against Group companies due to their operations in France.
ORPEA's policy is to insure its assets at their replacement value and, for liability insurance, to estimate its own specific risks and the risks that might reasonably be expected to occur in its business sector.
The Group has no surgery or obstetrics activities, which is where the main risk factors lie for insurers and which have a substantial impact on insurance premiums.
The ORPEA Group also has a directors' liability policy. This covers any financial loss suffered by the Group arising from the failure of its de facto or de jure executive offers to comply with their legal, regulatory or statutory obligations in the course of their duties.
The policy also covers legal defence costs for civil and/or criminal actions.
It extends to "crisis management expenses" to cover the cost of employing the services of a crisis management company.
The policy covers claims made against the insured worldwide (excluding negligence claims in subsidiaries located in common law countries).
An additional liability insurance tops up the main policies once they have been exhausted.
A specific organisation manages all risks, which are subject to mandatory regulatory controls by specialised companies to ensure compliance with safety and prevention regulations.

For construction projects, the Group has a property developer's liability policy covering its liability arising from construction work.

6. ANNEXES

APPENDIX 1: DETAILS OF MAIN EQUITY INTERESTS

Company	Share capital	Share of capital held	Profit for the financial year ended	Equity 2014	Carrying amount of securities 2014	
					Gross	Net
SCI Route des Ecluses	303,374	99%	19,134	1,960,110	303,374	303,374
SCI Les Rives d'Or	1,524	99%	163,863	1,841,863	933,755	933,755
SCI du Château	1,524	99%	331,435	2,639,371	1,353,340	1,353,340
SCI Tour Pujols	1,524	99%	322,316	2,000,291	1,364,795	1,364,795
SCI La Cerisaie	1,524	99%	137,468	2,146,851	47,224	47,224
SCI Val de Seine	1,524	99%	(428,062)	(3,486,958)	711,307	711,307
SCI Cliscouet	1,524	99%	430,948	1,346,176	1,494	1,494
SCI Age d'Or	2,549,161	99%	857,674	12,027,776	6,234,540	6,234,540
SCI Gambetta	1,524	99%	442,956	5,238,061	1,509	1,509
SCI Croix Rousse	1,524	99%	514,855	5,800,621	1,509	1,509
SCI Les Dornets	1,524	99%	242,485	1,209,416	1,494	1,494
SCI Château d'Angleterre	1,646	99%	2,366,597	7,784,561	1,763,577	1,763,577
SCI Montchenot	1,524	99%	245,972	10,765,824	1,286,933	1,286,933
SCI 115 rue de la Santé	1,524	90%	569,762	12,046,386	1,372	1,372
SCI Abbaye	1,524	90%	(303,185)	(3,606,035)	344,410	344,410
SCI Les Tamaris	1,524	99%	456,909	2,295,339	1,357	1,357
SCI Passage Victor Marchand	1,524	99%	(328,365)	3,178,321	1,509	1,509
SCI Fauriel	1,524	99%	(1,835,007)	(9,932,383)	1,618,841	1,618,841
SCI Port Thureau	1,524	99%	158,511	1,214,473	63,708	63,708
SCI de l'Abbaye	1,524	99%	285,244	599,153	1,509	1,509
SCI Les Maraichers	1,524	99%	464,680	1,599,182	99,595	99,595
SCI Bosguerard	1,524	99%	132,377	1,009,011	1,274,306	1,274,306
SCI Le Vallon	1,524	90%	445,602	5,326,187	2,033,228	2,033,228
SCI Brest Le Lys Blanc	1,524	47%	796,797	(11,937,144)	717	717
SCI Bel Air	1,524	99%	(96,717)	16,914	335,837	335,837
SAS CLINEA	194,008,608	100%	27,618,911	295,590,823	203,855,563	203,855,563
SARL Les Matines	7,622	100%	(651,345)	(4,450,338)	7,622	7,622
SARL Bel Air	1,265,327	100%	261,836	3,881,040	840,604	840,604
SARL Amarmau	7,622	100%	(64,877)	(1,064,333)	7,622	7,622
SARL 94 Niort	7,700	100%	(9,093,982)	21,072,531	7,700	7,700
SARL 95	7,700	100%	(83,131)	(630,891)	7,700	0
SCI Sainte Brigitte	1,525	100%	(26,689)	(637,342)	1,524	1,524
SARL VIVREA	150,000	100%	(689,901)	(2,614,134)	150,000	150,000
SA LES CHARMILLES	76,225	98%	(250,027)	4,201,234	3,092,517	3,092,517
SCI KOD'S	22,650	100%	56,980	526,330	68,094	68,094
SARL LA BRETAGNE	277,457	100%	(141,506)	(1,161,915)	41,300	41,300
SARL RESIDENCE LA VENITIE	13,300	100%	(242,450)	(470,744)	796,267	796,267
SARL L'ATRIUM	7,622	100%	4,431	(738,735)	985,140	985,140
SARL GESTIHOME SENIOR	400	100%	(915)	(8,728)	410,849	0
SA BRIGE	1,200,000	100%	(7,491)	56,672	670,000	670,000
SRLORPEA ITALIA	3,350,000	5%	(3,026,699)	1,123,205	682,862	682,862
SCI LES TREILLES	15,245	99.99%	47,501	2,187,598	2,363,698	2,363,698
SCI LES MAGNOLIAS	1,525	99%	(279,923)	(2,573,866)	1,510	1,510
SCI le Barbaras	182,939	100%	1,780,254	6,450,516	821	821
SARL DOMEA	100,000	100%	92,630	80,458	100,000	100,000
SARL 96	7,700	100%	(77,771)	3,054,208	6,930	6,930
SCI BEAULIEU	3,049	100%	(12,560)	(57,054)	30,490	0
SAS LA SAHARIENNE	1,365,263	100%	(171,538)	(673,687)	5,712,440	5,712,440
SARL ORPEA DEV	100,000	100%	(1,059)	875,871	100,000	100,000
SAS ORGANIS	37,000	100%	266,197	(144,724)	11,775,946	9,825,946
GRUPO CARE	63,921	100%	4,176,712	4,608,199	19,228,321	19,228,321
DINMORPEA	5,000	100%	451,917	131,510	5,000	5,000
SRL CASA MIA IMMOBILIARE	20,000,000	100%	17,924	14,259,435	17,646,819	17,646,819
SA ORPEA BELGIUM	81,500,000	99.99%	904,549	141,682,383	65,479,233	65,479,233
SA DOMAINE DE CHURCHILL	815,012	100%	530,496	16,780,528	12,135,729	12,135,729
SA DOMAINE DE LONGCHAMP	65,026	10%	104,681	12,014,299	1,414,449	1,414,449

ORPEA
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Company	Share capital	Share of capital held	Profit for the financial year ended	Equity 2014	Carrying amount of securities 2014	
					Gross	Net
SA LONGCHAMPS LIBERTAS	90,000	100%	882,076	1,401,956	554,719	554,719
SA RS DOMAINE DE CHURCHILL	265,039	100%	151,099	585,013	3,075,311	3,075,311
TRANSAC CONSULTING CORPORAT	3,009	100%	(3,480)	(9,473)	1,823,231	1,823,231
SAS Résidence St Luc	37,200	100%	(394,877)	(4,325,645)	2,644,007	2,644,007
SARL Benian	1,000	20%	(208)	(41,532)	300,200	0
SCI JEM II	152	90%	57,544	437,869	883,500	883,500
SARL La Doyenne de Santé	8,000	50%	(241,477)	(326,835)	1,267,425	1,267,425
SA Gerone	500,000	100%	(220,316)	1,273,026	2,982,451	2,982,451
SCI Douarnenez	1,500	100%	340,179	(1,243,668)	1,485	1,485
SCI Barbacane	1,524	1%	23,009	928,217	15	15
SCI Selika	10,671	0.14%	35,189	5,613,894	15	15
SCI SLIM	762	100%	81,528	806,669	1,830	1,830
SCI SAINTES BA	1,524	1%	(676,056)	3,501,870	15	15
SCI Les Anes	1,000	0.10%	12,098	(1,535,412)	1	1
SARL L'Ombrière	8,000	100%	(52,637)	(779,761)	822,027	0
SAS MDR La Cheneraie	254,220	2%	(9,284)	(984,311)	146,044	146,044
SARL IDF resid Ret.Le Sophora	7,622	10%	(472,981)	(1,422,511)	80,000	80,000
SNC les Jardins d'Escudie	100,000	100%	(342,184)	(4,191,374)	824,310	824,310
SA Résidence du Moulin	38,112	100%	(311,344)	(2,642,725)	2,100,466	2,100,466
SC Les Praticiens	87,600	1%	1,670	64,236	67,009	0
SAS Résidence La cheneraie	2,537,040	100%	30,538	6,155,820	7,324,746	7,324,746
SA EMCEJIDEY	293,400	100%	1,889,427	2,621,637	4,419,887	4,419,887
SARL Résidence du Parc	18,560	100%	(13,825)	18,246	5,810	5,810
SCI du Fauvet	1,524	10%	(470,658)	238,141	68,306	68,306
OPCI	5,301,885	5.02%	(86,222)	4,868,542	479,732	479,732
SAS SFI France	4,000,000	51%	(133,530)	(1,692,127)	23,305,520	23,305,520
SCI Ansi	22,867	0.1%	2,040,356	5,257,185	40,399	40,399
SARL Viteal les Cedres	50,000	100%	(82,841)	(1,520,560)	85,039	0
SA Le Vieux Château	50,000	100%	28,339	(1,387,613)	629,728	629,728
SAS Home La Tour	40,600	100%	(17,955)	(545,512)	2,797,720	2,797,720
SAS MEDITER	69,650,000	100%	65,993,532	125,680,475	169,198,343	169,198,343
SNC des Parrans	7,622	100%	(124,927)	(310,194)	1,399,856	0
SAS Holding Mandres	8,000	100%	385,526	683,337	3,325,832	3,325,832
SNC Les Acanthes	7,622	100%	(144,222)	(114,216)	1,468,434	0
SA Le Clos St Grégoire	38,173	100%	207,455	1,893,514	4,692,302	4,692,302
SA Rive Ardente	135,000	100%	1,863,488	2,140,040	5,062,487	5,062,487
SAS le Clos d'Aliènor	40,000	100%	95,856	177,113	2,834,020	2,834,020
SAS les Jardins d'Aliènor	10,000	100%	211,224	606,482	4,102,931	4,102,931
SA Immobilière de Santé	7,828,400	49%	(211,654)	5,226,201	13,210,000	13,210,000
SARL Domidom	4,992,525	100%	(848,349)	(2,194,288)	12,066,082	12,066,082
GCS	100,000	12.50%	0	1,016,576	23,300	23,300
SAS Immo Nevers	5,000	100%	(50,539)	1,711,079	5,000	5,000
SCI Castelviel	152	50%	(593,930)	(2,313,927)	763,650	763,650
SAS St Jean	16,000	100%	(143,229)	(136,349)	3,135,916	3,135,916
SAS Château de Pile	7,622	100%	(18,020)	(270,420)	624,358	0
SCI Super Aix	228,674	13%	(25,191)	1,958,023	478,537	478,537
SAS Actiretraite	4,000	100%	(474,844)	(956,881)	782,105	782,105
Groupe SENEVITA AG	144,000	100%	(3,510,769)	117,344	101,518,009	101,518,009
Groupe SILVERCARE	18,031,082	100%	4,930,814	58,842,963	73,455,535	73,455,535
SARL Les Buissonnets	80,000	100%	234,518	1,424,309	80,000	80,000
SCI Parc st Loup	150,000	100%	(28,344)	(420,920)	149,079	0
SCI Larry	150,000	100%	84,433	3,379,842	150,621	150,621
Other securities					56,100	56,100
Other securities (access)					284,816	284,816
Total					**823,006,254**	**815,691,213**

APPENDIX 2: INCOME STATEMENT FOR THE LAST FIVE FINANCIAL YEARS

	31/12/2014	31/12/2013	31/12/2012	31/12/2011	31/12/2010
Capital at year-end					
Share capital	69,459,866	69,346,239	66,247,578	66,247,365	52,940,994
Number of existing ordinary shares	55,567,893	55,476,991	52,998,062	52,997,892	42,352,795
Maximum number of additional shares to be issued					
By converting bonds*	8,957,216	8,330,165	4,069,534	4,069,534	4,069,635
By exercising subscription rights	171,572	246,016	1,217,779	1,217,949	1,263,387
Transactions and net profit for the year					
Revenue	625,094,135	552,525,700	494,474,847	442,591,056	409,332,636
Operating profit	47,478,199	46,678,323	37,838,649	37,501,890	36,951,737
Net finance cost	(32,760,096)	(34,357,301)	(23,171,095)	(22,933,928)	(23,872,898)
Pre-tax profit on ordinary activities	14,718,103	12,321,022	14,667,554	14,567,962	13,078,838
Exceptional items	(2,438,903)	(4,542,032)	(31,738)	(8,300,900)	(3,434,604)
Profit before tax, amortisation and provisions	37,933,410	25,167,519	30,957,575	24,936,512	20,379,506
Income tax	4,767,843	4,826,545	6,283,056	3,734,267	3,610,154
Net profit	7,511,357	2,952,446	8,352,759	2,532,794	6,034,080
Distributed profit	44,454,314	38,833,894	31,798,837	26,498,946	9,741,143
Earnings per share					
Earnings per share:	0.14	0.05	0.16	0.05	0.14
Maximum diluted earnings per share	0.12	0.05	0.14	0.04	0.13
Dividend paid per share	0.80	0.70	0.60	0.50	0.23
Staff					
Average employees	7,910	7,520	6,228	5,624	5,463
Total payroll	223,226,103	195,434,777	165,622,902	150,403,838	141,820,058
Total employee benefits	73,865,397	67,649,672	61,957,378	55,240,725	51,087,063

** 4,564,505 OCEANE + 4,392,711 ORNANE = 8,957,216*

CHAPTER VI: CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT

1. EMPLOYEE INFORMATION

1.1 – EMPLOYMENT: A VERY ACTIVE RECRUITMENT POLICY

The Group had a total of 35,795 employees in its care facilities and clinics in France and internationally at the end of 2014, compared with 25,201 at the end of 2013, an increase of 42% year on year. This substantial increase is attributable partly to the opening of new sites and partly to the significant acquisitions made by the Group in 2014.

► **Breakdown of employees and job stability**

	Group	France	Inter-national	Germany	Belgium	Spain	Italy	Switzerland
Employees[1]	**35,795**	23,404	12,391	5,448	2,896	1,668	988	1,391
Recruitment on permanent contracts	**6,035**	5,269	766	N/A	450	74	21	221
% permanent contracts % temporary contracts	**84%** **16%**	84% 16%	82% 12%	N/A N/A	81% 19%	78% 22%	68% 32%	94% 6%
% full-time % part-time	**74%** **26%**	77% 23%	62% 38%	N/A N/A	51% 49%	90% 10%	84% 16%	34% 66%
% Men % Women	**17%** **83%**	17% 83%	18% 82%	15% 85%	21% 79%	15% 85%	23% 77%	23% 77%
% managers[2] % non-managers	**11%** **89%**	10% 90%	N/A N/A	N/A N/A	N/A N/A	N/A N/A	N/A N/A	N/A N/A

[1] Individuals present on all types of contracts at 31/12/2014
[2] The concept of manager (cadre) is specifically French

As of 31 December 2014, 65% of the workforce (23,404 staff) was located in France; the rest were located in the other countries where the Group operates (Belgium, Spain, Italy and Switzerland).
These figures reflect the ORPEA Group's policy of consistency, particularly in terms of staff distribution by length of employment, across all European countries.
To achieve this, ORPEA has maintained a coherent employment policy that aims to give all its staff job stability and security.
The policy focuses primarily on permanent, full-time contracts in countries where this is the norm. The breakdown by type of employment contract and working hours provided above reflects this policy, the breakdown being extremely stable over time:

- 84% of the Group’s employees have a permanent contract;
- 74% were employed full time in 2014, and 77% in France.

This policy also helps the ORPEA Group to avoid creating job insecurity when developing the network by restricting fixed-term contracts to cases required by law and by promoting full-time employment for the largest possible number of people, and giving part-time workers priority when full-time positions become available, as in Belgium for instance.

When a full-time job is created or becomes available in the Group, it is offered in priority to employees initially recruited on a part-time basis. Consequently, part-time work is mainly by choice, particularly among employees on permanent contracts. This is partly due to the nature of the roles filled by part-time employees. They tend to involve highly specific activities, and the employees concerned have diplomas or recognised expertise enabling them to find additional work in the market (doctors, physiotherapists, psychologists, activity organisers, catering staff, etc.).

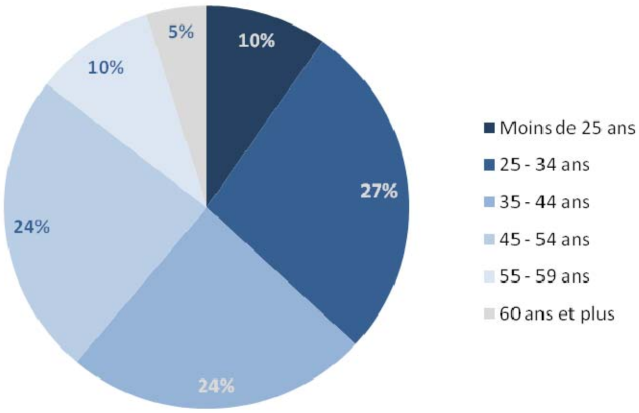
Furthermore, the use of other types of contracts (temporary), while sometimes necessary, as in any industry, is strictly regulated by the various national laws, the norm being permanent contracts. As such, temporary contracts are very often used to replace absent employees, notably during periods of maternity leave in a predominantly female sector, or to compensate for unexpected absences given the need for continuity of care for residents.

In addition, although our IT system does not currently allow us to determine the exact number of hours, use of temporary employees is marginal and is restricted to exceptional one-off needs resulting notably from emergencies to ensure continuity of care with nursing staff, for instance.

To ensure a diverse workforce and improve the sharing of experience, all age groups are represented in the workforce, with a certain uniformity in the various countries where the Group is active. In France, people aged over 55 account for 15% of the workforce, reflecting the positive effect of the company agreement on older employees.
A proactive policy aimed at allowing employees aged over 45 to remain in employment has also been established in Belgium.

	Group	France	International	Belgium	Spain	Italy	Switzerland
Under 25	**10%**	10%	9%	10%	6%	3%	14%
25 to 34	**27%**	27%	26%	31%	25%	16%	25%
35 to 44	**24%**	24%	27%	28%	26%	33%	19%
45 to 54	**24%**	24%	25%	21%	29%	31%	24%
55 to 59	**10%**	10%	9%	7%	9%	12%	10%
60 and over	**5%**	5%	5%	3%	4%	5%	8%

Breakdown of Group workforce by age group:



► **Job creation and recruitment policy**

Thanks to its expansion and policy of opening new facilities, ORPEA is a committed player in the local economy, creating many permanent and non-offshorable jobs each year.

Together, job creations and renewals related to attrition allowed the Group to recruit a total of 6,035 people in 2014.

With 9,101 psychosocial beds under construction or being redeveloped, ORPEA is also helping to keep thousands of construction workers in employment.

The vast majority of vacant positions in the ORPEA Group are under permanent contracts, in the fields of medicine, care, hospitality-catering and administrative services.
Staff recruitment is based on experience as well as human qualities. In a business based on personal service such as ORPEA's, it is essential that staff share a number of values in addition to their professional qualifications:

- kindness, the first pillar of good treatment, represented by listening, availability, respect and trust;
- hospitality, friendliness and good humour, turning facilities into real living spaces, open to the outside, conducive to the development of social ties.

ORPEA also attaches great importance to the diversity of its teams to ensure quality care for its residents and patients and ensure the transmission of knowledge between employees. Diversity is also implemented locally in accordance with incentive policies, witness the affirmative action policy in relation to women in difficulty in Spain and plans for older workers in Belgium.

ORPEA uses many tools to successfully implement its recruitment policy at the facility level and at the nationwide level.

For administrative and accommodation staff, the Group also uses job centres and advertisements on its website, in its dedicated career management section.

The Group also attends general (*Paris pour l'emploi*) and specialist job fairs (Nursing Career Fair), where it promotes careers in elderly care.

For care and medical staff, ORPEA benefits from the reputation of its network and its participation in national scientific conferences and conventions, and is also developing local partnerships with nearby schools (with nursing training institutes for nursing positions, auxiliary nurses, therapists, etc.).
The Group also advertises in specialist journals, such as the Mensuel des Maisons de Retraite, Géroscopie and the Quotidien du Médecin. Job boards specialised in the recruitment of health personnel (such as lesmaisonsderetraite.fr, emploi soignant, physiorama, etc.) are also used for the publication of our offers.

In 2014, the Group established a career page on the professional social network LinkedIn to develop its employer brand. This space is used to promote the Group's news in respect of its recruitment policy, publicise our job offers and promote the activities undertaken in our facilities.

Lastly, ORPEA has taken new initiatives to attract young talent to its facilities.

Ten of the Group's clinics obtained an authorisation allowing them to receive and train medical interns (hitherto reserved to hospitals). For ORPEA, this is a tremendous opportunity in the management of long-term human resources: hosting interns will help to create vocations for our work among future doctors.

At the same time, to identify motivated managers, ORPEA has expanded its partnership with ESCP Europe beyond the training provided to the Group's managers. ORPEA has raised its profile among final year undergraduates or students preparing professional master's degrees through conferences, business forums and recruitment meetings to present its business and career prospects in France and internationally. It is essential for a growing group such as ORPEA to create a pool of young professionals willing to make a commitment and ensure the management of its personnel.

Lastly, to encourage vocations and attract young people to health and socio-medical careers, some facilities have organised career forums to present elderly care jobs to secondary students at all levels and students in paramedical schools. Initial contacts with schools and parents' associations have received a very enthusiastic response.

Such events are organised in all of the Group's host countries. They take various shapes in response to local needs and realities.

Due to the visibility of its sector and its expansion policy, the number of dismissals is insignificant in relation to the total workforce.
Dismissals are essentially of an individual nature, and stem from professional misconduct, notably suspicion of mistreatment.

	Group	France	International	Germany	Belgium	Spain	Italy	Switzerland
Dismissals of permanent contracts	**917**	763	154	N/A	76	43	15	N/A

► **Wage policy**

ORPEA has always had a fair wage policy. In addition to pay scales, it offers many benefits: company agreements negotiated with the social partners - incentive plans and death and disability insurance - social welfare budget for the works council, profit-sharing bonuses, etc.

In 2014, the Group paid in respect of gross remuneration:

Group	€717,581,826
France	€553,875,409
International	€164,769,226
Belgium	€99,382,923
Spain	€24,423,895
Italy	€20,274,240
Switzerland	€20,688,168

► **Career management: cornerstone of the Group's social policy**

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

ORPEA has always placed great importance on the real values and skills of its staff, rather than on qualifications. Several of our directors were promoted from within the Company: care workers, nurses, health supervisors and secretaries by training have reached positions of responsibility, thanks to their motivation, commitment and potential.

ORPEA is committed to bringing out individual strengths and energising the careers of each employee to improve the quality of patient care and boost staff motivation and qualifications.

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

The Group therefore encourages internal promotion and geographical mobility.

Each year, the annual appraisal gives employees an opportunity to express their expectations and ambitions in terms of training, development or geographical relocation. These interviews are also gradually implemented within the other subsidiaries.

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

1.2 – ORGANISATION OF WORKING TIME

The specific nature of the ORPEA Group's work requires several factors to be taken into account when organising working time:

- adherence to applicable rules on working time, specific to each country;
- the service provided to people taken in, both in terms of care and reception;
- responding to staff aspirations.

In France, all staff benefit from working time equivalent to an average of 35 hours per week (full-time basis), for which the weekly hours may vary depending on organisational or operational needs, according to the cyclical shift patterns of the teams.

Naturally, the duration of working time varies in accordance with local laws (namely 38 hours in Belgium, between 36 and 38 hours in Italy, between 41 and 42.5 hours in Switzerland).

Meanwhile, absenteeism breaks down as follows among the different countries:

- France: the absenteeism rate was 7.75% in 2014 (excluding DOMIDOM);

- Belgium: the absenteeism rate was 7.8% in 2014;
- Italy: hours of absence totalled 53,543 across the country in 2014;
- Switzerland: the absenteeism rate in 2014 was 1.4% in French-speaking Switzerland and 5% in German-speaking Switzerland;
- Spain: days of absence totalled 38,316 across the country in 2014.

ORPEA strives constantly to improve the working conditions of its staff, notably through consultation with staff delegates in the representative bodies in each country.

1.3 – REGULAR AND CONSTRUCTIVE SOCIAL DIALOGUE TO PREPARE FOR THE FUTURE

► The framework: employee representative institutions

In addition to the obligatory consultations, ORPEA maintains constant social dialogue throughout the year, both with trade unions and with all staff in the field.

Social dialogue takes place within the Group mainly through the following employee representative bodies in France:

- Staff delegates: present in the Group's facilities, staff delegates meet monthly with the management representative to review matters raised by employees about the facility's operations. Answers are provided by management in the Staff Delegates register, after approval by Group Human Resources to ensure that the information provided is coherent and harmonised across the entire Group. The Staff Delegates are elected by employees for a term of four years. The last elections took place in the first quarter of 2011. The renewal of the sitting body is planned in 2015.

- Works Councils: two Works Councils were set up in 2011, replacing the eight Regional Works Councils. They meet every month. Extraordinary meetings can also be arranged to handle specific issues if needed. Members are elected for a term of four years. The last elections to the Works Councils took place in the first quarter of 2011 concurrently with the Staff Delegate elections. The renewal of the Works Councils is planned in 2015.
  Issues addressed involve economic, social and financial matters. The minutes of each meeting are posted on special notice boards in all facilities.
  The Works Councils also manage social and cultural activities, which allow staff, via employer subsidies, to receive various benefits (gift vouchers, holidays, involvement in sporting or cultural activities, etc.).
  The Works Councils also have an operating subsidy paid by the employer, so that they can fulfil their remit.

- Regional Health and Safety Committees (HSC): 12 Regional Health and Safety Committees meet at least once a quarter to address all issues relating to working conditions, health and safety in the Group's facilities.
  Minutes of each meeting are also posted on the special notice boards. Members of the Regional Health and Safety Committees are appointed for a term of two years.
  The newest members were appointed in April 2013, reasserting the Group's desire to maintain the principle of fair and balanced representation of all Group employees at all levels, allowing for Regional Health and Safety Committee members to be as close as possible to the employees they represent. There are plans to renew the sitting HSC in 2015.

The Group also has trade union representatives who meet during company negotiations. These negotiations cover pay, working hours, incentive plans, employee savings, disability employment, gender equality, etc.

In 2014, new negotiations were opened with the unions, reflecting a shared commitment among the social partners:

- to strengthen the quality of social dialogue within the Group;
- to reconcile the interests of employees and social progress with the Company's economic constraints,

on the principle that effective and constructive social relationships for all help ensure the proper functioning of the Company.

In Belgium and Spain, social dialogue is legally structured around similar bodies. As such, a body composed equally of staff and employer delegates discusses economic, social and financial information, while another, also composed equally of staff and employer delegates, deals with matters relating to prevention and protection at work.
In Belgium, moreover, these representative bodies co-exist alongside close representation via the union delegates.

In Italy, employees are represented through a different structure in accordance with local laws. Meetings are set depending on the subjects selected (organisation of the day, work schedules, etc.) by the social partners in compliance with the Group's determination to consult.

In Germany and Switzerland, close dialogue is the rule.

► Company agreements in France

Incentive and profit-sharing agreements

The Group's incentive and profit-sharing agreements have been in place for several years now. The entitlement under incentive agreements is proportional to working hours (not based on salary received) to ensure a fairer split between employees.
The profit-sharing agreements have been in place for several years (13/12/2000 and 20/11/2001).

The incentive agreements were renewed for three years in early 2014.

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

Agreements on gender equality

Ensuring gender equality is a major concern within the Company, in a sector where women represent the majority of the workforce.

The renewal of the agreements for the 2015-2017 period reinforces our determination to ensure that there is no gender disparity and to achieve equal treatment if disparities are noted, particularly in terms of conditions of access to employment, recruitment, training, etc.

Our goal of achieving gender equality is also visible in other subsidiaries, through monitoring by the social partners.

Agreements on disability employment in the Group

Disability employment is a key component of the ORPEA Group's human resources policy.

Following the signature of company agreements on disability employment in 2008, a special unit within the Human Resources department was created to monitor achievement of the targets set.

At end-2010, the Company and trade unions agreed to continue with this pro-active, responsible disability policy by renewing the 2008 agreements. In 2014, these agreements were renewed for a further three years.

In this context and thanks to the involvement of all the relevant stakeholders, the rate of employment of disabled workers has remained at a level well above sector averages. In France, the Group recorded a rate of 5.7% in 2014. This compared with rates of just 3.9% in the broader healthcare sector and 5.1% in the medico-social segment in 2013 (2013 Industry Reports – SYNERPA/FHP).

The Group intends to continue with its commitment and to promote:

- the employment of disabled workers;
- the implementation of qualitative measures to facilitate the integration of disabled workers;
- development of relations with the "protected sector", which provides employment for disabled people;
- access to all professional training solutions;
- priority monitoring of disabled employees to keep them in employment and adapt their working environment accordingly;
- the development of combined work-study programmes for disabled workers to train them and help them gain qualifications in our sector (care workers, medical support, etc.).

To do this, a special unit ("Mission Handicap") is constantly developing communication strategies to promote the employment of disabled workers among directors to raise awareness and improve the integration of disabled workers into their structure.

In addition to the in-house guide for directors and numerous regional contacts (MDPH, AGEFIPH, Cap Emploi, CFA, etc.), several initiatives were taken in 2014 in favour of disabled workers, including:

- a partnership with the UGECAM (federating many functional rehabilitation centres specialising in our business) enabling each site to accommodate disabled trainees putting into practice the teaching received through their education and integrating disabled workers seeking employment after their training;
- the organisation of a training course entitled “Promoting the hiring and integration of a disabled employee” to accompany managers and department heads in the integration and daily management of a disabled employee;
- the continuation early in the year of a partnership with LB Développement to set up an outsourced and anonymous telephone hotline in some facilities to answer questions from employees on disability and to support them should they decide to seek recognition as disabled workers;
- the implementation of many measures to adapt workstations so as to ensure the continued employment of disabled workers.

In Spain, a proactive employment policy for disabled workers has also been established.

Agreements for the employment of older employees and intergenerational agreement

Agreements on the employment of older workers were also signed in September 2009 and renewed in 2012 for France.

In Belgium, a similar agreement has also been signed.

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

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

In France, ORPEA intends to continue with this commitment at all newly acquired facilities as appropriate.

In a complementary manner, agreements relating to the intergenerational contract were concluded in 2013 in France.
The objective is to promote the employment of young people and the retention of older workers, and to ensure the transfer of knowledge and skills.

Through these agreements favouring an alliance between generations, the Group aims to meet three objectives:

- facilitate the sustainable integration of young people in employment by giving them access to a permanent contract;
- encourage the hiring and continued employment of older workers;
- ensure the transmission of knowledge and skills.

Agreements on difficult working conditions

The prevention and reduction of difficult working conditions is a key component of the ORPEA Group's employment policy, and is in line with its policy to prevent risks in the workplace and to protect employees' physical and mental health.

As part of its commitment to sustainably improve working conditions and extend employees' working lives, the Company entered into agreements in 2011 aimed at preventing difficult working conditions and reducing factors likely to cause them, including parallel schemes to bolster its action in the prevention of stress and psychosocial risks. This year, renewal is underway for the 2015-2017 period.

Starting in 2013, training in the prevention of psychosocial risks was rolled out for employees.
Regional Health and Safety Committees, which are closely involved in the implementation of this agreement, have worked in particular on creating analysis grids to collect information from employees. Under the agreement, the resources made available to the Health and Safety Committee have been extended in order to favour discussions with Group employees.

The various themes of these agreements are naturally addressed across the entire European scope, but in line with each country’s own legislative framework and more political priorities. Belgium, for example, is more restrictive in terms of prevention, and actions implemented in this regard are rolled out without necessarily having to go through consultation. In Spain, by contrast, the priority is placed on measures to maintain employment.
In any event, the agreements reached factor in the legal aspect, but also promote equity, respect for employees with a view to promoting loyalty and transparent dialogue, with the adequate means.

1.4 – PREVENTING RISK AND PROTECTING THE HEALTH OF EMPLOYEES

The Group is also committed to maintaining and improving the working conditions of its employees. Steps are taken to prevent the risk of workplace accidents when new structures are built and during renovation or extension projects.

The Company has geared its work towards looking to build professional risk prevention into its projects at the earliest possible stage.

In addition to protecting their health, the Company also wants to allow its employees to work in an environment conducive to well-being at work: staff rooms are more spacious, comfortable and well equipped; buildings are constructed so as to let as much light as possible to enter the rooms, allowing workers to see outside from their work stations, with windows at eye level, wherever possible in front of work stations, in each building and in rest rooms, etc.

The Group has also delivered many training sessions on handling heavy items and the prevention of back pain. Since 2013, more than 330 people in France have been taught to give training on the prevention of occupational risks associated with the handling of heavy items, the objective being for each of the Group's facilities to have a trainer-facilitator on this issue.

For 2015, a massive amount of training on handling gestures has been planned to reduce and limit employees' exposure to musculoskeletal disorders, to which employees in the healthcare sector are particularly vulnerable. An action plan is also being developed, taking more broadly into account the organisational, biomechanical and psychosocial aspects.

Other commitments made in this regard by the Group are about to result in the signing of a Charter in France with the authorities in charge of workplace accident prevention (Industry Work Accidents/Workplace Illnesses, Social Security).

► **Statistics on workplace accidents**

The frequency of workplace accidents as defined by the INRS (French National Institute for Research and Safety for the Prevention of Workplace Accidents and Illnesses) is the number of workplace accidents that made employees unable to work (i.e. which led to an interruption of work of one full day in addition to the day the accident took place, and which gave rise to compensation in the form of a first daily indemnity payment) for 1,000,000 hours worked. In 2014, France, ORPEA recorded a frequency rate of 59.1 (excluding DOMIDOM).
The rate was 34.1 in Belgium. Calculated on the basis of theoretical hours worked, it was 38.3 in Spain.

The level of severity is defined by the INRS as the number of days lost due to temporary incapacity per 1,000 hours worked. According to the CNAMTS, the national average for the Health sector was 1.8. For ORPEA, in France, in 2014, it was 1.14 (excluding DOMIDOM), well below the average. The rate was 0.98 in Belgium and 0.94 in Spain (based on theoretical hours worked).

However, the Group is not satisfied with these results and is continuing its efforts to improve working conditions for its employees. ORPEA is active in the working group set up by the SYNERPA, the INRS and the CNAMTS to develop a training mechanism for key industry professionals designed to help support us in our commitment to combating the risks associated with our sector.

► **Establishment of a psychological unit**

With the objective of supporting employees subjected to emotional distress attributable to the industry, the Group established in 2009 a psychological unit known as the "Institutional Interventions Unit", consisting of qualified psychologists with specific training in institutional trauma. The unit operates in France, and began operating in Belgium in 2014. It is composed of 24 psychologists: 16 active members and 8 still in training.

The conditions triggering the system and the intervention of psychologists are set out in a Group procedure, which helps define and adapt interventions on a case-by-case basis. The unit is completely independent of the client facility, and intervenes as a third party. Support is offered in group format or in individual interviews.

The main objectives of this unit, which supports teams in groups or individual interviews, are:

- to support and help an institution in an emergency situation linked to a potentially traumatic event that disrupts institutional life and threatens the emotional and/or physical integrity of members of the institution;
- to deal with the anxieties and resistance of teams;
- to help care teams cope with events by restoring their collective care capacity;
- to identify people at risk, who are emotionally fragile and excessively affected by the event.

In 2014, 21 interventions took place, restoring a feeling of security or serenity among teams. Since its inception, 75 interventions have taken place, demonstrating the initiative's success.

In 2014, the psychological unit expanded its scope of intervention by offering institutional mediations to teams facing a potentially disrupting event (acquisition or relocation of premises). These interventions have complementary objectives on top of those set out above:

- give the teams a time to talk and share about the situation they are going through;
- offer them a time to reflect on their activity, on the meaning of "working together" and possible new opportunities for greater well-being at work.

After the unit's interventions, be it for an event or for mediation, a report is sent to the different contacts (HR, management, medical) with an assessment of the mental state of the team and a recommendation on whether or not to continue support. Also, a remote questionnaire is sent to the management of the relevant facility to assess the institutional climate in hindsight.

In 2014, 177 people in France and Belgium sought to benefit from the support (individual and group) of the psychological unit. Only 10 people continued to be monitored by the unit following these psychosocial risk-prevention interventions.

This policy of developing employment combined with a strategy of preserving good working and health conditions for employees is backed up by a proactive approach to professional training.

In addition, Belgium and Spain have services dedicated to prevention and protection at work, the main tasks of which are to take part in the identification of hazards, investigate accidents and incidents, analyse the causes of occupational diseases and provide advice on workplace hygiene and comfort, on the content of training programmes, and on emergency and first aid plans.

1.5 – TRAINING: COMMITMENT TO THE QUALITY AND PROFESSIONALISM OF EMPLOYEES

Training grew at a sustained pace in 2014, supporting the Group's growth. In 2014, ORPEA provided 274,324 hours of continuing education, of which 221,717 hours in France. This figure covers a diverse range of training options, in various formats and with different durations.
However, it does not include the programme of "mini courses" taught throughout the year in facilities to reinforce everyday gestures and awareness of good business practices among all employees.
Internationally, training momentum is on the increase, driven notably by the expansion of the network and the Group's commitment to providing high-quality care in all countries. In total, ORPEA provided 70,324 hours of training in its international network in 2014:

- Belgium: 34,654 hours;
- Spain: 29,551 hours;
- Italy: 6,119 hours.

► **General training policy**

For ORPEA, training must not only be of high quality; it must also and especially be of operational use. Training programmes have been developed to meet this requirement. Existing partnerships have been consolidated, and others have been developed with institutions that sometimes go beyond the context of training.

► **Specific training to develop knowledge**

The Group's training offer is always changing; our staff have, over the years, become increasingly qualified, and ORPEA must develop their knowledge and skills through specific content. As such, 2,000 days of training (not leading to a qualification) were held, and 10,200 employees were able to benefit from these short training sessions in 2014. The training department continued its work to optimise training sessions and to increase the participation of employees in training. Training courses were organised in all of the professions represented within the Group, continuing to enrich the Group's training catalogue.

These figures do not include the "mini-courses" taught in accordance with a monthly schedule in each of the Group's facilities; these mini-courses, which run for between 30 and 45 minutes, provide a platform for revisiting with staff issues identified during audits and addressing any new procedures to be implemented, both in terms of know-how and interpersonal skills.

Training must naturally fit into the daily life of the company so that it is not seen as a constraint, but as a means of assistance, as support or even as an opportunity.

In 2014, the pooling of expertise with the Group continued to grow, and was again reflected in communication of know-how between each speciality (nursing homes, post-acute and rehabilitation care and psychiatric care). Care workers having to deal with ageing and increasingly frequent psychiatric illnesses in patients have seen their training requirements shift away from their basic care tasks. The training meets these requirements by drawing on in-house resources so that everyone can benefit. Topics such as the refusal of food by the elderly, support for the families of people with dementia, care for elderly people with multiple pathologies in post-acute care and the care of elderly people in psychiatric care perfectly illustrate this notion.

DOMEA, the Group's care givers' school, continued to deliver training derived from the "Alzheimer's plan" for long-term care facilities, with Gerontology Care Assistant training for medical-social and healthcare workers (AS and AMP roles).

► **Training leading to a qualification**

In France, ORPEA is fully committed to ensuring that the work experience of its employees is recognised via Validation of Learning Experience (VAE) or Validation of Work Experience (VAP) for its administrative staff. Among more than 340 qualifying training courses, 85 VAE (AS/AMP roles) and 35 Master IIs or vocational qualifications of an equivalent level started in 2014.

DOMEA, the carer training institute set up by the Group in 2005 (IFAS approved by prefectural order), has played an active role in this commitment by supporting 16 of its employees in acquiring VAE AS and AMP.

In addition to continued training, DOMEA can accommodate young apprentices in cohorts of 15 people per year from February to June. DOMEA endeavours to train employees, students and interns using practical, interactive teaching methods, as well as through individual support in direct liaison with employers, tutors and apprenticeship leaders.

This school proves the ORPEA Group's dedication to training quality staff, and providing training that combines technical skills and respect for the dignity of the elderly and patients.

► Partnerships with schools to promote jobs in the services for the elderly industry

The Group has measured the importance of making its business sector more attractive. It has continued to emphasise the establishment of strong local partnerships with care giver schools, nurses, business schools or universities. These partnerships, confirmed by the payment of the apprenticeship tax to over 372 educational institutions (+14% compared with 2013), result in many interns being accepted to initial training (more than 6,000), new staff being hired on combined work-study contracts (more than 210 contracts signed in 2014), the development of specific training programmes and the promotion of our facilities among their students.

Partnerships have been strengthened with all of the sector CFAs, *the Institut Supérieur de Rééducation Psychomotrice*, the *Université Sophia Antipolis, Université Paris VI Pierre et Marie Curie*, the *Ecole des Mines de Paris* and with the care worker and nurse training institutes of the French Red Cross.
The partnership with the *Ecole des Mines* involves subsidies for the teaching and research activities of the Risk and Crisis research centre (CRC) at the *Ecole des Mines de Paris*.
ORPEA has partnered with Pierre et Marie Curie in the Master II “advanced gerontology” course aimed at students with a Master I or equivalent degree planning a career in this field or health and medico-social professionals with a Master I or equivalent qualification.

ESCP EUROPE, which hosts the “CADRELAN Strategic” training began 2014 with success in the presentations of the dissertations of all of the members of the first class, meaning that nine employees obtained the Specialised Master’s degree in Healthcare Management and Hospital Management. The second class meanwhile successfully presented strategic projects marking the end of the first year of the course. This programme is aimed at employees with management and/or team leadership roles who want to become Directors or perform crossover roles within the Group, both in France and internationally.

► Training: a way to improve working conditions

ORPEA is involved in personnel development training by promoting training through the Individual Training Fund (DIF), presented in a specific in-house catalogue, "ThemaDIF" in place since 2006.

In 2014, this catalogue was widely distributed among employees, across all Group facilities.

The popularity of these courses among staff illustrates the ORPEA Group's success in meeting the needs and aspirations of its employees both in terms of professional training and personal fulfilment at work. There are many training options relating to health and well-being at work.

Directors and Team Leaders also receive training to optimise their management roles. Communication, crisis management and team leadership training has been given, as well as training on the prevention of psychosocial risks since 2013. One of the objectives is to give managers the tools they need for the proper management of their teams (appraisal interviews, stress management, delegation of skills, leading meetings, risk prevention, conflict management, etc.). By way of illustration, the CADRELAN days offer a wide range of training to our employees, so that they can create tailored training modules to meet the specific needs of their jobs. In 2014, 367 employees attended CADRELAN training days on 12 different themes (team management, improved time management, being an ambassador for their facility, etc.).

Since 2013, over 330 people have also been trained as "Handling Trainer-Facilitators" to dispense "Gestures and Handling" mini-training modules to all staff.

► ORPEA, committed to promoting training in the sector

In 2014, ORPEA continued to devote energy to industry training policy by serving for both of its business sectors in France (health and medico-social) on joint bodies such as the Board of Directors of ACTALIANS (the accredited body collecting funds for training within the industry), the Joint Committee on Employment and Vocational Training and the Professional Observatory, also working to promote the industry training policy and the development of employment.

Lastly, for the joint bodies, training was part of the Group's HR policy and helped boost the qualifications of our Staff Representatives on issues such as the role and functioning of the HSC or on positioning and postures of HSC members, representing 3,248 training hours in 2014.

1.6 – The equal opportunities policy

ORPEA has always had an equal opportunities policy in all areas: gender equality, people with disabilities, senior workers, inclusion of younger people, etc.

As indicated in part 1.3, several company agreements have been signed in this regard:

- agreements on professional gender equality;
- agreements on improving integration of people with disabilities in the Group;
- agreements on the employment of senior employees;
- agreements on the intergenerational contract.

1.7 – Promoting and adhering to the fundamental conventions of the ILO

► Respect for freedom of association and the right to collective bargaining

For years, the ORPEA Group has focused on labour dialogue to balance employee interests and social progress with the Company's economic constraints.

Effective and constructive social relations for all are part of the proper functioning of the Company and freedom of association, freedom of expression, freedom of assembly and the right to information are essential components of social stability and economic development.

Against this backdrop, mandates are fulfilled freely and employees can express themselves freely, with a mutual respect for legal and regulatory provisions and employees' fundamental rights.

The Company continues to ensure for all employees harmonious social dialogue involving negotiation of various aspects of labour relations to promote and defend employee interests.

► Elimination of discrimination in employment and occupation

Through its recruitment, training and promotion policy, the ORPEA Group has always shown non-discriminatory practices, considering that equality at work involves everybody having the same chances to develop the knowledge, abilities and skills necessary for the Company's business activity. Discrimination prevents victims from achieving their full potential and deprives society of the contribution they could make.

Effective mechanisms have been implemented to combat all forms of discrimination: agreements on gender equality, employment of people with disabilities, access to and retention in employment for older workers, transmission of knowledge to the young workers.

Its diverse range of cultures, languages, family situations, education levels, racial or social origins, religions, opinions, etc. make ORPEA a group where everyone can find their place and thrive, where everyone is respected and where social cohesion is synonymous with economic efficiency.

► Elimination of forced and compulsory labour and the effective abolition of child labour
Due to the kind of business it is involved in and the direct link its staff have with residents, families and patients, ORPEA has naturally always adhered to the main conventions of the International Labour Organisation.

1.8 – SUMMARY OF THE METHODOLOGY USED FOR SOCIAL REPORTING

► Organisation and reporting tools
Social reporting is done through dedicated tools for the Pay and Human Resources departments. Data collection is carried out mainly through payroll software in each country.
Data entries are made in each facility, and validated by the Regional Head Offices before being reported to ORPEA's head office. After collation by the Human Resources department, they are consolidated and treated in accordance with previously defined procedures and criteria:

- the workforce is calculated for all countries on the basis of the total workforce as of 31 December 2014;
- recruitments only take into account employees entering the Group on permanent contracts;
- departures include all permanent employees leaving the workforce after dismissal, for whatever reason;
- for all countries, permanent employees are those whose employment contracts have an indefinite term;
- for all countries, employees whose contractual working hours are equivalent to the legal duration applicable locally are considered full-time;
- the concept of manager (cadre) is specifically French;
- absences recorded cover both illness and workplace accidents.

► Additional information

- France
  - Reporting scope in France: the indicators concern all of the Group's French facilities operating as of 31 December 2014. The data on the total workforce, age structure, payroll and training, the scope includes DOMIDOM.
  - The absenteeism rate is calculated by comparing the actual hours of absence with the number of hours theoretically worked for all FTEs.
  - Mini-courses are excluded from the calculation of training hours, as well as hours of training related to combined work-study contracts or individual training leave.

- Belgium
  - Mini training courses are taken into account.
  - The absenteeism rate is calculated by comparing the actual hours of absence with the number of hours theoretically worked for all FTEs.

- Spain
  - Absences are counted in days.
  - The workplace accident frequency rate is calculated with respect to theoretical hours worked.

- Italy
  - The payroll in Italy relates to the workforce as of 31 December 2014.
  - Absenteeism represents the sum of hours of absence for sick leave and workplace accidents.

- Switzerland
  - Senevita only administers permanent contracts. The payroll therefore combines all gross salaries in the permanent full-time workforce.
  - In German-speaking Switzerland, reasons for terminations of permanent contracts are not recorded: they are listed only as “in” or “out”. The data therefore relate solely to two facilities in Switzerland (French-speaking), and as such are not representative.
  - The absenteeism rate is reported directly to Senevita by the insurance company. In French-speaking Switzerland, the absenteeism rate is calculated by comparing the actual hours of absence with the number of hours theoretically worked for the total workforce.

2. ENVIRONMENTAL INFORMATION

2.1 – THE ORPEA GROUP'S OVERALL ENVIRONMENTAL POLICY

Environmental constraints result mainly from regulations applicable to all of the Group's facilities: managing infectious waste, managing water quality, managing the health security of residents and patients, etc.

Strongly committed to intergenerational transmission by virtue of its core business, the ORPEA Group has initiated an eco-responsible approach to reduce energy consumption and waste of its establishments, involving its entire staff.
In its capacity as the contractor of its facilities, ORPEA furthers this action by emphasising the quality of the construction of its premises and the maintenance of its facilities in order to limit their impact on the external environment, while ensuring healthy and comfortable living conditions for its residents and patients.

Since 2012, ORPEA has adopted a broader sustainable development approach, bringing partners and suppliers together to help cut energy use (water, gas, electricity) and promote eco-friendly products that pollute little or not at all.

To formalise this approach, an action plan was set out for the French scope for the 2012-2015 period, after the carbon assessment conducted at the end of 2012. An organisation also was established to harmonise environmental practices within facilities, and to coordinate actions. A new carbon assessment will be performed in 2015.
Moreover, and in compliance with French regulations (Decree No. 2013-1121 of 24 November 2014), the ORPEA Group will perform an energy audit on its business in France in 2015.

Since 2012, a steering committee has been in place to implement this action plan. It is made up of the Purchasing, Works-Construction and Project Management, Quality and Communication departments and meets every two months; a "Group" representative has also been appointed to monitor progress.

Four main aims have been selected to guide the ORPEA Group's environmental protection actions in Europe:

- reducing energy use (essentially gas, water and electricity);
- managing and reducing waste production;
- environmentally responsible purchasing;
- cutting CO_2 emissions caused by travel.

The Group also works to develop ways to prevent environmental damage and raise awareness about environmental protection at the facilities, aimed at both employees and residents, patients and visitors, to provide general information on sustainable development and circulate good practice and environmentally responsible attitudes.
Communication kits have been produced with this in mind to complement the actions already implemented in some facilities, as part of their quality certifications. These kits have been available on all sites since the first quarter of 2014.
The aim is to teach everyone to respect the environment through simple everyday gestures, and to adopt eco-responsible behaviour.
The ORPEA Group has not set aside any provisions for environmental risks.

2.2 – CLIMATE CHANGE

▶ Greenhouse gas emissions

At the end of 2012, ORPEA performed a carbon review on greenhouse gas emissions generated by its facilities, with the help of a specialist carbon consulting firm which is a member of the APCC (ECO 2 initiative).

This review covered all facilities controlled by ORPEA in France. 100% of the emissions of the assets and activities over which ORPEA has operational control were taken into account.
This review showed that the ORPEA Group generated 130,000 tonnes of CO_2 in 2011, i.e. 500 tonnes per facility, mainly from energy use (38%) and travel (20%), representing 6.7 tonnes of CO_2 per resident/patient.

CO_2 emissions from energy consumption in 2014:

	Unit	France	Belgium	Spain	Italy	Switzer-land	Total
Scope 1 – Natural gas	Tonnes of CO_2	26,144	3,050	2,248	1,772	2,208	**35,422**
Scope 2 – Electricity	Tonnes of CO_2	10,694	2,535	2,757	1,954	202	**18,142**
Total	Tonnes of CO_2	**36,838**	**5,585**	**5,005**	**3,726**	**2,410**	**53,564**

The energy efficiency of buildings is the most important area of focus for the ORPEA Group in its sustainable development approach.
ORPEA has already committed to a strategy of reducing future CO_2 emissions at its facilities, thereby contributing to the fight against climate change, both for new buildings under construction (renewable energy, eco-design and eco-management) and for existing facilities with the ongoing measures set out in its multi-year plan.

Moreover, ORPEA continues its policy of minimising the impact of its business travel, by travelling only when necessary and only flying when absolutely necessary. Wherever possible, the Group holds teleconferences. Since the end of 2014, video conferencing facilities have been operational in France and internationally.

▶ Adapting to climate change

The ORPEA Group's facilities are equipped to cope with heat or cold fronts that could endanger the health of residents and patients.
The Medical Department has drawn up procedures and protocols (staff mobilisation, hydrating residents, adapting diets, etc.) to be applied in all the Group's facilities, and staff training has been organised to guarantee the continued care and well-being of residents.
Agreements have been signed with a nearby health facility in order to set out terms of cooperation and in particular how to care for residents weakened by a heatwave.

Temperatures are checked weekly in each of our facilities; cooled rooms have been installed in all of the Group's facilities in France, Italy and Belgium, in addition to blackout blinds for the most exposed façades; some facilities situated in the hottest areas or where there is a regulatory requirement are fully air conditioned.

Each of the Group's facilities has drafted a Blue/White Plan (in France) or Crisis Management Plan (in other subsidiaries), which are activated to reduce the health consequences of a heatwave as soon as weather alerts are issued.

2.3 – Preventing pollution and managing waste

The maintenance officer for each facility is responsible for removing waste, in line with a clear protocol.

► **Clinical waste management**

The provision of long-term care produces less infectious clinical waste than obstetric medicine and surgery.

The calculation of production is based on quarterly production tables supplied by the service provider. To calculate the weight of infectious medical waste, a volume/weight conversion table is applied.

In 2014, production of infectious medical waste amounted to 523,344 kg France.

The Group's facilities comply with regulations concerning the management of infectious clinical waste.
All facilities are equipped with special receptacles for collecting certain types of waste: containers for needles and sharp objects, and "Cliniboxes" for other waste.
Waste is removed by an authorised company under a service agreement. The Company is also committed to providing caregivers with training in each of our facilities.
As required by law, each facility keeps waste destruction records for three years for traceability purposes.
These agreements and traceability documents are kept available for the relevant authorities.

► **Action plan to reduce overall waste production**

Checks and analyses of each facility's waste production are performed with our collection partners and the management control function. The aim is to identify and correct potential cases of poor practice.

Training and awareness-raising initiatives have been implemented with teams and suppliers to remind them of best practice when compacting waste (cardboard boxes, bottles, etc.) and sorting rubbish, as well as to combat waste.

2.4 – Sustainable use of natural resources and energy

As part of its ongoing action plan, the ORPEA Group wants to make a commitment to reducing energy use in its facilities by optimising the use of resources.

Also, maintenance staff at all facilities and regional technical assistants were retrained in 2013 on optimal facility management (particularly in facilities equipped with centralised technical management).

This procedure entails monthly checks and analyses of energy use, which were implemented in 2013 to identify problems (leaks, excessively high consumption, benchmarking of sites, etc.) and facilities with a high level of energy consumption.

In 2014, this approach was pursued through the establishment of weekly monitoring and a detailed analysis of energy expenditure.

ORPEA monitors its meters – and naturally its bills – by means of fluid monitoring through a consumption-monitoring platform. Any anomalies are immediately identified and dealt with. Each facility has an independent agent responsible for the everyday maintenance and repairs of the building, including water leaks.

▶ Gas and electricity use and management

Consumption in 2014	Group	France	Belgium	Spain	Italy	Switzerland
Electricity in MWh	**165,719**	130,410[13]	11,521	11,583	4,812	7,393
Gas in MWh	**162,731**	119,380	14,250	10,504	8,279	10,318

ORPEA wants to reduce its buildings' energy use as much as possible, by implementing energy saving equipment:

- insulation of attic spaces on all buildings with pitched roofs; attic insulation work has been carried out on 173 facilities, representing energy savings of 601,000 MWh cumac on the basis of a conventional insulation term of 35 years. This represents a potential reduction of 17,000 MWh in consumption per year;
- fitting of low-consumption lighting (all new buildings are equipped with LED lighting);
- optimisation of procurement contracts with energy suppliers for the entire European network;
- fitting of sensors to reduce electricity consumption;
- development of the equipment required for video conferencing so as to reduce travel;
- selection of materials based on their eligibility for Energy Saving Certificates (ESC). In total, more than 51 GWh cumac were saved in 2014;
- optimisation of the vehicle fleet by referencing models on the basis of their CO_2 label.

▶ Water use and management

Consumption 2014	Group	France	Belgium	Spain	Italy	Switzerland
Water in m^3	**2,818,466**	2,157,676	238,475	217,279	87,266	117,770[14]

To reduce its water consumption, the ORPEA Group installed aerators on all of its French sites in 2014. It plans to equip facilities in Belgium and Spain in 2015.

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

Network diagnostics have been performed in all of the Group's facilities in France by registered companies (ART Europe and Audit Process).

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[13] Excluding institutions that are not under contract with EDF: Ill, Ried, Aar, Résidence Ste Fursy, Clinique La Lironde, Résidence du Lac, Clinique du Château de Seysses, CRF Navenne.

[14] Excluding the following facilities: Erlenmatt, Gellertblick, Lindenbaum, Obstgarten, Pilatusblick.

As part of a study by the Greater Lyon authority, we have carried out water tests over 24 hours on three of our facilities (Lyon Lumière, Chaponost, La Majolane) for COD, BOD and total suspended matter. The reports show that the quality of waste water of our facilities is compliant with the regulations, and that it does not cause pollution.

► **Consumption of raw materials and measures to improve efficiency in their use**

The Group has embarked on a policy of controlling the consumption of raw materials in order to limit the depletion of natural and non-renewable resources.
Actions have been undertaken on paper consumption, both in terms of the use of recycled paper and the monitoring of consumption.

► **Eco-design and eco-management of buildings**

As ORPEA has an in-house project management department, it quickly realised the importance of sustainable development in its business. For several years, ORPEA has been committed to considering environmental aspects and energy-saving problems in the specifications for these new building projects.
As part of the Group's overall environmental policy, it aims to balance energy saving and quality of life at its facilities for residents, patients and staff.
The Property Development Department has reviewed the 14 targets set in the HQE quality approach, defined a level to be met for each one and drilled them down into actions geared to the needs of new projects in view of their individual constraints.
ORPEA aims to build facilities that are more energy efficient, and which blend in better with the environment (accessibility, landscaping, urban integration) while offering optimal quality of life for residents, patients and staff.

Building architecture favours the visual and acoustic comfort, as well as natural light.
The Group is particularly vigilant and innovative in the design of living areas, which prioritises the independence and well-being of residents, using materials, colours and lighting in particular.
Moreover, to ensure that the building blends in well with its immediate environment, other issues are also reviewed, including:

- taking advantage of opportunities offered by the surrounding environment: designing a project that blends in with the local surroundings (number of storeys, green roofs, tree-covered areas, etc.);
- positioning the building on the land in accordance with the course of the sun;
- accessibility of the facility for people with reduced mobility. This criterion is crucial, as the Group’s facilities care for dependent people.

The building project department ensures that all sites, for both construction and renovation work, undergo special studies to limit the burden on the environment (noise and other pollution).
Before purchasing land, ORPEA ensures that the soil is not contaminated and, if necessary, carries out soil remediation.

For all new buildings, a BMS (building management system) is implemented to programme and centralise heating and cooling.

2.5 – Protecting biodiversity

ORPEA's activity has little effect on biodiversity.
In terms of land use, open spaces are planted as much as possible.

3. INFORMATION ON SOCIETAL COMMITMENTS

3.1 – A STRONG COMMITMENT TO PROMOTING EMPLOYMENT AND REGIONAL LIFE

► Recruitment and job creation

With a network of more than 500 facilities in Europe, and in view of its regular opening of new facilities, ORPEA has a dynamic recruitment policy.

In addition to replacements of departed employees, ORPEA each year creates many permanent and non-offshorable jobs.

The vast majority of vacant positions in the ORPEA Group are under permanent contracts, in the fields of medicine, care, hospitality-catering and administrative services.

Within its recruitment policy, ORPEA attaches great importance to human qualities, as well as the diversity of its teams. As such, the Group promotes the employment of young people and the retention of older workers to ensure the transfer of knowledge and skills.

ORPEA also promotes insertion and job retention for people with disabilities.

Moreover, with 9,101 beds under construction or being redeveloped, ORPEA indirectly contributes to keeping thousands of construction workers in employment.

► Numerous partnerships with schools and training institutes

To attract new talent to the Group and enhance its image and that of its industry among future graduates, ORPEA has established strong local partnerships with paramedical schools (care workers, nurses), business schools and universities.

These partnerships, embodied by the payment of the apprenticeship tax to more than 372 schools in France, result in:

- intakes of many trainees in initial training (over 6,000) and the hiring of new employees on combined work-study contracts (210 contracts signed in 2014), with the notable aim of promoting our facilities among students;
- the development of specific training programmes, first to meet the Group’s real needs in terms of skills, and second to satisfy the aspirations of Group employees, assisting them in achieving their professional goals.

The Group has always fostered close relationships with educational establishments, while at the same time pursuing a local recruitment policy so as to become more involved in local economic life.

3.2 – A COMMITMENT TO PROMOTING HEALTHCARE EDUCATION

► Information days and preventive action

All of the Group’s facilities regularly hold open days to give the public information and help as many people as possible learn to look after their health and to age well:

- help for carers;
- balance and preventing falls;
- diet and nutrition;
- sleep;
- supporting a relative with Alzheimer's disease.

These open days are an opportunity for the local population to get information and advice via practical conferences and workshops, to meet health professionals, and to share experiences with other families. The aim is to support carers and promote the proper care of people at home.
These days are also an opportunity for constructive contact with local authorities, and are a way to better inform the local media about the challenges of ageing.

To sustain the benefits of its open days, ORPEA publishes booklets in France to give advice to carers in order to help them assist a relative at home. Various themes are dealt with in this way: helping a loved one with Alzheimer's disease, grants and subsidies, respite stays and home-care solutions, choosing a retirement home, guide for carers.
In addition, "ageing well" leaflets are handed out at theme days on such topics as sleep, balance and fall prevention, nutrition and exercising the memory.

To enrich its contribution on this aspect, ORPEA began discussions in 2014 with the French Association of Carers, with a view to establishing a partnership in 2015 to develop carers' cafés in a number of French cities.

In addition, several facilities, in both psychiatric care and post-acute and rehabilitation care, have developed healthcare education programmes designed to help patients live well with their illness (e.g. in chronic diseases, such as Cardiovascular Rehabilitation) and to extend the gains of hospitalisation after returning home. These awareness-raising and prevention programmes contribute to improving the health and quality of life of patients and relatives.
Some facilities have had their programmes accredited by the Regional Health Agency as therapeutic patient education programmes. The list of these facilities includes La Rochelle, where Cardiocéan has developed a programme to teach heart failure patients how to live with their condition, and Viry Chatillon, where the facility offers a programme dedicated to functional restoration of the spine in the aim of improving patients' understanding of their backs and giving them a better perspective on pain.

► Defibrillators accessible to all in the facilities

To help prevent the risk of heart failure, the ORPEA Group has chosen to fit all of its French retirement homes with medical facilities with a defibrillator.
The installation of these appliances in retirement homes is a strategic move, not only because these places are particularly accessible (being open to the public seven days a week), but also because they are used by vulnerable elderly people.
Moreover, the ORPEA Group's broad regional network covers several departments, helping provide optimum coverage in France, promoting greater access to defibrillators by as many people as possible.
With this in mind, and to improve access to such equipment, the ORPEA Group made its contribution to RMC/BFM's "Help us save lives" initiative by providing it with the list of ORPEA facilities equipped with a defibrillator. The defibrillators appear on the RMC/BFM "cardiac arrest" iPhone app.

The information days and defibrillator unveiling days were an opportunity to remind locals that these devices are available to all, including non-medical staff (the instructions are shown on a diagram and read out over a loudspeaker) as well as providing usage recommendations (such as cardiac massage instructions).

3.3 – INVOLVEMENT IN LOCAL AND COMMUNITY LIFE

► The ORPEA Group's charity work and community involvement

ORPEA supports a number of associations acknowledged in the field of geriatrics. In 2014, it partnered with the annual meetings of Alzheimer France and the Alzheimer Village in Paris, as well as with associations working to promote medical research.
Locally, many institutions work alongside the association's offices. In 2014, ORPEA facilities in France's Aisne and Nord departments organised a flash mob in the city of Saint Quentin, involving residents, families, staff, neighbours and shopkeepers, raising the awareness of as many people as possible to the aims of the association, while at the same time collecting funds.

Each facility, region and subsidiary of the ORPEA Group has taken numerous charitable and community initiatives to help play a role in local life and integrate into its host region.
ORPEA believes that its teams will be much more inspired by local projects, and as such that their support for them will be more committed and creative, helping foster a true spirit of solidarity in their city or region.
Thus, many initiatives have been taken all over Europe, mainly focused on:

- children, as intergenerational exchanges are beneficial to nursing home residents, who rediscover their role as elders, responsible for transmitting knowledge;
- disability and assistance to the families of chronically ill patients, in view of the Group's core business.

But solidarity also begins with the fight against social isolation. By taking an open approach to the external world and enlivening institutional life, all of the Group's facilities contribute in their own way to the development of social ties within their host city. Whether through open days, on calendar festivals or in the form of neighbourhood parties, many facilities regularly welcome neighbours, associations and residents of the town for a moment of conviviality and exchange.

► Examples of partnerships and local community projects

- **In favour of children and intergenerational links**:

In Belgium, for the second consecutive year, ORPEA Belgium teams joined forces to support the action of "VIVA FOR LIFE", for 40,000 children aged up to three living under the poverty line in Belgium.
The ORPEA Belgium teams took up a challenge involving travelling the 359 km between Liege and Knokke in seven stages, by bike, foot, horse, 2CV, roller blade, boat and motorcycle. At each stage, donations were collected and events planned for residents of ORPEA facilities, proud of this commitment to early childhood. In the end, the challenge helped raise €10,000 for the association.

In France, ORPEA facilities in the Var department and in Provence dedicated their efforts to the La Guarde Handiclub, to help finance a minibus adapted for people with reduced mobility to allow the association to transport its members. The various events held throughout the year on site resulted in €23,797 being donated to the organisation last December.

On the French Riviera, ORPEA residences join forces every year to support a charity working for the well-being of sick children. In 2014, they contributed to the development of the Adrien Association in Cannes, which supports hospitalised children, donating €8,000 collected during various events.

In Paris, DOMIDOM teams took part in an inter-company challenge organised by Action against Hunger to support the work of the association.

In Spain, the facilities in Madrid participated in a solidarity march to support the work of the "Nuevo Futuro" association and to help finance the maintenance of homes for minors and young people protected by the association.

- **In favour of the environment and the protection of local heritage**:

In France, ORPEA residences in the Midi Pyrénées, Languedoc Roussillon and Aquitaine departments renewed the partnership originally initiated in 2013 with the foundation of the renowned navigator Maud Fontenoy.
This partnership is an opportunity to promote intergenerational links and sustainable development.
Residents and teams are helping to protect the environment, particularly the preservation of oceans, taking part in the promotion of the educational, scientific and cultural projects of the Maud Fontenoy Foundation and organising awareness days with very young people on the need to protect the oceans.
They have also helped fund holidays by the sea for 400 underprivileged children as part of the "Les oubliés des vacances à la mer" operation led by the Maud Fontenoy Foundation in association with Secours Populaire.
Throughout 2014, the ORPEA residences in these areas organised numerous events to raise donations for the Foundation, including garage sales, raffles, educational activities and concerts. A total of €71,975 was donated to the Foundation at the end of the year.

In Midi-Pyrénées, residents and teams also mobilised to help safeguard the Canal du Midi, organising awareness-raising about the endangerment of the trees along the banks of the canal and hosting a touring Transporteur d'Images photography exhibition to highlight the importance of this piece of local heritage.

- **In favour of medical research or care programmes**:

In France, ORPEA is a committed player in the Telethon. Involvement was once again strong, both in nursing homes and hospitals: walks, sales of objects, theme dinners, exhibitions, shows and raffles were held in facilities to raise money. For example, in La Talaudière (Loire), €2,033.50 was collected at a solidarity march, while in Beaurevoir (Aisne), €1,655 was donated to the AFM Telethon.

Moreover, ORPEA facilities in the Royan area participated in the promotion of the Grégory Lemarchal association, which works for patients affected by cystic fibrosis and to help research by contributing to the association's "Defeat cystic fibrosis" funding campaign.

In Spain, ORPEA Iberica facilities donated medical equipment and medicines worth €15,000 to Rotary International as part of a programme to assist populations in southern Morocco.

3.4 – Commitment to enrich and transmit knowledge through education and research

By ensuring a continuous watch on innovative systems and new treatment approaches, ORPEA aims to find ways to offer ever better solutions to the needs of residents and patients, but also to better meet the expectations of its employees.

With this in mind, the ORPEA Group supports or promotes research projects aimed at improving institutional support. ORPEA has undertaken several initiatives in this area:

- Support for academic research projects: ORPEA Group facilities served as observation and/or experimentation laboratories to verify the hypotheses of clinical researchers or health professionals. Within this framework, a project is underway with the University of Nice to analyse the benefits of light therapy on behavioural problems among nursing home residents; another is in progress to examine the benefits of physical activity in advanced stages of life with Paris Descartes University, the University of Evry and INSERM; another study on atrial fibrillation in nursing homes is also underway, led by Professor Olivier Hanon (Broca Hospital, Assistance Publique-Hôpitaux de Paris). Scientific studies also take place internationally, including the ACTIVNES programme in Spain, combining nutritional innovation and exercise.

- Contribution and funding for two doctorates presented in 2014:
    - attractiveness of food and food consumption among the elderly according to their cognitive status, by Virginia Pouyet (AgroParisTech and Institut Paul Bocuse);
    - burnout of healthcare professionals: management of Alzheimer's disease, by Philippe Zawieja (Centre for research into risks and crises, Mines ParisTech).

- Creation of an association, APSPI, Association for the Promotion of Psychiatric Care in Facilities, in order to promote a better understanding and improved psychiatric treatment mechanisms in care facilities. The association's purpose is to conduct theoretical and clinical research, write, publish and distribute journals, cooperate in publications, organise or participate in conferences or seminars, provide training aimed at contributing to thinking and debate, and propose actions in respect of mental health care for facilities.

- Establishment of scientific panels reviewing best professional practice: the creation of a certain number of panels means that professionals in different fields can meet, exchange ideas, compare practices, inspire one another and occasionally pool their resources. These panels promote a sense of belonging and foster loyalty to the Group.

    - Panel of psychologists: the longest-standing panel (11 years), it meets several times a year, bringing together practitioners in the psychiatric division, post-acute care and long-term care facilities. Over 180 professionals are involved. For a number of years, psychologists have been working on developing original care tools ("sensimage", "self play", treatment journals for adolescents and patients suffering from addiction). They have held seminars, organised conferences and created an internal journal devoted to good clinical practice published by Eres editions twice a year over the last four years. The ninth issue of the journal "Clinics, practitioners' words in institutions", was to be published in March 2015. The panel of psychologists also comprises a unit composed of 20 practitioners trained to intervene immediately to assist teams in the event of trauma (suicide, aggression etc.).

- Panel of Private Clinic Heads (*Collège des présidents de CME*) and clinical coordinators: peer-elected psychiatrists meet three times a year, keep themselves up-to-date with the law, organise continuing professional development, inform their colleagues of news about each of the facilities and oversee the ethical dimension of the division (CLINÉA psychiatric charter). Such meetings are also held in post-acute and rehabilitation care facilities and in nursing homes. In each of our three business lines, the regional and national coordinators visit each of the Group's different psychiatric clinics on a regular basis in order to audit documentation, propose training for care workers, lead supervision meetings and conduct role plays.

- Panel of pharmacists: professional meetings to share knowledge, strengthen the security of the drug circuit and optimise consumption in line with the proper use of medicines.

Moreover, in a view to sharing good clinical practice and ensuring the transmission of knowledge, ORPEA is part of the vocational training programmes initiative. Examples include:
- the creation of a University Diploma in Geriatric Rehabilitation in connection with the University of Nice;
- the creation of a University Diploma in Psychiatric Nursing in connection with the University of Lille;
- the proposed University Diploma in the "Management of Post-Acute and Psychiatric Care and Medico-Social Facilities" initiated with the University of Nice in 2014;
- the hosting of medical interns in some authorised clinics, such as Meyzieu, Argenteuil, Crosne and Andilly for psychiatry, Frejus and Marseille for medicine, and Callian for cardiology.

In October 2010, the Group set up a "Research & Publications" unit to support these projects and respond to ongoing demand from our care staff and doctors.
The Unit's objectives are to promote the areas of research conducted within the Group's long-term, psychiatric or post-acute and rehabilitation care facilities and to enhance the skills of the ORPEA/CLINÉA teams.
The Group's research programmes mainly cover the following areas:
- polypharmacy and drug misuse in the elderly;
- nutrition and diet in the elderly;
- quality of life for the patient and caregiver;
- drug-free treatment of the elderly;
- professionalism, professional ethics and professional skills.

Since the establishment of this unit, a number of research and study projects have resulted in the writing of scientific and professional papers:
- 14 articles published in 2012;
- 12 articles published in 2013;
- 22 articles published in 2014.

A book was also published in 2014 (and won the Academy of Moral and Political Sciences award). Another is to be published in 2015.

These efforts will be reinforced in 2015 with the creation of the ORPEA Group Scientific and Ethics Council, whose purpose includes analysing and evaluating clinical research and innovation opportunities to be developed within the Group, and ensuring the consistency of initiatives in education and training.

3.5 – RESPONSIBLE PURCHASING POLICY

The ORPEA Group has a centralised organisation whose Purchasing department is particularly concerned with social and environmental matters in its supplier relations.
In its national purchasing database in France, the Group favours companies with an environment charter or which are developing environmentally friendly procedures or solutions. ORPEA also pays special attention to fair trade by working with suppliers and subcontractors that are sensitive to ethical and social rules.

All criteria are an integral part of the calls for bids and are thus taken into account when we select our Partners.

Because ORPEA wants to involve its partners and suppliers in its environmental strategy, it will continue to develop its environmentally-responsible purchasing policy, which has been implemented by including environmental criteria in its calls for tender and by systematically selecting environmentally-responsible products in our purchasing lists.
The various eco-responsible actions implemented by our suppliers are rigorously listed and monitored.

► **Respecting the environment**
ORPEA is committed to encouraging its suppliers, partners and subcontractors to work with companies who do as much as possible to protect the environment.

Managing maintenance products
ORPEA has replaced the various chemical products used with multi-purpose biodegradable cleaning products. Special attention has been paid to the level of toxicity of the products (volatile organic compounds, preservatives with bio-accumulative potential, phosphates, mercury, etc.). Priority is given to products with NFE certification or European eco labels. Clear instructions are circulated to avoid excessive amounts being used.

Waste management
Paper is the main consumable used in the Group. That is why ORPEA uses recycled or eco-labelled paper, or paper from responsibly managed forests.
Also, the Group has implemented a policy to reduce the use of paper by encouraging all team members to retrieve and use the reverse of printed pages, as scrap paper for example.
All internal correspondence is done by email only. External relations are done by post or fax only when absolutely necessary.
Electronic filing is also encouraged.

Sorting and recycling
For all facilities and the head office, ORPEA has selected responsible partners with which it has developed waste separation and recycling procedures for different waste types. They have been provided with special equipment.
No matter the weight or size, all electrical items and components are recovered. For example, printer cartridges are collected by companies which are specialists in recycling these items.

Printing
Printers that can print on both sides of the paper are favoured to save paper. Ink cartridges are chosen according to their longevity so that they do not have to be replaced as often. Therefore, printers are automatically set to print in black and white, rather than in colour.

► Responsible building construction policy

When designing a building in France, ORPEA makes sustainable, environmentally responsible choices:

- respect for the layout of the land;
- choosing a location for the building in line with the layout of the land;
- placing the main façades to the East and West and making sure they are well lit;
- designing buildings to limit thermal bridges (limiting the number of balconies, or specific treatments of balconies where they exist, implementation of exterior thermal insulation, etc.);
- using the support of an acoustician in the classification of passages and the handling of the façade;
- conducting impact studies of future installations on the environment (neighbours, etc.);
- imposing the results on the designated companies;
- separating the structure's equipment;
- placing all work areas in a place where they will receive natural light;
- separating storage for everyday waste and special storage for food waste;
- adhering to local environmental regulations (water law, ESC solar panel if the yield is favourable, etc.).

Also, for sites in densely populated urban areas, ORPEA implements neighbourhood respect charters.

3.6 – FAIR TRADE PRACTICES

► Preventing corruption and fraud

ORPEA pays special care to prohibiting and preventing anti-competitive and unfair trade practices and corruption.

Strict internal audit and approval procedures are in place to avoid any risk of corruption in all of the Group's business lines. Each authorisation or acquisition project is subject to a systematic due diligence procedure: several teams visit the facility; operational, financial and social audits are performed; regulatory authorities and families are contacted in advance.

Depending on the value of the project, it is then approved either by an approval committee or by the Board of Directors.

The fight against fraud is of importance to all staff and memos are regularly sent out to alert staff of this risk.

To make the fight as effective as possible, no financial movements can be performed by any of the Group's facilities. Delegations of power and responsibility, in terms of commitment and payment, have been drafted to limit the number of people authorised to sign cheques or issue payment orders. As such, the persons authorised to commit payment are clearly identified, their number is strictly limited, and two signatories may be required depending on the amount to be committed.

In France, only six people are authorised to sign cheques or issue payment orders, regardless of the amount.

These procedures are subject to stringent internal controls.

► Respecting the rights of patients and residents

The aim of ORPEA's social responsibility is:

- on the one hand, to ensure the health and quality of life of its employees at work, in line with local legislation, human rights and freedom of association. ORPEA has always engaged in dynamic social dialogue within a trusting relationship between managers and their staff, and actively promotes the fight against discrimination, while actively supporting diversity and gender equality;

- on the other hand, to ensure the health, safety, care and quality of life of residents and patients who have chosen to live in one of the Group's facilities, in adherence with the basic principles of human rights, as well as the hospitalised persons' charter and the charter on elderly people living in care homes.

As such, in addition to their professional qualifications, ORPEA employees share the values that we feel are essential to quality care, namely:

- kindness, the first pillar of good treatment, represented by listening, availability, respect and trust, which guides their daily actions;
- hospitality, friendliness and good humour, turning facilities into real spaces for living and exchanging, open to the outside and conducive to the development of social ties.

In addition, support and care offered in the Group's facilities are designed to maintain autonomy for as long as possible. They are provided in compliance with the principles of comfort, dignity, individuality and freedom of choice at all stages of dependency, until the end of life.
As such, ORPEA teams are trained in end-of-life care, in terms of both managing pain and discomfort, and in terms of psychological support, not only for the resident/patient, but also for their relatives. Training involves the listening skills, kindness and availability that teams need in order to maintain the resident/patient's dignity so that they do not feel abandoned, while creating a secure atmosphere.

ORPEA teams engage with the resident/patient and always explain the care they are giving them, so that they can make an informed choice; they are always asked for consent when care is being provided, because they are the leading actor.
They have the right to refuse any treatment and can express their end-of-life wishes through guidelines provided beforehand.
The Group's facilities obviously adhere to legislation in force in the field, particularly in France the 1999 law that ensures the right to access palliative care and the Leonetti law of 2005, which stresses that suspending or no longer providing "curative" care does not mean "neglecting" or "abandoning" the patient, on the contrary.

ORPEA plans to strengthen its thinking on the ethical dimension of our care practices through the creation of an International Scientific and Ethics Council in March 2015, which will provide expert advice on clinical ethics issues submitted to it by the Group's facilities.

A feeling of belonging, a person's culture, traditions and religious identity are strictly respected and the teams have an objective attitude.

► Health and safety of residents and patients

ORPEA's main ambition is to provide care and support to those who have chosen to live in a Group facility, by ensuring their safety and well-being. The health and safety of residents and patients are at the heart of ORPEA's business, and are the priority of all teams.

The traceability of actions and care, combined with medical and paramedical monitoring protocols and operating procedures, developed by the Medical Officer and Group Quality department, is designed to:

- secure support in all Group facilities (France and international), ensuring compliance with good clinical practice and all health and safety obligations;
- harmonise the organisation of work with specific supports to facilitate the internal control of the care provided in the Group's facilities.

Every quarter, in France and internationally (Belgium, Spain and Italy), self-assessments are conducted by facility directors and their management team (including the coordinating doctor and nurse for the "care" chapter, as well as the chef for food service and maintenance staff for security); every six months, a control audit is performed by regional directors to monitor compliance with all Group procedures (care, food, administrative and hygiene procedures) and as such to ensure the health and safety of residents and patients.
In 2015, these self-assessments and control audits will be introduced on the German and Swiss facilities, as well as all facilities that joined the ORPEA Group in the course of 2014.

Lastly, as described in the "Risk Management" section of the management report, ORPEA has identified all risks linked to the health and safety of dependent people in its facilities, and for many years has applied suitable tools (procedures, training, check list and verification) to prevent and manage these risks, primarily: the quality and temperature of water (prevention of the risk of legionella, control of potability of water and water temperature via mixers, etc.), and more generally the risks associated with building security, as well as climate, pandemic and mistreatment risk and risks relating to care and food.

► Dialogue and transparency with residents, patients and families

Listening is one of ORPEA's founding values. That is why the main concern of facility directors is to maintain dialogue with and meet the expectations of families. Building a relationship of trust with patients/residents and their families is essential to quality care.
Within this framework, various actions have been developed across the Group to support attentive and benevolent listening:

- accessible management through the Group's centralised organisation, which also raises awareness among its teams, making them attentive to the needs and expectations expressed by each person;
- special attention is paid to complaints made by patients/residents and their families;
- constructive dialogue in all facilities and all countries:
  - as part of commissions (menus, entertainment, etc.) and resident councils (known in France as "Council of Social Life"), which are composed of representatives of the management, residents and families to discuss various themes such as organisation and daily life within the institution, socio-cultural activities and therapeutic activities, work projects and equipment or building maintenance,
  - with user representatives in clinics from accredited healthcare associations, who sit on the Committee on Relations with Users and the Quality of Care (CRUQ), and whose purpose is to ensure respect of the rights of users and to contribute to the improvement of the accommodation and management policy, and to review complaints made by patients and tools for collecting indicators of user satisfaction;
- with independent satisfaction surveys, organised site by site, in all countries, in clinics, nursing homes and DOMIDOM home care units alike. In hospitals, these surveys are conducted when patients check out; in nursing homes, they are conducted annually, and the results and improvement plans drawn up within each facility are presented to residents and their families.

4. Report of the Statutory Auditors designated as an independent body on the consolidated social, environmental and societal information included in the management report

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France

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75008 Paris

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ORPEA

Société Anonyme

115 rue de la Santé
75013 Paris

Report of the Statutory Auditors designated as an independent body on the consolidated social, environmental and societal information included in the management report

Financial year ended 31 December 2014

To the Shareholders,

In our capacity as Statutory Auditors of ORPEA designated as an independent body, accredited by COFRAC under the number 3-1048[15], we hereby report on the consolidated social, environmental and societal information for the year ended 31 December 2014, presented in the management report (hereinafter the "CSR Information"), pursuant to the provisions of article L. 225 -102-1 of the French Commercial Code.

Responsibility of the Company

It is the responsibility of the Board of Directors to prepare a management report including the CSR Information provided for in article R. 225-105-1 of the French Commercial Code, prepared in accordance with the reporting guidelines used by the Company (hereinafter the "Framework"), a summary of which is contained in the management report and is available on request at the Company's headquarters.

[14] The scope of which is available on the website at www.cofrac.fr

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession (*Code de déontologie*) and article L. 822-11 of the French Commercial Code. In addition, we maintain a comprehensive system of quality control, including documented policies and procedures to ensure compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of the statutory auditors

It is our responsibility, on the basis of our work:

- to certify that the required CSR Information is present in the management report or, if not, that an explanation is provided pursuant to the third paragraph of article R. 225-105 of the French Commercial Code (Certification of presentation of the CSR Information);
- to provide limited assurance on whether the CSR Information, taken together, is fairly presented, in all material respects, in accordance with the Referential (Reasoned opinion on the fairness of the CSR Information).

Our work was performed by a team of five people from February to May 2015, over a period of approximately four weeks. To assist us in conducting our work, we referred to the CSR experts of our firms.

We conducted the work described below in accordance with professional standards applicable in France and the order of 13 May 2013 determining the conditions under which the independent body performs its engagement and, as regards the reasoned opinion on the fairness of the CSR Information, international standard ISAE 3000[16].

1. Certification of presentation of the CSR Information

Nature and scope of the work

We were given, in interviews with the managers of the departments concerned, a presentation of the guidelines as regards sustainable development in view of the social and environmental consequences of the activities of the Company and its societal commitments, as well as any ensuing actions or programmes where appropriate.

We compared the CSR Information presented in the management report with the list provided in article R. 225-105-1 of the French Commercial Code.

In the event of omission of certain consolidated information, we verified that explanations were provided in accordance with paragraph 3 of article R. 225-105 of the French Commercial Code.

We verified that the CSR Information covers the consolidated scope, namely the entity and its subsidiaries within the meaning of article L. 233-1 of the French Commercial Code and the controlled entities within the meaning of article L. 233-3 of the French Commercial Code, within the limits specified in the methodological note presented in sections 1.8 and 2.4 of chapter VI of the management report.

[16] ISAE 3000 Assurance engagements other than audits or reviews of historical information.

Conclusion

Based on our work, and taking into account the restrictions mentioned above, we attest to the inclusion of the required Information in the management report.

2. Reasoned opinion on the fairness of the CSR Information

Nature and scope of the work

We conducted 10 interviews with the people responsible for the preparation of the CSR Information from the departments in charge of the process of collecting said information and, where appropriate, the people responsible for internal control and risk management procedures in order to:

- assess the appropriateness of the Framework with respect to its relevance, completeness, reliability, neutrality and clarity, taking into consideration, where relevant, industry best practice;
- verify the implementation of a procedure for collecting, compiling, processing and checking the CSR Information with regard to its completeness and consistency and to familiarise ourselves with the internal control and risk management procedures relating to the preparation of the CSR Information.

We determined the nature and extent of our tests and audits depending on the nature and importance of the CSR Information in relation to the characteristics of the Company, the social and environmental challenges faced by its business, its sustainable development guidelines and industry best practice.

As regards the CSR Information we considered most important[17]:

- at the parent company and divisional level, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), implemented analytical procedures on the quantitative information, and verified calculations and data consolidation on a sample basis, verifying their consistency and uniformity with other information contained in the management report;
- at the level of the representative sample of entities[18] selected by us based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify the correct application of procedures and implemented detailed tests on a sample basis, checking calculations and reconciling the data with the supporting documents. The sample selected in this way represents an average of 65% of the workforce, and between 59% and 100% of the environmental data published.

We assessed the consistency of the other consolidated CSR Information published on the basis of our knowledge of the Company.

Lastly, we assessed the appropriateness of explanations, if any, for the total or partial absence of certain information.

[17] **Environmental information:** Employees; % average permanent contract; % average temporary contract; % average full-time; % average part-time; Recruitment on permanent contracts; Dismissals of permanent contracts; Gross compensation; % average full-time; % average part-time; Absenteeism rate; Frequency rate of workplace accidents; Severity rate of workplace accidents; Number of hours of training; % average male; % average female; Quantities of infectious medical waste; Water in m^3; Electricity in MWh; Gas in MWh; CO_2 emissions – Scope 1 and Scope 2.
Qualitative information: Details on the psychological unit; Organisation of working time; Consumer health and safety.
[18] Activities of the ORPEA Group in France.

We believe that our sampling methods and the size of the samples we selected using our professional judgement permit us to issue a finding of moderate assurance; a higher level of assurance would have required a more extensive review. Because of the use of sampling techniques and other limits inherent in any internal information and control system, the risk of not detecting a material misstatement in the CSR Information cannot be completely eliminated.

Conclusion

Based on our work, we have not identified any material anomaly liable to call into question the fact that the CSR Information, taken together, is presented truthfully, in accordance with the Framework.

Paris and Neuilly-sur-Seine, 7 May 2015

The Statutory Auditors

Saint-Honoré BK&A	Deloitte & Associés
Emmanuel KLINGER	Joël ASSAYAH

CHAPTER VII: CONSOLIDATED FINANCIAL STATEMENTS AT 31/12/2014

1. CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

CONSOLIDATED INCOME STATEMENT

in thousands of euros	*Notes*	31 Dec 2014	31 Dec 2013
SALES		**1,948,580**	**1,607,922**
Cost of materials consumed and other external charges		(548,910)	(431,179)
Staff costs		(968,591)	(798,504)
Taxes other than on profit		(81,235)	(77,669)
Depreciation, amortisation and provisions		(78,886)	(70,734)
Other recurring operating income		7,363	2,508
Other recurring operating expense		(7,080)	(5,063)
Recurring operating profit		**271,242**	**227,282**
Other non-recurring operating income	*3.20*	285,406	255,943
Other non-recurring operating expense	*3.20*	(247,716)	(214,838)
OPERATING PROFIT		**308,931**	**268,386**
Financial income		15,705	15,492
Financial expenses		(114,877)	(106,083)
Net finance cost	*3.21*	**(99,172)**	**(90,591)**
Change in JVO (*)	*3.13*	(25,100)	(4,893)
PRE-TAX PROFIT		**184,659**	**172,902**
Income tax expense	*3.22*	(65,755)	(61,030)
Share in profit (loss) of associates and joint ventures	*3.5*	1,788	1,899
NET PROFIT		**120,692**	**113,771**
Attributable to minority interests		(85)	(140)
Attributable to owners of the Company		120,777	113,911
NET PROFIT (GROUP SHARE) excluding change in net JVO (€15.6m)		**136,339**	**116,945**
Number of shares		55,567,893	55,476,991
Basic earnings per share (in euros)		2.18	2.15
Diluted earnings per share (in euros)		2.08	2.08

(*) JVO: Fair Value of the entitlement to the allotment of shares in ORNANE bonds

The notes are an integral part of the consolidated financial statements.

ORPEA
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COMPREHENSIVE INCOME STATEMENT

in thousands of euros		31 Dec 2014	31 Dec 2013
Net profit of the year	***a***	**120,777**	**113,911**
Translation adjustments			
Available-for-sale financial assets			
Cash flow hedging		(40,024)	38,030
Comprehensive income of associates			
Tax effect on items that may be reclassified to income statement		15,209	(14,451)
Total items that may be reclassified to income statement	***b***	(24,815)	23,579
Comprehensive income net of items that may be reclassified to income st	***a+b***	**95,962**	**137,490**
Actuarial gains (losses)		(1,525)	(2,738)
Revaluation of property assets		35,637	
Tax effect on items that will not be reclassified to income statement		(13,250)	1,040
Total items that will not be reclassified to income statement	***c***	20,862	(1,698)
Comprehensive income net of items that will not be reclassified to incom	***a+b+c***	**116,823**	**135,792**
Other comprehensive income (net of tax)	***b+c***	**(3,953)**	**21,881**
Comprehensive income	***a+b+c***	**116,823**	**135,792**

CONSOLIDATED BALANCE SHEET

in thousands of euros	*Notes*	31 Dec 2014	31 Dec 2013
Assets			
Goodwill	3.1	677,270	398,394
Net intangible assets	3.2	1,543,579	1,439,714
Net property, plant & equipment	3.4	2,197,996	1,992,900
Properties under construction	3.4	584,532	568,942
Investments in associates and joint ventures	3.5	51,371	50,999
Non-current financial assets	3.6	46,227	28,404
Deferred tax assets	3.22	28,100	24,084
Non-current assets		**5,129,075**	**4,503,436**
Inventories		6,625	5,695
Trade receivables	3.7	104,558	80,259
Other assets, accruals and prepayments	3.8	224,024	183,835
Cash and cash equivalents	3.12	621,906	468,351
Current Assets		**957,112**	**738,140**
Assets held for sale		**200,000**	**210,014**
TOTAL ASSETS		**6,286,187**	**5,451,590**
Liabilities			
Share capital		69,460	69,346
Consolidated reserves		1,081,919	1,006,038
Revaluation reserve		225,812	223,079
Net profit for the year		120,777	113,911
Equity attributable to owners of the Company	3.10	**1,497,968**	**1,412,374**
Minority interest		379	979
Total equity		**1,498,346**	**1,413,353**
Non-current financial liabilities	3.12	2,479,025	1,920,047
Change in the fair value of the entitlement to the allotment of shares in ORNAN	3.13	29,993	4,893
Provisions	3.11	50,645	34,146
Post-employment and other employee benefits obligation	3.11	46,136	33,998
Deferred tax liabilities	3.22	790,096	756,829
Non-current liabilities		**3,395,894**	**2,749,914**
Current financial liabilities	3.12	321,669	285,436
Provisions	3.11	19,177	18,030
Trade payables	3.15	234,217	199,426
Tax and payroll liabilities		244,490	188,288
Current income tax liability		3,579	9,246
Other liabilities, accruals and prepayments	3.17	368,816	377,885
Current liabilities		**1,191,947**	**1,078,310**
Liabilities associated with assets held for sale		**200,000**	**210,014**
TOTAL LIABILITIES		**6,286,187**	**5,451,590**

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CONSOLIDATED STATEMENT OF CASH FLOWS

in thousands of euros	*Notes*	31 Dec 2014	31 Dec 2013
Cash flow from operating activities			
● Consolidated net income		120,777	113,911
● Elimination of non-cash items related to operating activities (*)		70,934	59,632
Cost of debt	*3.21*	99,172	90,591
● Gains on disposals not related to operating activities, net of tax		(31,150)	(37,721)
Cash generated by consolidated companies		**259,733**	**226,412**
● Change in operating working capital requirement			
- Inventories		(273)	(283)
- Trade receivables	*3.7*	(9,760)	24,336
- Other receivables	*3.8*	161,018	1,742
- Tax and payroll liabilities		36,210	(8,688)
- Trade payables	*3.15*	26,976	32,344
- Other liabilities	*3.17*	(183,761)	(28,584)
Cash flow from operating activities		**290,143**	**247,279**
Cash flow from investing and development activities			
● Net cash for acquisition of real estate		(404,410)	(367,369)
● Real estate sales		285,254	230,138
● Acquisition of property, plant & equipment and PPE in progress		(416,345)	(155,615)
● Current accounts and other movements		(51,463)	58,288
Cash flow from investing activities		**(586,964)**	**(234,558)**
Cash flow from financing activities			
● Proceeds from capital increases	*3.10*	3,193	94,102
● Dividends paid to shareholders of the parent company	*3.10*	(38,834)	(31,799)
● Additions to (repayments of) bridging loans and bank overdrafts	*3.12*	354,253	(179,479)
● Proceeds from new finance leases	*3.12*	82,911	138,728
● Proceeds from bond issues	*3.12*		337,263
● Additions to other debt	*3.12*	569,095	149,545
● Repayments of other debt	*3.12*	(300,142)	(248,243)
● Repayments of finance leases	*3.12*	(120,928)	(76,188)
● Cost of debt and other movements	*3.21*	(99,172)	(90,591)
Cash flow from financing activities		**450,376**	**93,338**
Change in cash and cash equivalents		**153,555**	**106,059**
Opening cash and cash equivalents		468,351	362,292
Closing cash and cash equivalents		**621,906**	**468,351**
Breakdown of closing cash and cash equivalents		**621,906**	**468,351**
● Short-term investments	*3.12*	159,619	133,958
● Cash	*3.12*	462,287	334,392
● Bank overdrafts			

The notes are an integral part of the consolidated financial statements.

(*) Mainly including depreciation, amortisation, provisions, deferred taxes, share in profit (loss) of associates, excess of acquisition cost over fair value of assets and liabilities acquired, restructuring costs and non-recurring costs incurred on acquisition of facilities.

CONSOLIDATED EQUITY

Statement of changes in consolidated equity

in thousands of euros except for the number of shares	Number of shares	Share capital	Share premiums	Revaluation reserve	Other reserves	Profit or loss	Total attributable to owners of the	Non-controlling interests	Total
31 Dec 2012	**52,998,062**	**66,248**	**378,872**	**205,242**	**460,656**	**97,028**	**1,214,279**	**1,487**	**1,215,766**
Change in fair value of properties				(4,043)	4,043		0		0
Post employment benefit obligation					(1,698)		(1,698)		(1,698)
Financial instruments				23,579			23,579		23,579
Other							0		0
Fair value changes recognised directly in equity		**0**	**0**	**19,536**	**2,345**	**0**	**21,881**	**0**	**21,881**
Reclassifications			3,217		3,016				
Appropriation of net profit					65,229	(97,028)	(31,799)		(31,799)
2013 profit or loss						113,911	113,911	(140)	113,771
Exercise of stock options							0		0
Exercise of share warrants			(4,824)				(4,824)		(4,824)
Exercise of OCEANE							0		0
Capital increase	2,478,929	3,099	95,776				98,875		98,875
Contribution from Mediter's capital increase							0		0
Other					51		51	(368)	(317)
31 Dec 2013	**55,476,991**	**69,346**	**473,042**	**224,776**	**531,297**	**113,911**	**1,412,374**	**979**	**1,413,353**
Change in fair value of properties				21,458	637		22,095		22,095
Post employment benefit obligation					(1,233)		(1,233)		(1,233)
Financial instruments				(24,815)			(24,815)		(24,815)
Other				4,392			4,392		4,392
Fair value changes recognised directly in equity		**0**	**0**	**1,036**	**(597)**	**0**	**439**	**0**	**439**
Appropriation of net profit					75,077	(113,911)	(38,834)		(38,834)
2014 profit or loss						120,777	120,777	(85)	120,692
Exercise of stock options							0		0
Exercise of share warrants	89,419	112	3,079				3,191		3,191
Exercise of OCEANE	1,483	2					2		2
Capital increase							0		0
Other					19		19	(516)	(497)
31 Dec 2014	**55,567,893**	**69,460**	**476,121**	**225,812**	**605,797**	**120,777**	**1,497,968**	**379**	**1,498,346**

(*) The information for the 2006 financial year has been restated to take into account the shift to the revaluation method set out in IAS 16, under which properties are carried at their fair value. This has resulted in:

Notes to the consolidated financial statements at 31 December 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amounts are expressed in thousands of euros unless otherwise stated

The 2014 consolidated financial statements for the ORPEA Group were approved by the Board of Directors on 29 April 2015.

1. SIGNIFICANT ACCOUNTING POLICIES

ORPEA S.A. is a French company with its registered office at 115 rue de la Santé, Paris. It is the parent company of a Group that operates long-term care homes for the elderly and short-term post-acute and psychiatric care facilities.

1.1 Accounting standards

As required by European regulation 1606/2002 dated 19 July 2002, the ORPEA Group has prepared its 2014 annual consolidated financial statements in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) as adopted by the European Union and made obligatory as of the balance sheet date of these financial statements.

This standard is available on the European Commission's website (http://ec.europa.eu/internal_market/accounting/ias_fr.htm) and includes the international accounting standards (IAS and IFRS) as well as the IFRIC interpretations (International Financial Reporting Interpretations Committee).

The accounting methods set out below have been permanently applied to all financial years presented in the consolidated financial statements, except for the new standards and interpretations set out below.

The new standards and interpretations that are mandatory for periods beginning on or after 1 January 2014 and have been adopted by the ORPEA Group are:

- IFRS 10: Consolidated financial statements;
- IFRS 11: Joint arrangements;
- IFRS 12: Disclosure of interests in other entities;
- IAS 27 revised: Separate Financial Statements;
- IAS 28 revised: Investments in associates and joint ventures;
- Amendment to IAS 32: Offsetting financial assets and financial liabilities;
- Amendment to IAS 36: Recoverable amount disclosures for non-financial assets;
- Amendment to IAS 39: Novation of derivatives and continuation of hedge accounting.

The application of these new standards and amendments did not have a significant impact on the financial statements for the period.

The Group did not apply any new standards or interpretations which were not obligatory on 1 January 2014. These standards were as follows:

Standards adopted by the European Union that are not mandatory for the financial year:

- Amendment to IAS 19: "Employee Contributions to Defined Benefit Plans"
- IFRIC 21: "Levies".
- Annual improvements to IFRS (2010-2012 and 2011-2013).

Standards not yet adopted by the European Union:

- Annual improvements to IFRS (2012-2014);
- Amendments to IAS 16 and IAS 38: "Property, plant and equipment and intangible assets - Clarification of acceptable methods of depreciation and amortisation";
- Amendments to IFRS 10 and IAS 28: "Sale or contribution of assets between an investor and its associate or joint venture";
- Amendments to IFRS 11: "Accounting for acquisitions of interests in joint operations";
- IFRS 9: "Financial instruments";
- IFRS 14: "Regulatory deferral accounts (rate-regulated activities)";
- IFRS 15: "Revenue from contracts with customers".

The Group is currently assessing the practical consequences of the above standards and the effects of their application on the financial statements. At this stage of the analysis, the Group does not anticipate any significant impact on its consolidated financial statements.

The consolidated financial statement and its notes are presented in euros.

Transition to IFRSs and adoption of IAS 16 for measuring property assets

The ORPEA Group adopted IFRSs for the first time on 1 January 2005. The 2004 financial statements and the opening balance sheet at 1 January 2004 were adjusted in accordance with IFRS 1- *First-time Adoption of International Financial Reporting Standards* to reflect the impact of the associated changes of accounting methods.

The main elections made upon first-time adoption of IFRSs were:

- recognition and measurement of operating licences as identifiable intangible assets and recognition and measurement of properties in accordance with IFRS 3 - *Business Combinations* as of the date of acquisition;
- treatment of properties in accordance with IAS 17 - Leases.

As permitted by IFRS 1 - *First-time Adoption of IFRS*, the ORPEA Group elected for retrospective application of IFRS 3 - *Business Combinations* as of the date on which the current shareholders acquired control and for all subsequent acquisitions.

All properties financed under lease agreements are treated as finance leases.

As of the 2007 financial statements, the Group elected to measure its fully or jointly-owned operating properties comprising land and buildings using the revaluation method set out in IAS 16, which it believes gives a more accurate view of the value of its property portfolio.
Details are provided in note 1.8.

1.2 Basis of accounting

The financial statements are prepared according to the historical cost principle, except for the fully or jointly-owned properties operated by Group, which are measured at fair value (see note 1.8) and available-for-sale assets, which are measured at the lower of cost and fair value less costs to sell.
Financial liabilities are measured at amortised cost.
The carrying amounts of hedged assets and liabilities recognised on the balance sheet are adjusted to take account of changes in the fair value of the hedged risks.

1.3 Use of estimates and assumptions

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities recognised on the consolidated balance sheet, disclosures about those assets and liabilities, the reported amounts of income and expenses recognised on the income statement, and commitments relating to the reporting period. Actual amounts appearing in the Group's future financial statements may differ from current estimates. Estimates and assumptions are reviewed regularly.

The key assumptions involve:

- determining the fair value of properties;
- data used for impairment testing of intangible assets and property, plant & equipment;
- provisions for post-employment benefits (see note 3.11);
- provisions for litigation risks.

1.4 Consolidation principles

Entities in which the Group has exclusive control, directly or indirectly, are fully consolidated.
Partnerships classified as joint operations are consolidated line by line, based on the actual Group share. Partnerships classified as joint ventures are accounted for using the equity method.
Entities over which the Group has significant influence, directly or indirectly, are accounted for using the equity method. Significant influence is presumed to exist when the Group owns more than 20% of the voting rights.

These investments in associates and joint ventures are accounted for using the equity method. They are recognised at cost including any goodwill on the date of acquisition.
Their carrying value includes the Group's share of their net results after acquisition. If the Group's share of their losses exceeds its interest in the entity, the Group discontinues recognising its share of any further losses unless it has an obligation to recapitalise the entity or make payments on its behalf.

Investments in associates and joint ventures classified as held for sale are accounted for in accordance with IFRS 5 (see note 1.11).

Acquisitions and disposals made during the year are included in the consolidated financial statements from the date on which control or significant influence is acquired to the date on which it ceases.

The consolidated financial statements have been drawn up on the basis of the financial statements of all consolidated entities as at 31 December.

1.5 Impact of business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 – *Business Combinations,* published in January 2008 by the International Accounting Standards Board (IASB) and adopted early by the group as of 1 January 2009.

Acquisitions of business operations are always conditional upon the Group obtaining a licence as the new operator from the supervisory bodies. Other conditions precedent may be added on a case-by-case basis.
In such cases, the acquisition and its consolidation are accounted for when the conditions precedent have been met.

A business combination is accounted for only as of the date on which control is acquired.

If an equity interest in the entity was held prior to acquiring control, it is remeasured at fair value and any difference is recognised in non-recurring operating income or expense.

Transaction costs, such as intermediaries' fees, advisory, legal, accounting, appraisal and other fees, and associated taxes and duties, are recognised in non-current operating expenses for the period.

Identifiable assets, liabilities and contingent liabilities of the acquired entity which meet the conditions for recognition set out in IFRS 3 are measured at fair value except for assets (or disposal groups) that qualify as non-current assets held for sale under IFRS 5, which are recognised and measured at fair value less costs to sell.

On first-time consolidation of an acquired entity, the Group has 12 months in which to determine the fair value of identifiable assets, liabilities and contingent liabilities acquired.

In light of current regulations, licences to operate short-term and long-term care facilities are recognised and measured as identifiable intangible assets on the date of acquisition.
Licences for facilities acquired in Belgium and Italy have been recognised as intangible assets since 1 July 2007. This has applied to new facilities acquired in Spain and Switzerland since 2014.
Operating licences for other foreign facilities do not meet the definition of an identifiable intangible asset and are accordingly included in goodwill.
Properties are measured at fair value taking account of their specific characteristics.
The difference between the cost of an acquisition and the Group's interest in the fair value of identifiable assets and liabilities acquired on the acquisition date is recognised as goodwill. Goodwill is measured in the functional currency of the acquired entity and recognised as an asset on the balance sheet. It is not amortised but tested for impairment whenever there is objective evidence that it might be impaired and at least once a year at the year-end (see note 1.7 below). If applicable, impairment losses are recorded as profit/loss under "Other non-recurring operating expense". Goodwill impairment which is reported cannot subsequently be reversed under any circumstances.

If the fair value of assets, liabilities and contingent liabilities acquired is higher than the cost of the acquisition, the negative goodwill is recognised immediately in profit or loss under "Other non-recurring operating income".

Since the adoption of IFRS 3 Revised, non-controlling interests in consolidated subsidiaries may be measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets.
This option is available on a transaction-by-transaction basis. For controlling interests acquired since 1 January 2009, the Group has elected each time to account for the non-controlling interests at their fair value.

Goodwill arising on entities accounted for by the equity method is included in "Investments in associates and joint ventures".

Upon disposal of a subsidiary, jointly-controlled entity or facility, the corresponding goodwill is included when determining the gain or loss on disposal recorded under non-recurring operating profit/loss.

1.6 Translation of the financial statements of foreign operations

The consolidated financial statements are prepared in euros.

Financial statements of subsidiaries with a different functional currency are translated into euros as follows:

- at the official rate on the balance sheet date for assets and liabilities;
- at the average rate for the period for income statement and cash flow statement items.

Any translation differences resulting from the application of these rates are recognised as a component of consolidated equity under "Translation reserves" in "Consolidated reserves".

The Group's Swiss subsidiaries are the only subsidiaries whose functional currency is not the euro.

1.7 Intangible assets

Intangible assets mainly comprise licences to operate long-term care homes and short-term post-acute and psychiatric care facilities in France, Belgium, Switzerland, Spain and Italy.

These licences are considered to have an indefinite useful life, in line with the Group's positioning within the industry. This is based on the following facts, corroborated by the Group's past experience:

- The chance of the licences – granted in France for 15 years for long-term facilities and 5 years for clinics – being withdrawn or not renewed is low, given that the Group strives to run its facilities in compliance with the conditions and standards imposed by the various healthcare authorities;
- Costs incurred to renew licences are negligible.

They are recognised and measured at cost. Cost is equal to the price actually paid when acquired separately or at fair value when acquired as part of a business combination.
Fair value is estimated according to the type of operation and ranges from 100% to 125% of annual revenue in France, 80% to 100% for Belgium and Switzerland, and 80% to 125% for Italy and Spain.
The annual revenue used to establish the value of assets is adjusted based on historical data, taking into account the following: licensed capacity of the facility at the date of acquisition, as well as the applicable accommodation and per diem rates; occupancy rate of facility (taken into account at 100%),

number of private rooms which will be available and the relative rates; and, for residential facilities for the elderly, the corresponding medical care or dependency care allowances, as applicable.
The ratios used are representative of market transactions.

These intangible assets are not amortised but tested for impairment on each balance sheet date or whenever there is objective evidence that they might be impaired. If their recoverable amount is lower than their carrying amount, an impairment loss is recognised in profit or loss under "Other non-recurring operating expense".

The amortisation period for other intangible assets ranges from one to five years.

1.8 Property, plant and equipment

Property, plant and equipment mainly comprises land, buildings, fixtures and fittings and equipment.

The Group's operating properties are either acquired or built or redeveloped by the Group.

To ensure that its quality requirements are met, the Group manages all its own construction or redevelopment projects. These projects are recognised on the balance sheet under "Property in the course of construction".

As part of its asset management policy, the Group regularly sells operating properties it owns. These sales are carried out as a block or by lots and are then leased back from the new owner.
Disposals may include properties owned and operated by the Group for several years and also properties that have been recently acquired, redeveloped or built.

Properties kept by the Group are usually financed by finance leases.

Properties which the Group intends to sell are classified as "Assets held for sale".

Measurement of property, plant and equipment

Property, plant and equipment other than operating properties are measured at cost less accumulated depreciation and impairment, in accordance with the benchmark treatment set out in IAS 16 - *Property, plant and equipment*.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are now capitalised as part of the cost of that asset, as required by IAS23 - *Borrowing Costs*.

Revaluation of operating properties

Fully or jointly-owned properties, mainly through finance leases, comprising land and buildings operated by the Group are measured at fair value in accordance with paragraph 31 of IAS 16 - *Property, Plant and Equipment*.

The fair value of the properties is reviewed by external professionally qualified valuers. Excluding in the event of significant changes in market conditions, all of the properties included in the Group's portfolio are reviewed over a three-year period, with new entries being checked at the end of the corresponding financial year.

Fair value is calculated based on location, type of operation and operating conditions.

The restated value of each property is determined by capitalising an estimated market rent for each facility. The capitalisation rates used depend on location, type of operation and ownership method (fully or jointly-owned).

The difference between cost and fair value is recognised in equity under "Revaluation reserve" net of taxes.
If the fair value of a property falls below cost, an impairment loss is recognised in profit or loss under "Other non-recurring operating expense".

Fair value adjustments to buildings are depreciated over the residual life of each facility.

Depreciation of property, plant and equipment

The Group depreciates property, plant and equipment on a straight-line basis. Depreciation is calculated on the expected useful life of each asset or each of the components having different useful lives using the following criteria:

- Buildings, fixtures and fittings: 12 to 60 years;
- Plant and equipment: 3 to 10 years;
- Other: 3 to 10 years.

Property, plant & equipment are tested for impairment whenever there is objective evidence that they might be impaired. Any impairment losses are recognised in profit or loss.

Proprietary property development projects

Under its expansion policy and in order to meet its quality standards, the Group manages its own operating property development or redevelopment projects.

These properties are either kept by the Group or sold to investors.

The cost of new or redeveloped properties includes the cost of purchasing the land, any buildings to be redeveloped and all development and redevelopment costs. These include direct production costs and borrowing costs directly attributable to the production of the asset in accordance with paragraph 11 of IAS 23 - *Borrowing Costs*.

Properties sold off-plan to investors have always been accounted for using the percentage of completion method and therefore comply with IFRIC 15.

The degree of completion is determined based on accrued costs after the validation by the project manager, and corresponds to the technical advancement in terms of the overall costs of the project.

Marketing expenses directly attributable to assets sold off-plan are recognised as assets under 'property, plant and equipment in progress' and are charged back in proportion to the percentage of completion.

Progress payments received on off-plan sales are deducted from the value of the project.

Gains or losses on sales of properties are recorded under "Other non-recurring operating income and expense" to distinguish them from operating revenue.

Finance leases

In accordance with IAS 17, lease contracts are classified as finance leases when substantially all of the risks and rewards incidental to ownership of the asset are transferred to the lessee.

All other lease contracts are classified as operating leases.
Operating lease payments (other than service costs such as insurance and maintenance) are recognised as an expense on a straight-line basis over the term of the contract.

Only leasebacks followed by the end of an operating lease give rise to gains or losses on disposals that are accounted for under "Other non-recurring operating income and expense".

1.9 Impairment of non-current assets

In accordance with IAS36 – *Impairment of assets,* the Group assesses the recoverability of its non-current assets as follows:

- property, plant & equipment and intangible assets with a finite useful life are tested for impairment whenever there is objective evidence that they might be impaired;
- intangible assets with an indefinite useful life and goodwill are tested for impairment whenever there is objective evidence that they might be impaired and at least once a year on the balance sheet date.

Impairment testing consists in comparing the carrying amount with the higher of the following fair value less costs to sell and value in use. Value in use is determined by discounting the future cash flows expected to be generated from continued use of the assets over their estimated useful lives and their residual sale value at the end of that period. The discount rate used is equal to the Group's weighted average cost of capital, which is representative of the sector rate (see note 3.3).

Any impairment of a cash generating unit (CGU), or group of CGUs in the case of foreign operations, is deducted first from the corresponding goodwill, if any, and then from the remainder of the CGU's assets in proportion to their carrying amount.

Each long-term or short-term care facility is a CGU. A CGU's main assets are goodwill when allocated to the CGU, intangible assets (operating licence) and the operating property measured at fair value if the Group is the owner (see note 1.8).

1.10 Non-current financial assets

Investments that are not consolidated because they do not meet materiality conditions are measured at cost.

Investments that are not consolidated because of the Group's percentage holding are recognised as available-for-sale assets. They are measured at cost on initial recognition and subsequently at fair value if it can be determined reliably.
Otherwise they are measured at cost less any accumulated impairment. In this case, their recoverable amount is determined on the basis of the Group's share in the entity's net assets, its expected future profitability and growth outlook.

Changes in fair value are recognised as a separate component of equity until the investment is sold. When the impairment is material or prolonged, it is recognised in net finance costs.

An impairment loss is taken against loans measured at amortised cost when there is objective evidence that they might be impaired due to the credit risk.

1.11 Non-current assets held for sale and discontinued operations

In accordance with IFRS 5, *Assets or groups of assets (disposal groups)* – particularly properties or facilities which the Group intends to sell within a period of 12 months – are classified as *non-current assets held for sale and discontinued operations*. This excludes finance leased buildings.

This classification applies if the sale is highly probable and the non-current asset or disposal group held for sale meets the criteria for such classification and is in particular immediately available-for-sale.
These assets are measured at the lower of their carrying amount and fair value less costs to sell.

The carrying amount for operating properties is the latest fair value determined in accordance with paragraph 31 of IAS 16 (see note 1.8).

1.12 Trade and other receivables

Trade receivables are initially valued at the nominal value. This method is considered to be the best estimate of their initial fair value. A provision for impairment is recognised when there is objective evidence that the Group may be unable to recover the full amount on the original terms and conditions of the transaction. The age of a receivable and a debtor's habitual arrears are evidence of impairment.

The amount of the impairment provision is equal to the net present value of the cash flows which are considered to be unrecoverable. Based on past experience, impairment rates are typically as follows:

- Social security obligations: Receivables more than 27 months past due: 100%
  Receivables between 24 and 27 months past due: 75%
  Receivables between 18 and 24 months past due: 50%
  Receivables between 12 and 18 months past due: 25%

Mutual funds: receivables more than 18 months past due: 100%
Receivables between 12 and 18 months past due: 75%

- Patients: Receivables more than six months past due: 100%

- Residents: receivables between six and 12 months past due: 50%
  Receivables more than 12 months past due: 100%

- Residents receiving social security support:
  Receivables more than 24 months past due: 50%
  Receivables more than 36 months past due: 100%

Receivables with a maturity of more than one year are discounted if the impact is material.

Trade receivables may be transferred to banks as part of financing agreements. An analysis is then done to assess the transfer of risks and benefits inherent in ownership of these receivables. If this review shows the transfer of substantially all of these risks and benefits, the trade receivables are derecognised from the balance sheet and any rights created or retained in connection with the transfer are recognised. Otherwise, the trade receivables continue to be recognised on the balance sheet and a financial liability is recognised for the amount transferred.

1.13 Other assets and liabilities, accruals and prepayments

Current assets and current liabilities mainly comprise development-related assets and liabilities, real estate sales and current accounts vis-à-vis associates and related parties.

1.14 Deferred taxes

Deferred taxes arising on temporary differences between the tax base and accounting base of consolidated assets and liabilities are recognised using the liability method at the rates enacted or substantially enacted at the balance sheet date.

Most deferred taxes arise from the revaluation of operating licences and fully or jointly-owned operating properties.

Deferred tax assets arising on tax loss carryforwards are recognised if there is a reasonable probability that they will be used in the foreseeable future.

Deferred taxes are not discounted.

A provision is made for taxes that may be due by the Group on dividend payments made by subsidiaries if the dividend payment has been formally agreed on the balance sheet date.

Deferred tax assets and liabilities are netted by tax entity when they are expected to reverse in the same period.

Current and/or deferred taxes are recognised in profit or loss for the period except when arising on a transaction or event recognised directly in equity.

1.15 Contribution Economique Territoriale

The French 2010 Finance Act published on 30 December 2009 abolished the *Taxe Professionnelle* (business tax) and replaced it with a new levy called the *Contribution Economique Territoriale* (Local Economic Contribution, CET), which is broken down into two components of different types:

- The *Cotisation Foncière des Entreprises* (CFE) is based on the rental values of assets liable to property tax. This component is very similar to the existing *Taxe Professionnelle* and is accordingly recognised as an operating expense;
- The *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE) is based on the added value generated by French companies. This component is analysed as a tax due on taxable profits and is accordingly recognised as an income tax in accordance with IAS 12 as of 2010.

Consequently, a deferred tax expense was recognised in profit or loss at 31 December 2009 in accordance with IAS 12. The basis for calculating the tax liability mainly comprises the carrying amounts of property, plant & equipment and intangible assets with a finite useful life.

Goodwill, operating licences with an indefinite useful life and land are not included in the basis for calculation in light of the provisions of SIC 21.

1.16 Cash and cash equivalents

"Cash and cash equivalents" consist of cash in hand and at bank and short-term investments that are highly liquid, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Cash and short-term investments comprise balances on bank accounts, cash in-hand, term deposits of less than three months and debt securities traded on official markets that are subject to an insignificant risk of a fall in value, which are measured at fair value and for which changes are recognised in profit or loss.

1.17 Treasury shares

ORPEA SA shares held by the parent company are recognised at cost as treasury shares and deducted from equity until such time as they are sold.

Gains or losses on the sale of treasury shares are added to or deducted from consolidated reserves net of tax.

1.18 Stock option and stock award plans

Stock options are granted to certain employees of the Group.
In accordance with IFRS2 – *Share-based payment*, plans implemented after 7 November 2002 are valued at the allocation date and are recognised under staff costs over the period during which beneficiaries acquire rights, usually five years. This expenditure, which represents the option's market value at the time of its allocation, is recorded as quid pro quo to an increase in reserves.

Plans are valued according to the Black & Scholes model.

1.19 Post-employment and other employee benefit obligation

In France, the Group is governed by the single 'FHP' collective bargaining agreement for the private healthcare sector dated 18 April 2002, which provides for payment of a lump-sum benefit upon retirement based on the employee's length of service, grade and salary on the retirement date.
No other post-employment or long-term benefits are granted to employees in service.

Outside France, the Group applies the relevant local provisions in each country. Switzerland is the only country where it has defined benefit pension plans.

The Group's post-employment benefit obligation is calculated on the basis of actuarial estimates using the projected unit credit method. Actuarial assumptions include staff turnover, salary increases, inflation and life expectancy. They are disclosed in note 3.11.

The actuarial obligation is recognised in the balance sheet after deduction of any plan assets measured at fair value.

Cumulative actuarial gains and losses arising from experience adjustments or the effects of changes in financial, economic or demographic assumptions (change of discount rate, annual salary increases, length of service life, etc.) are recognised immediately in the Group's obligation with a corresponding amount in a separate component of equity (other reserves), in accordance with IAS 19 (revised).

Current and any past service cost is recognised as an operating expense.
Interest cost and expected return on plan assets, calculated at the same rate, are recognised in net finance costs.

Crédit d'Impôt pour la Compétitivité et l'Emploi (CICE)

The 3rd Amending Finance Law for 2012 introduced the CICE (tax credit for encouraging competitiveness and jobs) from 1 January 2013. In accordance with IAS 19 – *Employee Benefits*, the CICE was recognised as a deduction from staff costs.

The CICE made it possible to maintain the level of investment to fund required renovation and restructuring works at existing facilities, as well as the construction and opening of new facilities, thereby creating and ensuring the sustainability of jobs. It was also used to offer private health insurance to most employees of ORPEA SA. On the other hand, for clinics the CICE is cancelled out by the reduced per diem rates granted by healthcare authorities.

1.20 Provisions

The Group recognises a provision when it has a legal or constructive obligation to a third party, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
If is not probable but possible that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, it is recognised off-balance sheet as a contingent liability.

Provisions related to the operating cycle are classified as short-term regardless of their probable reversal date. They mainly concern employee-related risks and are measured by the social affairs department according to the risk incurred by the Group and the stage of progress in any proceedings pending.

Provisions that are not directly related to the operating cycle and which have a probable reversal date beyond one year are classified as long-term. They mainly comprise provisions for litigation, taxes and similar, and restructurings.

1.21 Financial liabilities

Financial liabilities are recognised at their face value net of any associated transaction costs which are deferred over the life of the liability in net finance costs using the effective interest method.
If the future interest expense is hedged, the financial liability is still measured at amortised cost and the change in fair value of the effective portion of the hedging instrument is recognised in equity.
Changes in fair value of derivative instruments not held for hedging and the ineffective portion of hedging instruments are recognised in net finance costs.

Net debt comprises short and long-term financial liabilities less the value of cash and cash equivalents held.

It includes property bridging loans which are bank loans allocated specifically to financing operating properties recently acquired or in the course of construction.

Hybrid bonds are accounted for in accordance with IAS 32 and IAS 39 - Financial Instruments, using the following treatment:

- OBSAAR 2009 and OCEANE 2010: the debt component was deemed to be the fair value of a liability with identical characteristics but no warrant or conversion option. It is measured at amortised cost using the effective interest method. The equity component is not revalued during the life of the bond issue;

- ORNANE 2013: the bonds are split into:
    - (i) an embedded derivative comprising the right to receive shares, with any change in fair value since launch being recognised in profit or loss under a dedicated item, and
    - (ii) a financial liability recognised at amortised cost using the effective interest method.

1.22 - Financial instruments and derivatives

The Group uses various financial instruments to hedge its exposure to interest rate risk. They are over-the-counter instruments contracted with first-class counterparties.

All derivative financial instruments are recognised in the balance sheet under "Other current assets and liabilities" and measured at fair value on the transaction date (see note 3.14.1 - Interest rate risk management strategy).

1.23. Revenue

Revenue mainly comprises payment for accommodation and care services provided to residents and patients. This is posted when the service is provided.

For long-term care homes, the day rate is payable as follows:
- the "accommodation" component is paid by the resident;
- the "long-term care allowance" component is paid by the resident and the local authority (the day rate is set by the local authority depending on the level of care required and forecast expenses);
- the "medical care" component is paid by the regional health insurance fund (the per diem rate is set according to the level of care required and forecast expenses).

For short-term care facilities, the day rate is payable as follows:
- the "private room" component is paid by the patient or the patient's top-up private health insurance;
- the "medical care" component is paid by the regional health insurance fund.

The only seasonal effect is the number of days in operation, which is higher in the second half of the calendar year than the first.

1.24 Other income statement aggregates

The Group's main business consists of operating long-term and short-term care facilities.
Recurring operating profit is derived from these operations.

Other non-recurring operating income and expense comprises:

- income and expenditure relating to the group's property transactions: sale of property, development costs and any depreciation costs;
- the Group's development expenses and restructuring costs for recently acquired facilities;
- income and expenses related to business combinations: transaction costs, goodwill;
- impairment of intangible assets and goodwill.

1.25 Earnings per share

Basic earnings per share is calculated on the basis of the weighted average number of shares in issue during the year less any treasury shares held and deducted from equity.

Diluted earnings per share take account of all potentially dilutive instruments, such as options, warrants and convertible bonds. Options and warrants are dilutive when their exercise price is lower than the market price. In this case, the proceeds from the exercise of rights are intended to be used first and foremost to buy back shares at the market price. This "share buyback" method is used to calculate the amount of shares that are "not bought back" which are added to the number of ordinary shares outstanding to determine the dilutive impact.

1.26 Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method, in other words it presents a reconciliation of EBIT with cash generated from operating activities.
Given the Group funds a significant part of its construction work with financial leases, cash flow from financing activities notably include the advance payments made by the lessors and their repayments under "Proceeds from new finance leases" and "Repayments of finance leases".
Opening and closing cash and cash equivalents include cash and other short-term investments less any overdraft facilities that are not considered as bridge financing for operating properties recently acquired or in the course of construction or redevelopment.

1.27 Segment information

Segment information is disclosed on the basis of two operating segments, being the two segments used by the Group to analyse its activity and monitor its development: these segments are France and International (see note 3.19).

1.28 Organic growth

The Group regularly discloses its organic revenue growth.

Organic growth reflects the following factors:

- the change in the revenue of existing facilities in line with changes in their occupancy rates and day rates;
- the change in the revenue of restructured facilities or facilities whose capacities have been increased;
- the revenue of facilities set up during the year or during the previous year.

Organic growth includes the improvement in sales recorded at recently-acquired facilities by comparison with the previous equivalent period.

1.29 External growth

External growth is derived from acquisitions of facilities in operation or under development (directly or indirectly through companies).

2. SCOPE OF CONSOLIDATION

2014 revenue rose by 21.2% or €341 million compared with 2013.

The Group has expanded through both organic growth and acquisitions.

Organic revenue growth was 6.0% compared with 7.1% the previous year.

In 2014, the Group opened facilities in France and abroad after the completion of construction initiated in prior years as follows:

- seven long-term care facilities located in Leudeville, La Garenne Colombes, Parmain, Biganos, Eaubonne, Ollioules and Parignargues;
- three clinics in Issoire, Cormontreuil and Rouen;
- one clinic in Italy;
- four residential homes in Switzerland;
- two residential homes in Belgium;
- two residential homes in Germany.

ORPEA also continued with its acquisition policy in 2014 with the acquisition of facilities in operation or at the proposal stage:

- in France:
  - nine long-term care facilities:
    - five residential homes as part of the takeover of TCP DEV: Bonnières s/Seine, Villeneuve de Rivière, Brétigny s/ Orge, St Barthélemy and Ambérieu en Bugey;
    - as part of the takeover of SAS Résidence Castel Georges: one residential home in Gennevilliers;
    - three residential homes located in Montgeron, Charleville Mézières and St Omer;
  - eight clinics: in Seysses, Boulogne Billancourt, Fronton, Vesoul, St Honoré les Bains, Charleville Mézières, Nevers and Nancy;

- in Belgium: nursing home in Thier sur La Fontaine;

- in Spain: four residential homes in the Madrid region;

- in German-speaking Switzerland: 21 facilities of the SENEVITA Group;f

- in Germany: 61 facilities of the SILVER CARE Group.

The Group also made ad hoc acquisitions – either directly or via companies – of standalone assets necessary for its expansion, comprising intangible property and operating rights.

During 2014, investments in the Group's external growth amounted to €299 million and debt taken on by the Group amounted to about €(41) million, after the reimbursement of €81 million due under an ownership clause.

Based on a provisional estimate of the fair value of assets acquired, the total investment on the acquisition date can be summarised as follows:

		Number of facilities	Number of beds	Intangible operating assets (in millions of euros)	Intangible concession assets (in millions of euros)	Goodwill and intangibles not yet assigned (in millions of euros)	Property assets (in millions of euros)
France		17	1,221	78		37	10
International		87	8,825	101	0	242	41
	Germany	*61*	*5,963*			*194*	*0*
	Belgium	*1*	*108*	*4*			*9*
	Spain	*4*	*660*	*13*			*32*
	Italy						
	Switzerland	*21*	*2,094*	*84*		*48*	
Total		104	10,046	179	0	279	51

Deferred tax liabilities recognised in respect of these acquisitions amounted to about €41 million.

In 2013, total investments on the date of consolidation were:

		Number of facilities	Number of beds	Intangible operating assets (in millions of euros)	Intangible concession assets (in millions of euros)	Goodwill and intangibles not yet assigned (in millions of euros)	Property assets (in millions of euros)
France		15	1,192	76		21	55
International		4	1,342	49	0	0	49
	Italy						
	Switzerland						
	Belgium	*4*	*1,342*	*49*			*49*
	Spain						
Total		19	2,534	125	0	21	104

3. NOTES TO THE FINANCIAL STATEMENTS

3.1 Goodwill

The main movements during the year were as follows:

	France	International	Total
Opening net goodwill	303,338	95,056	398,394
Business combinations	38,038	240,839	278,876
Closing net goodwill	**341,376**	**335,895**	**677,270**

The following CGU groups represent significant goodwill:

	31 Dec 2014	31 Dec 2013
MEDITER MIEUX VIVRE sub-group acquired in 2010	87,652	87,652
SENEVITA sub-group	48,465	0
SILVERCARE sub-group	193,636	0
Other	347,517	310,742
Closing net goodwill	**677,270**	**398,394**

No other CGU group accounts for more than 5% of total goodwill at year-end.

3.2 Intangible assets

The following table shows the main intangible assets and accumulated amortisation:

	31/12/2014			31/12/2013		
	Gross	Depr., Amort. Prov.	Net	Gross	Depr., Amort. Prov.	Net
Operating licences	1,579,272	4,145	1,575,127	1,392,700	4,940	1,387,760
Advances and downpayments	6,161		6,161	6,801		6,801
Other intangible assets	53,445	15,608	37,837	57,906	12,754	45,152
Intangible assets held for sale	(75,546)		(75,546)			0
Total	1,563,332	19,753	**1,543,579**	1,457,407	17,694	**1,439,714**

At 31 December 2014, "Operating licences" comprised the licences to operate facilities in France, Belgium and Italy considered to have an indefinite useful life.

Intangible assets held for sale correspond to operating licences scheduled to be disposed of within 12 months.

The following CGU groups represent significant licence values:

	31 Dec 2014	31 Dec 2013
MEDITER MIEUX VIVRE sub-group acquired in 2010	195,674	195,674
SENEVITA sub-group	84,232	
Other	1,295,221	1,192,086
Net operating licences at end of period	**1,575,127**	**1,387,760**

No other CGU group accounts for more than 5% of total "Operating licences" at year-end.

Amortisation of other intangible assets is recognised in profit or loss under "Depreciation, amortisation and provisions".

Impairment losses are recognised in "Other non-recurring operating expense".

The following table shows the movement in intangible assets by type (net):

	Operating licences	Advances and downpayments	Other	Intangible assets held for sale	Total
At 31 December 2012	**1,255,312**	**7,139**	**43,841**	**0**	**1,306,292**
Increase	5,595	4,415	3,086		13,097
Decrease					0
Depreciation, amortisation and provisions	1,872		(2,365)		(493)
Reclassifications and other	(27)	(4,753)	3		(4,778)
Changes in scope	125,008		587		125,595
At 31 December 2013	**1,387,760**	**6,801**	**45,152**	**0**	**1,439,714**
Increase	11,147	2,758	1,589		15,494
Decrease	(11,186)	(500)	940		(10,746)
Depreciation, amortisation and provisions			(2,829)		(2,829)
Reclassifications and other	8,051	(2,898)	(7,764)	(75,546)	(78,157)
Changes in scope	179,354		749		180,103
At 31 December 2014	**1,575,127**	**6,161**	**37,837**	**(75,546)**	**1,543,579**

"Other intangible assets" include €28.4 million in operating licences acquired in Spain in 2012.

Advances and downpayments recognised as intangible assets mainly comprise prepayments made under contractually agreed acquisitions of operating licences.

3.3 Periodic impairment testing

In accordance with IAS 36, in 2014 the cash generating units were tested for impairment, including goodwill, intangible assets with an indefinite useful life and property, plant & equipment (see note 1.9). The tests did not reveal any impairment.

The useful life used in business plans is five years. The main operating assumptions and rates used in the final quarter of 2014 were:

- perpetual growth rate: 1.5%;
- discount rate: 7.5%;
- capex required to maintain the asset: 2.5% of revenue.

Some cash generating units may be sensitive to a hypothetical increase in one of the aforementioned three rates.

A hypothetical change of 100 basis points in one of these rates would not lead to the recognition of an impairment loss.

3.4 Property, plant and equipment

3.4.1 Changes in property, plant & equipment including those under construction

The following table shows the main items of property, plant and equipment, including those under construction, and accumulated depreciation:

	31/12/2014			31/12/2013		
	Gross	Depr., Amort. Prov.	Net	Gross	Depr., Amort. Prov.	Net
Lands	798,992	2,831	796,161	760,176	2,825	757,351
Buildings	1,754,242	359,487	1,394,755	1,664,531	327,343	1,337,187
Technical installations	240,889	153,784	87,105	191,178	123,517	67,661
Properties under construction	585,783	1,251	584,532	570,193	1,251	568,942
Other tangible assets	123,457	79,029	44,428	107,861	67,147	40,714
Tangible assets held for sale	(124,454)		(124,454)	(210,014)		(210,014)
Total	3,378,910	596,382	**2,782,528**	3,083,924	522,083	**2,561,842**

Depreciation is recognised in profit or loss under "Depreciation, amortisation and provisions".

Impairment losses are recognised in "Other non-recurring operating expense".

The following table shows movements in the net carrying amount of property, plant and equipment:

	Lands	Buildings	Technical installations	Properties under construction	Other	Tangible assets held for sale	Total
At 31 December 2012	**718,026**	**1,190,265**	**71,572**	**553,881**	**38,885**	**(120,700)**	**2,451,928**
Acquisitions	13,851	34,908	10,995	291,655	4,930		356,339
Change in fair value							0
Disposals and terminations	(21,252)	(65,236)	(734)	(109,535)	(442)		(197,199)
Depreciation	(2,741)	(44,656)	(18,307)	434	(5,204)		(70,474)
Reclassifications and other	30,263	143,729	1,568	(175,610)	(1)	(89,314)	(89,364)
Changes in scope	19,205	78,178	2,565	8,118	2,545		110,610
At 31 December 2013	**757,351**	**1,337,187**	**67,661**	**568,942**	**40,714**	**(210,014)**	**2,561,842**
Acquisitions	8,858	29,036	35,291	290,011	3,022		366,218
Change in fair value	35,637						35,637
Disposals and terminations	(29,509)	(62,767)	(596)	(166,030)	(597)		(259,499)
Depreciation		(44,906)	(23,549)		(6,779)		(75,234)
Reclassifications and other	18,770	89,882	(4,398)	(108,761)	3,891	85,560	84,943
Changes in scope	5,055	46,323	12,697	370	4,177		68,622
At 31 December 2014	**796,161**	**1,394,755**	**87,105**	**584,532**	**44,428**	**(124,454)**	**2,782,528**

The main changes during 2014 were:

- investments necessary for everyday operation of the facilities, investments in new buildings or extensions, as well as properties and other items of property, plant and equipment acquired during the year as part of business combinations and those under construction;
- property disposals in Belgium and France.

3.4.2 Revaluation of operating properties

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

Impact of IAS 16 measurement			
	31 Dec 2014	**31 Dec 2013**	**Change**
Gross revaluation reserve	441,953	407,343	34,610
Depreciation/amortisation	(15,422)	(13,406)	(2,016)
Net revaluation reserve	**426,531**	**393,937**	**32,594**

The gross revaluation reserve of properties stood at €442.0 million at 31 December 2014, versus €407.3 million at the end of 2013.

The main changes in value were due to revaluations carried out during the period, of an amount of €35.6 million, and to the sale of two previously revalued buildings of €1.0 million.

The change in depreciation was caused by additional depreciation related to the revaluation of buildings in the amount of €2.0 million.
The corresponding tax, calculated at standard rates, amounted to €153.4 million.

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

Price per sq.m GLA (in €)	**31 Dec 2014**	**31 Dec 2013**
Paris	5,879	5,702
Inner Paris suburbs	4,101	4,003
Outer Paris suburbs and other major cities	2,829	2,766
Other	1,956	1,914

3.4.3 Finance leases

Property, plant and equipment financed by finance leases include the following assets at their gross value:

	31 Dec 2014	**31 Dec 2013**
Lands	176,558	191,920
Buildings	620,478	622,037
Finance leased property	**797,036**	**813,957**

All finance leases are property leases.

Future minimum payments under finance leases are disclosed in note 3.23.

3.4.4 Operating leases

Operating lease payments are as follows:

	31 Dec 2014	31 Dec 2013
Lease payments	187,691	135,194
Total	**187,691**	**135,194**

Operating leases are almost exclusively comprised of renewable leases with fixed rents revisable mainly at fixed rates or in accordance with the INSEE construction cost index or the rate of revaluation of old age pensions.

In 2014, the main rent increase (+€34 million) was due to the acquisition of the SENEVITA and SILVER CARE sub-groups.

Minimum future lease payments under operating leases are presented in note 3.23.

3.5 Investments in associates and joint ventures

At 31 December 2014, investments in associates and joint ventures broke down as follows:

Associates and joint ventures	Ownership interest at 31 December 2014	Carrying amount of investments (in € thousands)
Group of six care facilities owned by PCM	45.0%	20,604
COFINEA (real estate company)	49.0%	5,011
IDS (real estate company)	49.9%	13,210
Other	49.9%	6,184
Total		45,009
Equity accounted profit/(loss) for previous financial years		4,575
Equity accounted net profit for the current financial year		1,788
Investments in associates and joint ventures		51,371

In light of the value of the individual investments, the existing financial flows with these companies and the global strategy of the ORPEA Group in and outside France, the management deems that these interests are not significant taken individually.

At 31 December 2014, the main aggregates related to associates and joint ventures, presented proportionally to the investment, broke down as follows:

	(in thousands of euros)
Non-current assets	147,458
Current assets	48,593
Equity	30,850
Non-current liabilities	93,835
Current liabilities	71,365
Revenue	39,471
Equity accounted net profit	1,788
Other comprehensive income	(476)
Net comprehensive income	1,312

3.6 Non-current financial assets

Non-current financial assets break down as follows:

	31 Dec 2014	31 Dec 2013
	Net	Net
Non-consolidated investmen	22,094	9,459
Loans	15,338	12,659
Security deposits	8,795	6,286
Total	**46,227**	**28,405**

Non-consolidated investments are investments in companies whose business is not material in relation to that of the Group as a whole, and investments in mutual banks.

"Loans" mainly consist of construction loans taken out by French subsidiaries.

"Security deposits" comprise all types of deposits the Group might pay in the course of its operations.

3.7 Trade receivables

	31 Dec 2014	31 Dec 2013
Trade receivables	104,558	80,259
Total	**104,558**	**80,259**

Due to the nature of its activity, all trade receivables in France are due within one month.

The main change in "Trade receivables" was due to the acquisitions completed during the period, of a value of €19 million.

In December 2014, the Group assigned a total of €58 million in receivables. These receivables were derecognised for the amount financed, namely €53 million. The remainder (€5) million, held as security, continues to be recognised on the balance sheet.
At the end of 2013, the derecognised, assigned receivables represented an amount of €30 million.

3.8 Other assets, accruals and prepayments

	31 Dec 2014	31 Dec 2013
Development-related expenses	59,051	30,903
Receivables related to property disposals	32,034	31,062
VAT receivables	32,227	28,625
Advances and downpayments made	4,912	4,155
Current accounts (associated and related parties)	34,752	45,053
Sundry debtors	35,089	24,131
Receivables from suppliers	13,353	12,566
Prepaid operating expenses	12,605	7,339
Total	**224,024**	**183,835**

Development-related assets mainly comprise amounts paid in connection with acquisitions of companies, operating licences for short-term or long-term care facilities, or the construction of new properties.

The amount of VAT receivables is mainly due to property construction projects forming part of the Group's growth strategy.

3.9 Assets held for sale

Assets held for comprise €125 million in operating properties that the Group has decided to sell, in a block or by lots, to third-party investors, and which will be subsequently leased back under operating leases up to an operating licence amount of €75 million.

3.10 Equity

3.10.1 Share capital

	31 Dec 2014	31 Dec 2013
Total number of shares	55,567,893	55,476,991
Number of shares issued	55,567,893	55,476,991
Par value per share (€)	1.25	1.25
Share capital (€)	69,459,866	69,346,239
Treasury shares	19,500	11,871

Since 31 December 2012, capital increases and the exercise of stock options have had the following impact on share capital and share premiums:

(in thousands of euros)	Number of shares	Share capital	Share premiums
Share capital at 31/12/2012	**52,998,062**	**66,248**	**378,872**
Exercise of options			3,217
Exercise of share warrants			(4,824)
Exercise OCEANE			
Capital increase	2,478,929	3,099	95,776
Share capital at 31/12/2013	**55,476,991**	**69,346**	**473,042**
Exercise of options			
Exercise of share warrants	89,419	112	3,079
Exercise OCEANE	1,483	2	
Capital increase			
Share capital at 31/12/2014	**55,567,893**	**69,460**	**476,121**

3.10.2 Earnings per share

Average weighted number of shares in issue:

	31 Dec 2014		31 Dec 2013	
	Basic	Diluted	Basic	Diluted
Ordinary shares	55,476,991	55,498,945	53,106,727	53,106,727
Treasury shares	(15,686)		(16,377)	(16,377)
Share warrants	36,664	100,012		
OCEANE	976	4,565,519		4,069,635
Weighted average number of shares	**55,498,945**	**60,164,476**	**53,090,350**	**57,159,985**

Earnings per share:

(in euros)	31 Dec 2014		31 Dec 2013	
	Basic	Diluted	Basic	Diluted
Net profit (Group share)	**2.18**	**2.08**	**2.15**	**2.08**

3.10.3 Dividends

The General Meeting of Shareholders of 25 June 2014 approved the payment of a dividend in respect of the 2013 financial year of €0.70 per share, representing a total of €38,833,894 paid at end-July 2014.

3.10.4 Share warrants

On 17 August 2009, ORPEA made an issue of bonds with redeemable share warrants (OBSAAR). This operation led to the creation of 1,190,787 warrants. These warrants will be exercisable from 14 August 2011 to 14 August 2015 inclusive and will subscribe to 1.062 ORPEA shares for an exercise price of €37.90.

In 2013, ORPEA acquired and cancelled 917,041 share warrants as part of the public tender offer launched by the Company, approved by the AMF on 17 September 2013 under number 13-459.

In 2014, 84,460 warrants were exercised.

The potential dilutive effect of the outstanding 161,556 share warrants on 31 December 2014 was 0.31%.

3.10.5 Treasury shares

The General Meeting of Shareholders authorised a share buyback programme.

This programme enables the Company to ensure liquidity and make a market in the shares, optimise its capital management and grant shares to employees particularly through stock award plans.

On 29 December 2009, 68,420 shares were awarded to 1,975 Group employees.

At 31 December 2014, the Group held 19,500 treasury shares.

3.11 Provisions

Provisions break down as follows:

(in thousands of euros)	31 Dec 2013	Changes in scope and other	Actuarial gains or losses	Exercise of options	Charges for the year	Reversal in the year		31 Dec 2014
						Used provisions	Unused provisions	
Liabilities and charges	44,378	6,629		(831)	13,526	(8,029)	(2,875)	52,799
Restructuring	7,798	19,273				(10,049)		17,023
Total	**52,176**	**25,902**		**(831)**	**13,526**	**(18,078)**	**(2,875)**	**69,821**
Post-employment ben. ob.	33,998	8,716	1,525	609	1,777	(493)		46,136

Changes to provisions were primarily due to the acquisition of Swiss group SENEVITA in the first half of 2014, as well as to the risk of ORPEA and the tax authorities arriving at different results in the application of rules to calculate VAT pro rata in the amount of €6.4 million. This provision amounted to €20.7 million on 31 December 2014.

ORPEA and CLINEA, as well as some of the Group's subsidiaries are undergoing tax audits. Most of the adjustments notified by the tax authorities have been disputed by these companies, and no provision has thus been made for these adjustments. Undisputed adjustments are recognised in the financial year.

At the end of 2014, short-term provisions totalling €19.2 million included a €13.5 million provision for employment disputes and a €5.7 million restructuring provision.

The provision for post-employment benefits breaks down as follows:

(in thousands of euros)	31 Dec 2014	31 Dec 2013
France	31,286	29,742
International	14,851	4,256
Totals	**46,136**	**33,998**

Movements in the French post-employment benefit obligation break down as follows:

	31 Dec 2014				31 Dec 2013			
(in thousands of euros)	Present value of obligation	Provisions on balance sheet	Profit or loss	Equity	Present value of obligation	Provisions on balance sheet	Profit or loss	Equity
Opening	**29,742**	**(29,742)**			**24,206**	**(24,206)**		
Current service cost	1,966	(1,966)	(1,966)		1,855	(1,855)	(1,855)	
Interest cost	892	(892)	(892)		755	(755)	(755)	
Expected return on assets								
Employer's contributions								
Actuarial gains or losses	(1,669)	1,669		1,669	2,923	(2,923)		(2,923)
Benefits paid	(1,643)	1,643			(1,821)	1,821		
Changes in scope	1,998	(1,998)			1,824	(1,824)		
Closing	**31,286**	**(31,286)**	**(2,858)**	**1,669**	**29,742**	**(29,742)**	**(2,610)**	**(2,923)**

Movements in the International post-employment benefit obligation break down as follows:

	31 Dec 2014				31 Dec 2013			
(in thousands of euros)	Present value of obligation (*)	Provisions on balance sheet	Profit or loss	Equity	Present value of obligation (*)	Provisions on balance sheet	Profit or loss	Equity
Opening	**4,256**	**(4,256)**			**4,592**	**(4,592)**		
Current service cost	1,556	(1,556)	(1,556)		40	(40)	(40)	
Interest cost	994	(994)	(994)		91	(91)	(91)	
Expected return on assets	(715)	715	715		(76)	76	76	
Employer's contributions	(1,544)	1,544	1,544		(206)	206	206	
Actuarial gains or losses	3,194	(3,194)		(3,194)	(185)	185		185
Benefits paid	(222)	222	222					
Changes in scope	7,331	(7,331)						
Closing	**14,851**	**(14,851)**	**(69)**	**(3,194)**	**4,256**	**(4,256)**	**152**	**185**

(*) Net of plan assets.

Scope effects relate to Swiss subsidiary SENEVITA.

The main actuarial assumptions at 31 December 2014 were:

	31 Dec 2014		31 Dec 2013	
	France	International	France	International
Discount rate	1.50%	between 1% and 1.20%	3.12%	1.90%
Annual rate of salary increase taking account of inflation	2.50%	between 1.25% and 1.75%	2.50%	2.25%
Expected rate of return on plan assets	NA	between 1% and 1.20%	NA	1.90%
Retirement age	65 years	65 years	65 years	65 years
Social security contribution rate	Average actual rate		Average actual rate	

The actuarial gains or losses recognised in equity during the year arise from changes in financial assumptions (discount rate) and adjustments based on experience, notably in terms of staff turnover assumptions.

At 31 December 2014, sensitivity of the French post-employment benefit obligation to a 0.5% increase in the discount rate was (€1.8) million.

3.12 Financial liabilities and cash

Net debt breaks down as follows:

(in thousands of euros)	**Net 31 December 2014**	**Net 31 December 2013**
Long-term bank borrowings	263,647	191,813
Finance lease obligations	585,278	623,295
Bonds	865,362	922,236
Bridging loans	584,291	230,038
Miscellaneous financial liabilities and debt	702,116	448,116
Total gross debt (*)	**3,000,694**	**2,415,497**
Cash	(462,287)	(334,392)
Cash equivalents	(159,619)	(133,958)
Total net debt (*)	**2,378,788**	**1,947,146**

*) Including liabilities associated with assets held for sale.

The following table shows movements in financial liabilities in 2014:

(in thousands of euros)	31 Dec 2013	Increase	Decrease	Changes in scope	**31 Dec 2014**
Bonds	922,236	8,143	(65,017)		**865,362**
Long-term bank borrowings	191,813	137,136	(78,024)	12,722	**263,647**
Finance lease obligations	623,295	67,933	(120,928)	14,978	**585,278**
Bridging loans	230,038	674,352	(326,259)	6,160	**584,291**
Miscellaneous financial liabilities and debt	448,116	404,246	(157,101)	6,855	**702,116**
Total gross debt (*)	2,415,497	1,291,810	(747,329)	40,715	**3,000,694**
Cash and cash equivalents	(468,351)	(153,555)			**(621,906)**
Total net debt (*)	1,947,146	1,138,255	(747,329)	40,715	**2,378,788**
Liabilities associated with assets held for sale (**)	(210,014)		10,014		**(200,000)**
Net debt excluding liabilities associated with assets held for sale	1,737,132	1,138,255	(737,315)	40,715	**2,178,788**

(*) Including liabilities associated with assets held for sale.

(**) Bridging loans

The following table shows a breakdown of net debt by maturity:

	31 Dec 2014	Under one year (*)	One to five years	Over five years
Bonds	865,362	63,559	317,213	484,590
Long-term bank borrowings	263,647	39,175	201,658	22,814
Finance lease obligations	585,278	71,858	276,431	236,989
Bridging loans	584,291	231,270	349,043	3,978
Miscellaneous financial liabilities and debt	702,116	115,807	398,163	188,146
Total gross debt (*)	**3,000,694**	521,669	1,542,508	936,516
Cash and cash equivalents	(621,906)	(621,906)		
Total net debt (*)	**2,378,788**	(100,237)	1,542,508	936,516

(*) Including liabilities associated with assets held for sale.

Debts maturing in more than one year and less than five years break down as follows:

	One to five years	2016	2017	2018	2019
Bonds	317,213	(1,153)	(1,159)	138,964	180,561
Long-term bank borrowings	201,658	55,644	79,108	49,362	17,544
Finance lease obligations	276,431	85,584	83,672	53,356	53,819
Bridging loans	349,043	230,800	66,156	38,521	13,566
Miscellaneous financial liabilities and debt	398,163	95,582	81,007	63,139	158,435
Total gross debt per year	**1,542,508**	466,457	308,784	343,342	423,925

Financing policy

The Group's financing can be broken down into three categories:

- financing operating properties through finance leases or bank loans repayable over a typical period of 12 years;

- financing the acquisition of facilities, operating licences, etc., mainly through bank loans repayable over a period of five or seven years;

- financing properties recently acquired or in the course of redevelopment or construction through bridging loans.
  Bridging loans comprise financing lines dedicated to a specific project and general bank credit lines. These properties are intended either to be sold to third parties or to be kept by the Group, in which case they are usually subsequently refinanced through finance leases.

The Group's expansion policy requires it to regularly obtain new bank credit facilities or sell properties to investors.

Banking covenants

Certain loans taken out by the Group, other than property finance leases, have been subject to the following contractually defined covenants since 31 December 2006:

$$R1 = \frac{\text{consolidated net debt (excluding property debt)}}{\text{Consolidated EBITDA} - 6\% \text{ of property debt}}$$

and

$$R2 = \frac{\text{consolidated net debt}}{\text{Equity + quasi equity (i.e. deferred tax liabilities linked to the valuation of operating intangible assets under IFRS in the consolidated financial statements)}}$$

On 31 December 2014, these ratios were 2.8 and 1.2 respectively, within the required limits, which were mainly 5.5 for R1 and 2.0 for R2 as at 31 December 2014.

Bonds

OBSAAR bond issue: In the second half of 2009, ORPEA made an issue of bonds with redeemable warrants to subscribe for new or purchase existing shares (OBSAAR) in an amount of approximately €217 million or an IFRS net amount of €209 million. The share warrants attached to the bonds were measured at fair value and recognised in equity in the amount of €3 million.

This loan is repayable in 2012 and 2013 at 20% of the principal and in 2014 and 2015 at 30% of the principal. The interest rate for the issue is three-month EURIBOR +137 base points before fees. The terms and conditions of these bonds can be found in the securities note (*note d'opération*) approved by the AMF under no. 09-225 on 15 July 2009.

OCEANE bond issue: In the second half of 2010, ORPEA issued 4,069,635 bonds convertible into new or existing shares (OCEANE) at a unit price of €44.23, representing a par value of €180 million and a net amount of €173 million under IFRS. The conversion option was recognised in equity at €3 million.

These bonds will be redeemed on 1 January 2016. The coupon payable on the bonds is 3.875% per year. The bonds may be converted into shares (1.107 shares for one bond) between 15 December 2010 and up to the seventh working day inclusive preceding the normal redemption date at a price of €44.23 per share. The terms and conditions of these bonds can be found in the securities note approved by the AMF under no. 10-429 on 7 December 2010.

The conversion of OCEANE bonds meeting the applicable requirements on 22 December 2014 was completed on 4 February 2015.

ORNANE bond issue: On 9 July 2013, ORPEA issued bonds with a cash redemption option and/or convertible into new or existing shares (ORNANE) with an entitlement date of 17 July 2013 and maturing on 1 January 2020. The terms and conditions of these bonds can be found in the securities note approved by the AMF under no. 13-338 on 9 July 2013.

The 4,260,631 bonds have a par value of €46.56 each, and a total par value of €198 million.
The coupon payable on the bonds is 1.75% per year throughout the life of the bonds, payable six-monthly in arrears.
The Ornane agreement gives bondholders the option to convert their bonds into cash or new shares, in accordance with the terms and conditions in the securities note, from the issue date up to the 18th trading day (exclusive) prior to 1 January. ORPEA may, however, exercise a right of early redemption if the share price exceeds 130% of the par value of the bond, but only from 1 February 2017.

The right to receive shares constitutes a derivative for the purposes of IAS 39, with any change in fair value being recognised in profit or loss.
In effect, ORPEA enjoys a call option on its own securities in the event the threshold of 130% of the benchmark price is exceeded, but over a more limited exercise period and the bondholder, enjoying an exercise right in the event of early redemption by ORPEA, holds a cross call option enabling it to lock in its gain.

The agreement also contains standard anti-dilution provisions in the event of capital increases, the distribution of reserves (including earnings for the 2012-2018 period), etc.

Other bonds:

ORPEA Group carried out three bond issues during the second half of 2012 on the Euro PP market, issuing:

- 1,930 bonds in two tranches (securities note approved by the AMF under no. 12-580 on 28 November 2012):
    - Tranche A: for a total of €65 million, i.e. 650 bonds at a unit price of €100,000. These bonds will be redeemed on 10 January 2018. The coupon payable on the bonds is 4.10% per year,
    - Tranche B: a total of €128 million, i.e. 1,280 bonds at a unit price of €100,000. These bonds will be redeemed on 30 May 2019. The coupon payable on the bonds is 4.60% per year;

- 200 bonds at a unit price of €100,000, totalling €20 million (securities note approved by the AMF under no. 12-579 on 28 November 2012). These bonds will be redeemed on 30 November 2018. The coupon payable on the bonds is 4.20% per year,
- 900 bonds at a unit price of €100,000, totalling €90 million. These bonds will be redeemed on 4 December 2026. The coupon payable on the bonds is 5.25% per year.

ORPEA Group carried out three new bond issues during the second half of 2013 on the Euro PP market, issuing:

- 330 bonds at a unit price of €100,000, totalling €33 million (securities note approved by the AMF under no. 13-152 on 10 April 2013). These bonds will be redeemed on 30 May 2019. The coupon payable on the bonds is 4.60% per year;

- 200 bonds at a unit price of €100,000, totalling €20 million (securities note approved by the AMF under no. 13-357 on 11 July 2013). These bonds will be redeemed on 30 November 2019. The coupon payable on the bonds is 4.15% per year;

- in Belgium, 750 bonds at a unit price of €100,000, totalling €75 million. These bonds will be redeemed in two tranches:
    - the first on 31 December 2018 involving 550 bonds. The coupon payable on these bonds is 4.00% per year,
    - the second on 31 December 2020 involving 200 bonds. The coupon payable on these bonds is 4.45% per year;

- During the 2014, the Group carried out a Schuldschein-type bond issue for a value of €203 million and with different maturities, as detailed below:
    - €117.0 million maturing on 25 July 2019, at both fixed and variable rates,
    - €29.5 million maturing on 27 July 2020, at both fixed and variable rates,
    - €50.0 million maturing on 27 July 2021, at both fixed and variable rates,
    - €6.5 million maturing on 24 July 2024, at fixed rate.

The Group also carried out a bond issue on the Euro PP market, issuing 520 bonds at a unit price of €100,000 (securities note approved by the AMF under no. 14-443 on 29 July 2014). These bonds will be redeemed on 31 July 2021. The coupon payable on the bonds is 3.327% per year.

Cash

At end 2014, cash and cash equivalents comprised €159,619 thousand in short-term investments in non-speculative short-term accounts with first class financial institutions and €462,287 thousand in bank credit balances.

3.13 Change in the fair value of the entitlement to the allotment of shares in ORNANE bonds

Since the launch, the fair value of the entitlement to the allotment of shares in ORNANE bonds has changed as follows:

	(in thousands of euros)
Change from 2013	4,893
Change in first half of 2014	23,200
Change in second half of 2014	1,900
Overall change from start	**29,993**

At 31 December 2014, the change in fair value recognised in net finance cost amounted to €25.1 million. On the basis of data at 31 December 2014, a +/- 10% change in the price of the ORPEA stock would produce a +/- €5.5 million change in the value of the option, impacting profit or loss.
If it is exercised and the strike price is reached, the option will trigger the allocation of shares.

3.14 Financial instruments

3.14.1 Interest rate risk

Interest rate risk management strategy:

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

The Group's strategy consists of hedging three quarters of its current net debt against the risk of changes in interest rates. To do this, it uses fixed-rate loans or financial instruments to hedge its floating-rate debt. These financial instruments take the form of interest rate swaps under which the counterparty receives mainly three-month Euribor and pays a fixed rate specific to each contract, and interest rate options (caps, collars etc.). These financial instruments are qualified as cash flow hedges in accordance with IAS 39. Unrealised gains and losses arising from the remeasurement of these derivatives at fair value are recognised in equity at the year end.

The use of hedging products to limit interest rate risk exposes the Group to counterparty risk. Counterparty risk is the risk of replacing a hedge at current market rates in the case a counterparty defaults. The Group did not identify any significant impact from this risk in the course of its analysis.

Interest rate derivatives portfolio:

At 31 December 2014 as at 31 December 2013, the derivatives portfolio included fixed for floating (mainly three-month Euribor) interest rate swaps and interest rate options. These derivative instruments have either a constant or decreasing nominal profile.

At the end of 2013, the maturity of the interest rate derivatives was as follows:

	Maturity (€m)				
	2014	2015	2016	2017	2018
Average notional (€m)	1,366	1,367	1,398	1,295	1,070
Effective rate	2.6%	2.3%	1.8%	1.7%	1.7%

At the end of 2014, the maturity of the interest rate derivatives was as follows:

	Maturity (€m)				
	2015	2016	2017	2018	2019
Average notional (€m)	1,372	1,403	1,323	1,198	842
Effective rate	2.3%	1.8%	1.7%	1.7%	1.3%

At 31 December 2013, fair value changes on these cash flow hedges accumulated in equity amounted to (€62.5) million.

At 31 December 2014, fair value changes on these cash flow hedges accumulated in equity amounted to (€102.5) million.

<u>Analysis of sensitivity to changes in interest rates:</u>

The impact of a +/- 1% change in interest rates on the Group's earnings stems from:
- the change in interest payable on floating-rate net debt;
- changes in the fair value of hedging instruments.

The fair value of hedging instruments is sensitive to changes in interest rates and in volatility. This latter is assumed to be constant for the purposes of the analysis.

At 31 December 2014, net debt amounted to €2,379 million, of which around 33% was contracted at fixed rates and the remainder at floating rates.

Taking account of the hedges:
- the impact of a 1% (100 basis points) rise in interest rates would increase the Group's financial expense by €2.9 million (before tax and capitalisation of financial expenses);
- the impact of a 0.2% drop (20 basis points given current interest rate levels) would reduce financial expense by €0.6 million.

Movement in cash flow hedging reserve:

(in thousands of euros)	31 Dec 2014	31 Dec 2013
Opening hedging reserve	(62,466)	(100,496)
Change in equity fair value during the period	(71,641)	2,024
Of which recognised in profit and loss	31,617	36,006
Effect on overall profit and loss for the period	(40,024)	38,030
Closing hedging reserve	**(102,490)**	**(62,466)**

3.14.2 Value of financial assets excluding derivatives

(in thousands of euros)	31 Dec 2014	31 Dec 2013
Equity investments	22,094	9,459
Other non-current financial assets	15,338	18,945
Short-term investments	159,619	133,958
Financial assets excluding derivatives	**197,050**	**162,362**

3.15 Trade payables

	31 Dec 2014 Net	31 Dec 2013 Net
Trade and related payables	234,217	199,426
Total	**234,217**	**199,426**

The main change in "Trade payables" was due to the acquisitions completed during the period, of a value of €18 million.

3.16 Tax and payroll liabilities

The change in tax and payroll liabilities is linked to the Group's robust expansion. It is the consequence of the higher number of employees and the VAT increase connected to the Group's construction projects.

3.17 Other liabilities and prepayments

	31 Dec 2014 Net	31 Dec 2013 Net
Development-related liabilities	83,615	109,602
Security deposits	43,877	35,729
Commitments to work on buildings sold	2,984	3,468
Client accounts in credit	1,339	1,813
Other prepaid income	16,974	12,031
Derivative financial instruments	102,490	62,466
Advances and downpayments received	13,336	12,741
Current accounts (associated and related parties)	19,224	80,988
Sundry expenses	84,978	59,047
Total	**368,816**	**377,885**

Security deposits mainly comprise the deposits paid by residents at the beginning of their stay.

3.18 Liabilities associated with assets held for sale

Liabilities associated with assets held for sale corresponds to the debt that financed these assets.

3.19 Segment information

		31 Dec 2014	31 Dec 2013
Revenue			
France		1,499,771	1,342,268
Belgium		164,949	158,101
Spain		55,620	49,569
Italy		41,612	38,451
Switzerland		84,412	19,532
Germany		102,216	
	Total	**1,948,580**	**1,607,922**
Recurring operating profit before rents and depreciation, amortisation and provisions			
France		424,426	374,889
Belgium		35,460	35,098
Spain		13,175	12,102
Italy		5,415	5,301
Switzerland		31,310	5,818
Germany		28,033	
	Total	**537,819**	**433,209**
Amortissements et provisions		(55,063)	(55,063)
Résultat opérationnel courant		**482,756**	**378,146**
Assets			
France		5,133,188	4,691,953
Rest of Europe		1,153,000	759,637
	Total	**6,286,187**	**5,451,591**
Liabilities excluding equity			
France		4,144,521	3,524,323
Rest of Europe		643,320	513,915
	Total	**4,787,841**	**4,038,237**

Amounts paid for the acquisition of segment assets are disclosed in note 2.

3.20 Other non-recurring operating income and expense

(in thousands of euros)	31 Dec 2014	31 Dec 2013
Proceeds from property sales	244,673	213,171
Cost of properties sold	(199,192)	(157,767)
Provision reversal	8,467	10,192
Provision charge	(5,188)	(13,726)
Other income	32,266	32,580
Other charges	(43,336)	(43,345)
Other non-recurring operating income and expense	**37,689**	**41,105**

Other non-recurring operating income and expense mainly comprises net gains on sales of property assets for €45 million, income and expense from acquisitions through business combinations for €21 million and expenses associated with the redevelopment of recently acquired facilities and other development costs for €(16) million.

Profit on property development recognised using the percentage of completion method include:

(in thousands of euros)	**31 Dec 2014**	**31 Dec 2013**
Disposal price	99,556	104,473
Cost of sales	(68,962)	(71,987)
Profit recognised on disposals of off-plan properties	**30,594**	**32,486**

3.21 Net finance cost

(in thousands of euros)	**31 Dec 2014**	**31 Dec 2013**
Interest on bank debt and other financial liabilities	(71,021)	(59,590)
Interest on finance leases	(12,712)	(10,593)
Net expense on interest rate derivatives	(31,144)	(35,900)
Financial expenses	**(114,877)**	**(106,083)**
Capitalised borrowing costs(*)	15,288	14,990
Interest income	417	502
Net income on interest rate derivatives		
Financial income	**15,705**	**15,492**
Net finance cost	**(99,172)**	**(90,591)**

(*) Based on an average rate of 4.3% in 2014, compared to 4.4% in 2013, on facilities in the course of construction or redevelopment (see note 1.8).

3.22 Income tax expense

ORPEA SA has elected for group tax relief with all subsidiaries that are more than 95%-owned. All subsidiaries that meet this condition are included in the tax consolidation group except for those acquired during 2014.

(in thousands of euros)	**31 Dec 2014**	**31 Dec 2013**
Current taxes	63,393	59,783
Deferred taxes	2,362	1,247
Total	**65,755**	**61,030**

The income tax charge for 2014 includes the *Contribution sur la Valeur Ajoutée des Entreprises* (CVAE) of €21,994 thousand versus €18,346 thousand in 2013.

Deferred tax assets(liabilities) break down as follows by type of temporary difference:

(in thousands of euros)	31 Dec 2014	31 Dec 2013
Fair value of intangible assets	(453,859)	(412,277)
Fair value of PPE(*)	(324,086)	(312,486)
Capitalisation of finance leases	(73,596)	(60,058)
Timing differences	(4,702)	(4,677)
Tax loss carryforwards	28,100	24,084
Deferral of capital gains	1,025	1,174
Employee benefits	12,054	9,673
CVAE deferred tax(**)	(6,905)	(6,573)
Financial instruments and other	59,974	28,395
Total	**(761,996)**	**(732,745)**

(*) including deferred taxes of €153.4 million related to the revaluation of properties (see notes 1.9 and 3.4.2).

(**) Deferred taxes recognised in accordance with IAS 12 on depreciable property, plant & equipment and amortisable intangible assets of French companies subject to CVAE as of 1 January 2010.

Deferred taxes calculated on the basis of the IFRS valuation of intangible assets came to €453,859 thousand at 31 December 2014. These intangible assets are not held for sale.

The deferred taxes recognised in the balance sheet break down as follows:

(in thousands of euros)	31 Dec 2014	31 Dec 2013
Assets	28,100	24,084
Liabilities	(790,096)	(756,829)
Net	**(761,996)**	(732,745)

The difference between the theoretical tax rate, i.e. 38% in 2014, and the effective tax rate appearing in the income statement, breaks down as follows:

(in thousands of euros)	31 Dec 2014	31 Dec 2013
Effective rate:	**35.27%**	**34.91%**
- Permanent differences	1.53%	0.88%
- Impact of business combinations	6.48%	5.76%
- Impact of reduced tax rates	0.78%	2.41%
- Impact of companies accounted for at equity	0.41%	0.41%
- Impact of foreign companies	2.23%	
- Other	-1.49%	0.14%
- Cotisation sur la valeur ajoutée des entreprises (CVAE)	-7.21%	-6.51%
Theoretical rate	**38.00%**	**38.00%**

3.23 Commitments and contingent liabilities

3.23.1 Off-balance sheet commitments

Debt-related commitments

	31 Dec 2014	31 Dec 2013
Counter-indemnities on contracts	**0**	**0**
Receivables sold not yet matured	**0**	**0**
Collateral	**1,567,017**	**1,332,812**
Financing property assets	*279,675*	*261,401*
Non-property borrowing and financial liabilities	*702,064*	*448,115*
Finance leases	*585,278*	*623,296*
Guarantees	**5,088**	**5,088**
related to property assets	*4,158*	*4,158*
related to non-property borrowings and financial liat	*930*	*930*
related to finance leases		
Other commitments	**0**	**0**
convertible bond subscription		
	1,572,105	**1,337,900**

Commitments relating to the Group's operations

Lease commitments

Minimum future lease payments on finance leases break down as follows at 31 December 2014:

	Minimum future payments
Under one year	77,402
One to five years	309,608
Over five years	541,814
Total lease commitments	**928,824**

Operating lease commitments break down as follows at 31 December 2014:

	Minimum future payments
Under one year	213,861
One to five years	847,285
Over five years	1,604,117
Total lease commitments	**2,665,263**

The Group mainly enters into leases with a non-cancellable period of 12 years in France, and with an average term of 21 years in Switzerland and 17 years in Germany.

Commitments related to individual training rights (DIF)

The law of 4 May 2004 on professional training introduced a system whereby employees can build up training rights to be used at their discretion with their employer's agreement. The minimum annual amount is 20 hours capped at a cumulative total of 120 hours.

On 31 December 2014, these training rights did not generate any additional costs as they are financed by refunds obtained under professional training contracts.
The expense is posted as and when the hours are used.

Commitments relating to the scope of consolidation

At the end of 31 December 2014, contractual commitments to acquire facilities, operating licences and land, subject to a number of conditions precedent being met, amounted to €2 million.

In terms of the 45% stake held via PCM Santé, the following conditional commitments were exchanged for a possible acquisition of a 100% controlling interest:

- promise of purchase approved by ORPEA until 202;
- promise of sale approved by the current majority shareholders from 2021;
- rent guarantee for a clinic until 2044.

In terms of the 49.9% stake in Immobilière de Santé, the following commitments were exchanged for a possible acquisition of a 100% controlling interest:

- sale undertaking given to ORPEA between 1 July 2018 and 30 June 2019;
- promise of purchase by ORPEA between 1 July 2019 and 30 June 2020.

In addition, from 2016 the Group will be able to issue securities against 51% of the share capital of the two companies.

Commitments received

The Group has been given a pledge over land in Spain as collateral for a €2.2 million loan granted by ORPEA SA.

It also has call options over property assets currently leased in Belgium.

3.23.2 Contingent liabilities

Management broadly believes that the provisions recognised on the balance sheet for known disputes involving the Group should be sufficient to avoid any substantial impact on the Group's financial position or results.

3.24 Analysis of financial assets and liabilities in accordance with IFRS 7

Financial assets and liabilities in accordance with IFRS 7 break down as follows:

in thousands of euros	Classification in balance sheet	Level (*)	Carrying amount 31 Dec 2014	Carrying amount 31 Dec 2013	Fair value 31 Dec 2014	Fair value 31 Dec 2013
HELD-TO-MATURITY FINANCIAL ASSETS			**0**	**0**	**0**	**0**
Bonds and negotiable debt securities	Cash and cash equivalents					
LOANS AND RECEIVABLES			**352,715**	**283,039**	**352,715**	**283,039**
Short-term loans	Short-term loans					
Long-term loans	Non-current financial assets	2	15,338	12,659	15,338	12,659
Receivables on asset disposals	Short-term receivables on asset disposals		32,034	31,062	32,034	31,062
Security deposits	Non-current financial assets	2	8,795	6,286	8,795	6,286
Other receivables	Other receivables	2	191,990	152,773	191,990	152,773
Trade receivables	Trade receivables	2	104,558	80,259	104,558	80,259
AVAILABLE-FOR-SALE FINANCIAL ASSETS			**0**	**0**	**0**	**0**
Equity investments	Non-current financial assets					
Other						
FINANCIAL ASSETS AT FAIR VALUE			**621,906**	**468,351**	**621,906**	**468,351**
Interest rate derivatives						
Currency derivatives						
Mutual funds	Cash and cash equivalents	1	159,619	133,958	159,619	133,958
CASH	Cash and cash equivalents	1	462,287	334,392	462,287	334,392
FINANCIAL ASSETS			**974,621**	**751,390**	**974,621**	**751,390**

(*) Level 1: financial assets and liabilities listed on an active market, where fair value is the listed price.

(*) Level 2: financial assets and liabilities not listed on an active market, where fair value is measured using valuation techniques for which all significant inputs are based on observable market data.

(*) Level 3: financial assets and liabilities not listed on an active market, where fair value is measured using valuation techniques for which some significant inputs are not based on observable market data.

in thousands of euros	Classification in balance sheet	Level (*)	Carrying amount 31 Dec 2014	Carrying amount 31 Dec 2013	Fair value 31 Dec 2014	Fair value 31 Dec 2013
FINANCIAL LIABILITIES AT FAIR VALUE			**132,483**	**67,359**	**132,483**	**67,359**
Currency derivatives	Other liabilities					
Interest rate derivatives	Other liabilities	2	102,490	62,466	102,490	62,466
Change in the fair value of the entitlement to the allotment c in ORNANE bonds		2	29,993	4,893	29,993	4,893
Other obligations	Other liabilities					
FINANCIAL LIABILITIES AT AMORTISED COST			**3,501,237**	**2,930,342**	**3,608,348**	**2,997,719**
Bonds convertible, exchangeable or redeemable for shares	Current + non-current financial liabilities	1	865,362	922,236	972,473	989,613
Bank borrowings	Current + non-current financial liabilities	2	1,550,054	869,966	1,550,054	869,966
Finance lease obligations	Current + non-current financial liabilities	2	585,278	623,295	585,278	623,295
Other liabilities	Recurring liabilities	2	266,326	315,419	266,326	315,419
Trade payables	Trade payables	2	234,217	199,426	234,217	199,426
FINANCIAL LIABILITIES			**3,633,720**	**2,997,701**	**3,740,831**	**3,065,078**

(*) Level 1: financial assets and liabilities listed on an active market, w here fair value is the listed price.

(*) Level 2: financial assets and liabilities not listed on an active market, w here fair value is measured using valuation techniques for w hich all significant inputs are based on observable market data.

(*) Level 3: financial assets and liabilities not listed on an active market, w here fair value is measured using valuation techniques for w hich some significant inputs are not based on observable market data.

3.25 Related-party transactions

Associates and joint ventures

Advances granted to associates and joint ventures by the ORPEA Group amounted to €13 million at 31 December 2014.

Advances granted to ORPEA Group by associates and joint ventures as well as related parties amounted to €11 million at 31 December 2014.

ORPEA Group is leasing certain operating premises from related parties within the meaning of IAS 24 "Related Party Disclosures". €6 million in lease payments were expensed in this respect during the year.

Benefits granted to directors and executive officers

The total amount of gross compensation, fees (excluding all taxes) and benefits paid during the 2014 financial year to ORPEA SA's corporate officers was €3,139 thousand. Attendance fees for members of the Board of Directors for the 2014 financial year, paid in 2015, were €269,000.

3.26 Employees

ORPEA Group had 35,795 employees at 31 December 2014, with 6,035 new hires during the year.

3.27 – Statutory Auditors' fees

Expenses recognised in respect of fees paid to the Statutory Auditors for their services to the ORPEA Group amounted to €2,392 thousand in 2014 versus €2,409 thousand in 2013.

3.28 Subsequent events

ORPEA continued its international expansion by acquiring a Group of 55 facilities in Austria (3,936 beds) and three facilities under construction in the Czech Republic (300 beds) on 1 April 2015.

The Group also acquired a psychiatric clinic (70 beds) and a residential home (41 beds) in France.

The table below shows investments made in 2015 by country and by type:

	Number of facilities	Number of beds	Number of sites	Number of buildings
France	2	111		
International	58	4,236	0	0
Germany				
Austria	*55*	*3,936*		
Belgium				
Spain				
Italy				
Czech Republic	*3*	*300*		
Switzerland				
Total	60	4,347	0	0

The conversion of OCEANE bonds meeting the applicable requirements on 22 December 2014 was completed on 4 February 2015.

3.29 Scope of consolidation at 31 December 2014

Main ORPEA Group companies:

Consolidated companies Names	Control Group	Interest Group	Consolidation method
ORPEA SA	100.00%	100.00%	Parent
EURL LES MATINES	100.00%	100.00%	FC
SAS CLINEA	100.00%	100.00%	FC
SARL BEL AIR	100.00%	100.00%	FC
SCI ROUTE DES ECLUSES	100.00%	100.00%	FC
SCI DES RIVES D'OR	100.00%	100.00%	FC
SCI ORPEA DU CHÂTEAU NERAC	100.00%	100.00%	FC
SCI DE LA TOUR DE PUJOLS	100.00%	100.00%	FC
SCI DES RIVES DE LA CERISAIE	100.00%	100.00%	FC
SCI DU VAL DE SEINE	100.00%	100.00%	FC
SCI DU CLISCOUET	100.00%	100.00%	FC
SCI DES RESIDENCES DE L'AGE D'OR	100.00%	100.00%	FC
SCI GAMBETTA	100.00%	100.00%	FC
SCI CROIX ROUSSE	100.00%	100.00%	FC
SCI LES DORNETS	100.00%	100.00%	FC
SCI DU CHÂTEAU D'ANGLETERRE	100.00%	100.00%	FC
SCI MONTCHENOT	100.00%	100.00%	FC
SCI DU 115 RUE DE LA SANTE	100.00%	100.00%	FC
SCI L'ABBAYE VIRY	100.00%	100.00%	FC
SCI LES TAMARIS	100.00%	100.00%	FC
SCI DU 3 PASSAGE VICTOR MARCHAND	100.00%	100.00%	FC
SCI FAURIEL	100.00%	100.00%	FC
SCI DU PORT THUREAU	100.00%	100.00%	FC
SCI DE L'ABBAYE MOZAC	100.00%	100.00%	FC
SCI DE LA RUE DES MARAICHERS	100.00%	100.00%	FC
SCI LE BOSGUERARD	100.00%	100.00%	FC
SCI LE VALLON	100.00%	100.00%	FC
SCI BEL AIR	100.00%	100.00%	FC
SCI BREST LE LYS BLANC	100.00%	100.00%	FC
SCI SAINTE BRIGITTE	100.00%	100.00%	FC
SARL AMARMAU	100.00%	100.00%	FC
SARL VIVREA	100.00%	100.00%	FC
SARL NIORT 94	100.00%	100.00%	FC
SCI LES TREILLES	100.00%	100.00%	FC
SCI LES FAVIERES	100.00%	100.00%	FC
SA LES CHARMILLES	100.00%	100.00%	FC
SA BRIGE	100.00%	100.00%	FC
SRL ORPEA ITALIA	100.00%	100.00%	FC
SARL 96	100.00%	100.00%	FC
SARL SPI	100.00%	100.00%	FC
SARL 95	100.00%	100.00%	FC
SA YDA	100.00%	100.00%	FC
SCI LA TALAUDIERE	100.00%	100.00%	FC
SCI SAINT PRIEST	100.00%	100.00%	FC
SCI BALBIGNY	100.00%	100.00%	FC
SCI SAINT JUST	100.00%	100.00%	FC
SCI CAUX	100.00%	100.00%	FC
SAS LA SAHARIENNE	100.00%	100.00%	FC
SCI IBO	100.00%	100.00%	FC
SARL ORPEA DEV	100.00%	100.00%	FC
SCI BEAULIEU	100.00%	100.00%	FC

Consolidated companies Names	Control Group	Interest Group	Consolidation method
SCI LES MAGNOLIAS	100.00%	100.00%	FC
SARL DOMEA	100.00%	100.00%	FC
SAS ORGANIS	100.00%	100.00%	FC
SARL MAISON DE LOUISE	100.00%	100.00%	FC
SARL GESSIMO	100.00%	100.00%	FC
SARL MAISON DE LUCILE	100.00%	100.00%	FC
SARL MAISON DE SALOME	100.00%	100.00%	FC
SARL MAISON DE MATHIS	100.00%	100.00%	FC
SA DOMAINE CHURCHILL	100.00%	100.00%	FC
SA RS DOMAINE CHURCHILL	100.00%	100.00%	FC
SA LONGCHAMP LIBERTAS	100.00%	100.00%	FC
SL TRANSAC CONSULTING CO	100.00%	100.00%	FC
SARL LA VENITIE	100.00%	100.00%	FC
SA CASA MIA IMMOBILIARE	100.00%	100.00%	FC
SARL L'ALLOCHON	100.00%	100.00%	FC
SA CLINIQUE LA METAIRIE	100.00%	100.00%	FC
SCI KOD’S	100.00%	100.00%	FC
SCI BARBACANNE	100.00%	100.00%	FC
SA DOMAINE LONGCHAMP	100.00%	100.00%	FC
SARL LA BRETAGNE	100.00%	100.00%	FC
SCI SAINTES	100.00%	100.00%	FC
SARL ATRIUM	100.00%	100.00%	FC
SCI BARBARAS	100.00%	100.00%	FC
SARL GESTIHOME SENIOR	100.00%	100.00%	FC
SA CALIDAD RESIDENCIAL	100.00%	100.00%	FC
SCI SLIM	100.00%	100.00%	FC
SCI SELIKA	100.00%	100.00%	FC
SARL MAISON DE CHARLOTTE	100.00%	100.00%	FC
SAS RESIDENCE ST LUC	100.00%	100.00%	FC
SCI JEM II	100.00%	100.00%	FC
SA ORPEA BELGIUM	100.00%	100.00%	FC
SASU LE VIGE	100.00%	100.00%	FC

Consolidated companies Names	Control Group	Interest Group	Consolidation method
SA GERONE CORP	100.00%	100.00%	FC
SL DINMORPEA	100.00%	100.00%	FC
SAS CLINIQUE CHAMPVERT	100.00%	100.00%	FC
SCI LES ANES	100.00%	100.00%	FC
SCI SPAGUY	100.00%	100.00%	FC
SCI LA DRONE	100.00%	100.00%	FC
SCI CHÂTEAU DE LA CHARDONNIERE	100.00%	100.00%	FC
SCI LA SALVATE	100.00%	100.00%	FC
SAS MAJA	100.00%	100.00%	FC
SCI DU CAROUX	100.00%	100.00%	FC
CLINEA ITALIA SPA	100.00%	100.00%	FC
SAS LA CLAIRIERE	100.00%	100.00%	FC
SARL ALTERNATIVE HOSPITALISATION	100.00%	100.00%	FC
SAS CHAMPVERT	100.00%	100.00%	FC
SA DAVER	100.00%	100.00%	FC
SA GRAY	100.00%	100.00%	FC
SCI MANUJACQ	100.00%	100.00%	FC
SA JB VAN LINTHOUT	100.00%	100.00%	FC
SA VINTAGE CLASSICS INTERN	100.00%	100.00%	FC
SARL SOGIMOB	100.00%	100.00%	FC
SA PREMIER	100.00%	100.00%	FC
SC LES PRATICIENS DU GRAND PRE	100.00%	100.00%	FC
SAS MDR LA CHENERAIE	100.00%	100.00%	FC
SAS RESIDENCE DE LA CHENERAIE	100.00%	100.00%	FC
SCI DU 12 RUE DU FAUVET	100.00%	100.00%	FC
SAS HELIADES SANTE	100.00%	100.00%	FC
SA IMMOBILERE LEAU	100.00%	100.00%	FC
SARL 97	100.00%	100.00%	FC
SC CARDIOPIERRE	100.00%	100.00%	FC
SARL L'OMBRIERE	100.00%	100.00%	FC
SA RESIDENCE DU GRAND CHEMIN	100.00%	100.00%	FC
SA VILLERS SERVICES	100.00%	100.00%	FC
SA SENIORIE DE L'EPINETTE	100.00%	100.00%	FC
SA RESIDENCE SENIOR'S WESTLAND	100.00%	100.00%	FC
SARL IDF RESIDENCE RETRAITE LE SOPHORA	100.00%	100.00%	FC
SA EMCEJIDEY	100.00%	100.00%	FC
SCI DOUARNENEZ	100.00%	100.00%	FC
SCI SUPER AIX	100.00%	100.00%	FC
SARL MAISON D'OMBELINE	100.00%	100.00%	FC
SARL LA RETRAITE DU LEU	100.00%	100.00%	FC
SNC LES JARDINS D'ESCUDIE	100.00%	100.00%	FC

Consolidated companies Names	Control Group	Interest Group	Consolidation method
SA RESIDENCE DU MOULIN	100.00%	100.00%	FC
SARL RESIDENCE DU PARC	100.00%	100.00%	FC
SA CARINA	100.00%	100.00%	FC
SA ODE HOLDING	100.00%	100.00%	FC
SA LES AMARANTES MULTI SERVICES	100.00%	100.00%	FC
SA SAINT FRANCOIS	100.00%	100.00%	FC
SA LE THINES	100.00%	100.00%	FC
SA CHÂTEAU DE LA LYS	100.00%	100.00%	FC
SARL FRANCE DOYENNE DE SANTE	100.00%	100.00%	FC
SNC BRECHET CFT ET CIE	100.00%	100.00%	FC
SAS SFI France	100.00%	100.00%	FC
SCI LES ORANGERS	100.00%	100.00%	FC
SA CLINIQUE L'EMERAUDE	100.00%	100.00%	FC
SAS HOTEL DE L'ESPERANCE	100.00%	100.00%	FC
SAS CLINIQUE BEAU SITE	100.00%	100.00%	FC
SCI DU MONT D'AURELLE	100.00%	100.00%	FC
SCI ANSI	100.00%	100.00%	FC
SARL REGINA RENOUVEAU	100.00%	100.00%	FC
SCI BRBT	100.00%	100.00%	FC
SNC MAISON ROSE	100.00%	100.00%	FC
SCI RUE DE LONDRES	100.00%	100.00%	FC
SCI CHÂTEAU DE LOOS	100.00%	100.00%	FC
SCI BERLAIMONT	100.00%	100.00%	FC
SARL MARC AURELLE IMMOBILIER	100.00%	100.00%	FC
SCI DU GRAND PARC	100.00%	100.00%	FC
SCI SEQUOIA	100.00%	100.00%	FC
SA CLINIQUE REGINA	100.00%	100.00%	FC
SARL CLINIQUE DU CHÂTEAU DE LOOS	100.00%	100.00%	FC
SAS LA CHAVANNERIE	100.00%	100.00%	FC
SCI DU JARDIN DES LYS	100.00%	100.00%	FC
SAS DOUCE France SANTE	100.00%	100.00%	FC
SARL RESIDENCE DU PARC DE BELLEJAME	100.00%	100.00%	FC
SCI BELLEJAME	100.00%	100.00%	FC
SARL RESIDENCE DE SAVIGNY	100.00%	100.00%	FC
SARL RESIDENCE LA PUYSAIE	100.00%	100.00%	FC
SAS CHÂTEAU DE VILLENIARD	100.00%	100.00%	FC
SA CLINIQUE DU CABIROL	100.00%	100.00%	FC
SARL RESIDENCE DE L'OASIS	100.00%	100.00%	FC
SARL RESIDENCE RENE LEGROS	100.00%	100.00%	FC
SAS MEX	100.00%	100.00%	FC
SNC MARGAUX PONY	100.00%	100.00%	FC
SNC THAN CO	100.00%	100.00%	FC
SARL LES VERGERS D'ANNA	100.00%	100.00%	FC
SARL DFS IMMOBILIER	100.00%	100.00%	FC
SARL SOGIP	100.00%	100.00%	FC
SARL GUEROULT	100.00%	100.00%	FC
SARL RESIDENCE LES CEDRES	100.00%	100.00%	FC
SA LE VIEUX CHÂTEAU	100.00%	100.00%	FC
SCI LES CHESNAIES	100.00%	100.00%	FC
SPRL ARIANE	100.00%	100.00%	FC
SAS HOME LA TOUR	100.00%	100.00%	FC

Consolidated companies Names	Control Group	Interest Group	Consolidation method
SAS CLINIQUE SAINT JOSEPH	100.00%	100.00%	FC
SARL ADC 09	100.00%	100.00%	FC
SAS CLINIQUE MARIGNY	100.00%	100.00%	FC
SAS SUD OUEST SANTE	100.00%	100.00%	FC
SCI LES OLIVIERS	100.00%	100.00%	FC
SAS MAISON DE SANTE DE MARIGNY	100.00%	100.00%	FC
SAS MASSILIA GESTION SANTE	100.00%	100.00%	FC
SARL PARASSY	100.00%	100.00%	FC
SNC DES PARRANS	100.00%	100.00%	FC
SAS HOLDING MANDRES	100.00%	100.00%	FC
SCI NORMANDY COTTAGE	100.00%	100.00%	FC
SCI BARBUSSE	100.00%	100.00%	FC
SARL ANCIENNE ABBAYE	100.00%	100.00%	FC
SARL PCM SANTE	100.00%	100.00%	FC
VILLE TURINE AIMONE SPA	100.00%	100.00%	FC
CECOLO ASBL PANHUIS PARK	100.00%	100.00%	FC
LUCIE LAMBERT ROOS DER KONI	100.00%	100.00%	FC
SNC LES ACANTHES	100.00%	100.00%	FC
SA LE CLOS ST GREGOIRE	100.00%	100.00%	FC
SAS LE CHÂTEAU DE BREGY	100.00%	100.00%	FC
SA SANCELLEMOZ	96.57%	96.57%	FC
SAS STE NOUVELLE SANCELLEMOZ	100.00%	100.00%	FC
SA RIVE ARDENTE	100.00%	100.00%	FC
SAS LE CLOS D'ALIENOR	100.00%	100.00%	FC
SAS LES JARDINS D'ALIENOR	100.00%	100.00%	FC
SCI REZE	100.00%	100.00%	FC
SCI DU BOIS GUILLAUME	100.00%	100.00%	FC
SCI LIVRY VAUBAN	100.00%	100.00%	FC
SA CLINIQUE MEDICALE DE GOUSSONVILLE	100.00%	100.00%	FC
SA CHÂTEAU DE GOUSSONVILLE	100.00%	100.00%	FC
GROUPE ARTEVIDA	100.00%	100.00%	FC
SAS MEDIC'AGIR	100.00%	100.00%	FC
SARL LES BUISSONNETS	100.00%	100.00%	FC
SCI DU PARC SAINT LOUP	100.00%	100.00%	FC
SCI LARRY	100.00%	100.00%	FC
SAS CLINIQUE GALLIENI	100.00%	100.00%	FC
SAS CLINIQUE LES SORBIERS	100.00%	100.00%	FC
SCI DE PEIX	100.00%	100.00%	FC
SAS VAN GOGH	100.00%	100.00%	FC
SA STE EXPL SOLEIL CERDAN	100.00%	100.00%	FC
SA CLINIQUE SENSEVIA	100.00%	100.00%	FC
SCS BORDES & CIE	100.00%	100.00%	FC
SCI CERDANE	100.00%	100.00%	FC
SARL HOPITAL CLINIQUE DE REVIN	100.00%	100.00%	FC
CLINIQUE BOIS BOUGY	100.00%	100.00%	FC
SAS VILLA GARLANDE	100.00%	100.00%	FC
SAS LE CLOS DES MEUNIERS	100.00%	100.00%	FC
SCI VILLA MORGAN	100.00%	100.00%	FC
SAS IMMO NEVERS	100.00%	100.00%	FC
SARL MAISON DE RETRAITE CHÂTEAU DE PILE	100.00%	100.00%	FC
SARL LE VILLAGE	100.00%	100.00%	FC
SAS ARCHIMEDE VILLAGE	100.00%	100.00%	FC
SAS ALUNORM	100.00%	100.00%	FC
SAS CLINIQUE CASTELVIEL	100.00%	100.00%	FC
SAS Sté Ex. Clinique Cardiologique Maison Blanche	100.00%	100.00%	FC
SAS Clinique Néphrologique Maison Blanche	100.00%	100.00%	FC

ORPEA
Life goes on with Us

Consolidated companies Names	Control Group	Interest Group	Consolidation method
SRL MADONNA DEI BOSCHI	100.00%	100.00%	FC
SRL VILLA CRISTINA	100.00%	100.00%	FC
RESIDENCIE JULIEN BVBA	100.00%	100.00%	FC
OPCI SPPICAV	100.00%	100.00%	FC
SA MEDIBELGE	100.00%	100.00%	FC
SPRL MIKKANNA	100.00%	100.00%	FC
SA FENINVEST SA	100.00%	100.00%	FC
SA L'ADRET	100.00%	100.00%	FC
SRL CHÂTEAU CHENOIS GESTION	100.00%	100.00%	FC
SA GOLF	100.00%	100.00%	FC
SA INTERNATIONNAL Residence Service	100.00%	100.00%	FC
SA LINTHOUT	100.00%	100.00%	FC
SA NEW PHILIP	100.00%	100.00%	FC
SA PARC PALACE	100.00%	100.00%	FC
SA PROGESTIMMOB	100.00%	100.00%	FC
SA RINSDELLE	100.00%	100.00%	FC
SA TOP SENIOR	100.00%	100.00%	FC
SA LA SENIORIE DU VIGNERON	100.00%	100.00%	FC
SA VESTA SENIOR	100.00%	100.00%	FC
SAS MEDITER	100.00%	100.00%	FC
SARL CLINIQUE DE SOINS DE SUITE LA SALETTE	100.00%	100.00%	FC
SAS LE CLOS ST SEBASTIEN	100.00%	100.00%	FC
SARL CUXAC	100.00%	100.00%	FC
SAS CLINIQUE DE LA RAVINE	100.00%	100.00%	FC
SAS MAISON DE RETRAITE LA JONCHERE	100.00%	100.00%	FC
SAS CLINIQUE LES BRUYERE BROSVILLE	100.00%	100.00%	FC
SAS SESMAS	100.00%	100.00%	FC
SAS CLINIQUE PSYCHIATRIQUE DE SEINE ST DENIS	100.00%	100.00%	FC
SAS CLINIQUE DU HAUT CLUZEAU	100.00%	100.00%	FC
SA IHMCA	100.00%	100.00%	FC
SAS CLINIQUE DU PARC DE BELLEVILLE	100.00%	100.00%	FC
SAS CLINIQUE DE SOINS DE SUITE DU BOIS GUILLAUME	100.00%	100.00%	FC
SAS CLINIQUE DE SOINS DE SUITE DE BELLOY EN FRANCE	100.00%	100.00%	FC
SA LA PINEDE	100.00%	100.00%	FC
SCI MEDITER FONCIER	100.00%	100.00%	FC
SARL LA PASTORALE	100.00%	100.00%	FC
SAS CA SANTE	100.00%	100.00%	FC
SA HOLDING MIEUX VIVRE	100.00%	100.00%	FC
SARL LE CLOS ST JACQUES	100.00%	100.00%	FC
SAS LES GRANDS PINS	100.00%	100.00%	FC
SARL LE CLOS DE BEAUVAISIS	100.00%	100.00%	FC
SAS BELLEVUE 95	100.00%	100.00%	FC
SAS CHÂTEAU DE CHAMPLATREUX	100.00%	100.00%	FC
SAS RESIDENCE DU PORT	100.00%	100.00%	FC
CORASEN Groupe Corasen	100.00%	100.00%	FC
CORASEN Atlantis	100.00%	100.00%	FC
CORASEN IPM	100.00%	100.00%	FC
CORASEN Oostheem	100.00%	100.00%	FC
CORASEN Zorgcentrum europ	100.00%	100.00%	FC
CORASEN Home de Familie	100.00%	100.00%	FC
CORASEN Vordenstein NV	100.00%	100.00%	FC
CORASEN Vastgoed Albe	100.00%	100.00%	FC
CORASEN Vordenstein BVBA	100.00%	100.00%	FC
CORASEN Albe BVBA	100.00%	100.00%	FC
CORASEN T'Bisschoppenhof VZW	100.00%	100.00%	FC
DKK Holding	100.00%	100.00%	FC
DKK De Haan NV	100.00%	100.00%	FC
DKK Gerontologisch Centrum de Haan VZW	100.00%	100.00%	FC
SEAFLOWER Service Palace	100.00%	100.00%	FC
SEAFLOWER Retake BVBA	100.00%	100.00%	FC

Consolidated companies Names	Control Group	Interest Group	Consolidation method
SARL DOMIDOM Services	100.00%	100.00%	FC
SAS TCP DEV	100.00%	100.00%	FC
SAS AGE PARTENAIRES	100.00%	100.00%	FC
SAS ALICE ANOTOLE ET CIE	100.00%	100.00%	FC
SAS L'OASIS PALMERAIE	100.00%	100.00%	FC
SAS AP BRETIGNY	100.00%	100.00%	FC
SARL LA MADONE	100.00%	100.00%	FC
SAS LA CHENERAIE - ST RAMBERT	100.00%	100.00%	FC
SAS BON AIR	100.00%	100.00%	FC
SAS LE CERLCE DES AINES	100.00%	100.00%	FC
SAS LES MYOSOTIS	100.00%	100.00%	FC
SAS CLINIQUE DU CHÂTEAU DE SEYSSES	100.00%	100.00%	FC
SARL ACTIRETRAITE - MONTGERON	100.00%	100.00%	FC
SAS CLINIQUE MONTEVIDEO – LA TOURELLE	100.00%	100.00%	FC
SAS CRF DE NAVENNE	100.00%	100.00%	FC
SAS RESIDENCE CASTEL GEORGES	100.00%	100.00%	FC
SAS CLINIQUE DR BECQ	100.00%	100.00%	FC
SENEVITA AG	100.00%	100.00%	FC
SPRL THIER S/ LA FONTAINE	100.00%	100.00%	FC
SILVER CARE GROUP	100.00%	100.00%	FC
SAS CLINIQUE DU PARC	100.00%	100.00%	FC
SCI ARDENNAISE	100.00%	100.00%	FC
SAS ST JEAN	100.00%	100.00%	FC

2. Statutory Auditors' Report on the consolidated financial statements

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.
This report also includes information relating to the specific verification of information given in the management report.
This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

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75008 Paris

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

ORPEA

Société Anonyme

115 rue de la Santé
75013 Paris

Statutory Auditors'
Report on the consolidated financial statements

Financial year ended 31 December 2014

To the Shareholders,

In accordance with the instructions given to us by your General Meeting, we present our report for the financial year ending 31 December 2014, on:

- the audit of ORPEA's consolidated financial statements, as appended to this report;
- the justification for our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on those financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit according to professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis or using other selective methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant

estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
In our opinion, the consolidated financial statements present fairly in all material respects the financial position, assets and liabilities and results of the consolidated group of companies for the year ended 31 December 2012 in accordance with international financial reporting standards (IFRSs) as endorsed by the European Union.

II. Basis for our assessments

As required by the provisions of article L. 823-9 of the French Commercial Code on the basis for our assessments, we draw your attention to the following matters:

- operating licences recognised as intangible assets with an indefinite useful life and goodwill are tested for impairment using the method described in notes 1.7, 1.9 and 3.3 to the consolidated financial statements. We assessed the appropriateness of the method used which is based on estimates and reviewed the data and assumptions used by the Group to perform this test;
- Fully or jointly-owned properties, mainly through finance leases, comprising land and buildings operated by the Group are, in accordance with paragraph 31 of IAS 16 - Property, Plant and Equipment periodically revalued at fair value by qualified professional valuers as indicated in notes 1.8 and 3.4.2 to the consolidated financial statements. As part of our overall assessment of the accounting policies used by the Company, we assessed the appropriateness of the accounting methods described above and the disclosures provided in the aforementioned notes to the consolidated financial statements.

Our assessments of these matters formed an integral part of our audit of the consolidated financial statements taken as a whole and therefore contributed to the opinion expressed in the first part of this report.

III. Specific investigations and disclosures

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group management report.
We have no matters to report as to its fairness or its consistency with the consolidated financial statements.

Paris and Neuilly-sur-Seine, 7 May 2015

The Statutory Auditors

Saint-Honoré BK&A	Deloitte & Associés
Emmanuel KLINGER	Joël ASSAYAH

CHAPTER VIII: STATUTORY FINANCIAL STATEMENTS AT 31/12/2014

1. FINANCIAL STATEMENTS OF ORPEA S.A AT 31 DECEMBER 2014

STATUTORY INCOME STATEMENT

(in euros)	31 Dec 2014	31 Dec 2013
- Revenue	**625,094,135**	**552,525,700**
- Inventory change	(22,300,245)	(14,873,711)
- Other operating income	25,366,417	23,110,665
- Purchases and other external charges	227,619,877	199,992,951
- Taxes other than on profit	31,954,538	28,600,775
- Staff costs	297,091,500	263,084,449
- Depreciation, amortisation and provisions	23,103,120	19,125,917
- Other operating expense	913,075	3,280,239
OPERATING PROFIT	**47,478,199**	**46,678,323**
- Financial income	68,553,048	62,346,011
- Financial expenses	101,313,144	96,703,312
NET FINANCE COST	**(32,760,096)**	**(34,357,301)**
PRE-TAX PROFIT ON ORDINARY ACTIVITIES	**14,718,103**	**12,321,023**
- Exceptional items	(2,438,903)	(4,542,032)
- Employee profit-sharing		
- Income tax	4,767,843	4,826,545
NET PROFIT	**7,511,357**	**2,952,446**

STATUTORY BALANCE SHEET

ASSETS (in euros)	31 Dec 2014			31 Dec 2013
	Gross	Depr., Amort. and provisions	Net	Net
Non-current assets				
- Intangible assets	275,088,280	1,770,685	273,317,595	230,872,966
- Property, plant and equipment	286,060,197	114,138,919	171,921,279	154,287,405
- Financial assets	892,783,503	7,354,148	885,429,355	691,919,861
TOTAL NON-CURRENT ASSETS	**1,453,931,981**	**123,263,752**	**1,330,668,229**	**1,077,080,232**
Current assets				
- Inventories and work-in-progress	70,509,380	1,188,655	69,320,725	56,689,538
- Advances and downpayments made	3,381,043		3,381,043	2,741,617
- Trade receivables	18,388,040	5,482,164	12,905,876	14,175,525
- Other receivables	1,390,647,382	764,736	1,389,882,646	1,237,745,274
- Marketable securities	128,353,127		128,353,127	87,310,461
- Cash	342,753,072		342,753,072	293,940,510
- Prepaid expenses	6,100,607		6,100,607	2,837,680
TOTAL CURRENT ASSETS	**1,960,132,651**	**7,435,554**	**1,952,697,097**	**1,695,440,607**
- Deferred charges		-	-	-
TOTAL ASSETS	**3,414,064,632**	**130,699,306**	**3,283,365,326**	**2,772,520,839**

EQUITY AND LIABILITIES (in eur	31 Dec 2014	31 Dec 2013
Equity		
- Share capital	69,459,866	69,346,239
- Share premiums and reserves	425,097,055	460,870,063
- Retained earnings	3,220,202	249,273
- Net profit for the year	7,511,357	2,952,446
- Special tax-allowable reserves	4,815,761	3,670,386
TOTAL EQUITY	**510,104,241**	**537,088,407**
Provisions for liabilities and charges	27,966,432	21,345,241
Liabilities		
- Borrowings and financial liabilities	2,146,181,615	1,606,365,160
- Advances and downpayments received	4,471,298	3,594,151
- Trade payables	59,289,919	40,066,247
- Tax and social security liabilities	89,932,198	72,603,693
- Other liabilities	406,816,502	472,692,231
- Prepaid income	38,603,119	18,733,731
TOTAL LIABILITIES	**2,745,294,652**	**2,214,055,212**
Unrealised currency gains		31,979
TOTAL LIABILITIES	**3,283,365,326**	**2,772,520,839**

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

I – ACCOUNTING PRINCIPLES, SIGNIFICANT EVENTS OF THE YEAR AND EVENTS AFTER THE BALANCE SHEET DATE

I.1 – ACCOUNTING PRINCIPLES

The statutory financial statements have been prepared in accordance with the provisions of ANC regulation no. 2014-03 relating to the General Accounting Plan.

The following fundamental accounting concepts have been applied:

- going concern;
- consistency of accounting methods;
- accruals basis;
- and in accordance with the general rules for preparing and presenting financial statements.

The basic method used to value items posted in the accounts is the historical cost method. However, it should be remembered that the operating licences and equity securities held prior to that date were reassessed in the context of mergers recorded in 1998.

I.2 – Significant accounting policies

The significant accounting policies used are as follows:

I.2.1 – Intangible assets

Intangible assets mainly comprise licences to operate long-term care facilities.
They are tested annually for impairment, which consists in comparing their book value with the higher of the following two values:

1) Value in use, which is determined by discounting the future cash flows expected to be generated from continued use of the assets.
The discount rate used is equal to the ORPEA Group's weighted average cost of capital and the residual value is determined using a perpetual growth rate based on the growth outlook for the Company in light of potential trends in its business sector;

2) Fair value less costs to sell.

If the carrying amount is higher than value in use or fair value less costs to sell, as applicable, an impairment loss is recognised for the difference.

Technical losses incurred on merging subsidiaries into the Company are recognised in intangible assets.
They are equal to unrealised gains on assets recognised or not in the subsidiary's financial statements less any liabilities not recognised in the subsidiary's financial statement in application of accounting principles, up to a maximum of the difference between the carrying amount of the interest previously held and the merged subsidiary's net assets.
They are allocated on a non-accounting basis to the assets transferred according to their actual estimated value.

Other intangible assets are amortised on a straight-line basis over a period of one to five years.

I.2.2 - Property, plant and equipment

Property, plant and equipment, comprising land, buildings, fixtures and fittings, equipment and furnishings, are measured at acquisition cost (purchase price plus transaction costs), production cost or transfer value.

The depreciation method chosen by the Company is the straight line method. Depreciation is calculated on the expected useful life of each asset or each of the components having different useful lives using the following criteria:

- Buildings, fixtures and fittings: 12 to 60 years;
- Plant and equipment: 3 to 10 years;
- Other: 3 to 10 years.

I.2.3 - Investments in subsidiaries, other long-term equity interests and related receivables

This item comprises equity interests in subsidiaries and other companies.

In accordance with decree no. 2005-1702 of 28 December 2005, the Company has elected to capitalise all transfer taxes, professional fees or commissions and other contract expenses related to the acquisition of equity interests in subsidiaries and other companies as part of the cost of the acquisition.

Expenses related to equity interests in subsidiaries are amortised on an accelerated basis for tax purposes over a period of five years.

Equity interests are measured at cost or transfer value.

An impairment loss is recognised if the value in use falls below the carrying amount.

Value in use is determined according to the investee company's net assets or an enterprise value calculated on the basis of:

- first, future cash flows expected to be generated by its continued operation;
- and second, the disposal value net of selling costs.

Impairment losses are also recognised in respect of related receivables where necessary.

I.2.4 - Inventories and work-in-progress

This item includes various supplies, materials, small equipment and work in progress on property projects, which are measured at cost.

Property work in progress comprises land and construction in progress to support the Company's expansion and that of its subsidiaries.

Cost is equal to the purchase and/or production cost incurred in bringing the asset to its present condition and location. Production cost includes direct production costs and borrowing costs directly attributable to the production of the property asset.

Marketing costs directly attributable to the assets sold are accounted for as property work in progress during the construction period and recorded under expenses on the date of completion of the property.

Property development programmes are sold:

- either transferred to third parties en bloc or in batches;
- or to leasing organisations.

Revenue, construction costs and the corresponding margins are recognised in the income statement on the date of completion of the works.

Changes in work in progress are recognised through profit or loss under "increase or decrease in work in progress".

An impairment loss is recognised when the value in use is lower than the book value.

I.2.5 – Trade and other receivables

Receivables and liabilities are measured at their face value. Receivables are written down if their estimated fair value falls below their face value.

A provision for impairment is recognised when there is objective evidence that the Company may be unable to recover the full amount on the original terms and conditions of the transaction. The age of a receivable and a debtor's habitual arrears are evidence of impairment.

Based on past experience, impairment rates are typically as follows:

- Receivables more than six months past due: 50% or less depending on the resident's financial position (guarantee, own assets, etc.);
- Receivables more than one year past due: 100% or less depending on the resident's financial position (guarantee, own assets, etc.).

However, impairment rates applied to receivables due from residents on social support are as follows:

- Receivables more than two years past due: 50%;
- Receivables more than three years past due: 100%.

I.2.6 – Cash

Cash and cash equivalents consist of cash in hand and at bank and risk-free, short-term accounts.

I.2.7 – Stock options, share warrants and bonus share awards

The Company set up three stock option plans for some of its managers which are no longer in existence.

Pursuant to an authorisation granted by the General Meeting of Shareholders of 29 June 2006, the Board of Directors granted 68,420 free shares to 1,975 employees of the Group.

On 17 August 2009, the Company made an issue of bonds in the form of an OBSAAR (bonds with redeemable share warrants). This operation led to the creation of 1,190,787 warrants. These warrants will be exercisable from 14 August 2011 to 14 August 2015 inclusive and will subscribe to 1.062 ORPEA shares for an exercise price of €37.90. The maximum dilutive effect is 2.33% of the share capital.

I.2.8 - Provisions

The Company recognises a provision when it has an obligation to a third party, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and its amount can be estimated reliably.
If it is not probable but only possible that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably, it is recognised off-balance sheet as a contingent liability.

Provisions for employee-related disputes are estimated by the social affairs department depending on the risk incurred by the Company and the stage of progress in any proceedings pending.

Provisions for tax disputes are estimated by the finance department after a full review of any tax audits in progress.

Where applicable, provisions may be recognised against various equity interests depending on the investee company's net assets and commitments to the ORPEA at the year-end.

Regulated provisions relate to accelerated depreciation for the costs of equity tied up.

I.2.9 - Borrowing

Financial liabilities are posted at their face value net of any associated transaction costs, which are recognised in the operating profit.
If the future interest expense is hedged, the hedged liability is still measured at amortised cost.

Liabilities include short and long term loans, and property bridging loans which are bank loans allocated specifically to financing operating properties recently acquired or in the course of construction.

Borrowing costs are recognised as an expense in the period in which they are incurred, except for those directly attributable to the purchase, construction or production of an asset. In this case, they are included in the cost of the asset.

I.2.10 - Financial instruments and derivatives

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

Under its risk management policy, the Company uses derivative instruments such as swaps and interest rate options under which it receives Euribor and pays a fixed rate specific to each contract depending on the Euribor rate.

The purpose of these transactions is to convert floating rate debt into fixed debt in order to optimise the risk profile according to expected trends in interest rates.

During 2014, the Company continued its interest rate risk management policy, which is to build up a portfolio of financial instruments that qualify for hedge accounting.

I.2.11 – Revenue

Revenue mainly comprises:

1) Payment for accommodation and care services provided to residents. This is posted when the service is provided.

The per diem rate is payable as follows:

- the "accommodation" component is paid by the resident;
- the "long-term care allowance" component is paid by the resident and the local authority (the day rate is set by the local authority depending on the level of care required and forecast expenses);
- the "medical care" component is paid by the regional health insurance fund (the per diem rate is set according to the level of care required and forecast expenses).

2) Proceeds from the disposal of properties built or developed by the Company to third parties. Corresponding changes in work in progress are recognised through profit or loss under "increase or decrease in work in progress".

I.2.12 – Taxes

ORPEA is the head of the tax consolidation group formed with subsidiaries that are at least 95%-owned.

ORPEA, like each of the subsidiaries in the tax group, pays income tax calculated on its own earnings.

I.2.12 – CICE (tax credit for encouraging competitiveness and jobs)

The 3rd Amending Finance Law for 2012 introduced the CICE (tax credit for encouraging competitiveness and jobs) from 1 January 2013. This tax credit is recognised in the statutory financial statements as a deduction from staff costs.

The CICE made it possible to maintain the level of investment to fund required renovation and restructuring works at existing facilities, as well as the construction and opening of new facilities, thereby creating and ensuring the sustainability of jobs. It was also used to offer private health insurance to most employees of the Company.

I.3 – Internal restructuring

In order to streamline its structure, the Company carried out internal restructuring at year-end, merging seven of its subsidiaries: SARL Maison de Charlotte, SAS Le Vigé, SAS Médic Agir, SAS Maison de Retraite Van Gogh, SAS Maison de Retraite Villa Garlande, SAS Le Clos des Meuniers and SAS Résidence Castel Georges.

The various assets and liabilities of the subsidiaries were taken over and posted into ORPEA's financial statements on 31 December 2014.

These transactions resulted in the recognition of a merger loss of €39,882 thousand, allocated to intangible assets.

I.4 – Significant events over the year

Since 1 January 2014, the Company continued its development by opening three facilities (446 beds) after the completion of construction initiated in prior years. The facilities are located in La Garenne Colombes, Ollioules, Biganos, Rezé and Parignargues.

ORPEA also continued its acquisitions policy with the purchase of two facilities in France in Gennevilliers (the remaining 70%) and Montgeron.

The Company acquired the outstanding shares (70%) in SARL DOMIDOM SERVICES, a home care service provider.

The Company also acquired the SENEVITA Group, comprising 21 facilities consisting of 2,293 beds (1,182 of which are in operation) in German-speaking Switzerland on 1 April 2014, and in the second half of 2014 acquired the SILVER CARE Group, comprising 61 nursing homes in Germany consisting of 5,963 beds (290 of which are under construction).

The Group also made ad hoc acquisitions – either directly or via companies – of standalone assets necessary for its expansion, comprising intangible property and operating rights.

I.5 – Events after the balance sheet date

ORPEA continued its international expansion by acquiring a Group of 55 facilities in Austria (3,936 beds) and three facilities under construction in the Czech Republic (300 beds) on 1 April 2015.
In France, the Group also acquired a nursing home (41 beds).
The conversion of OCEANE bonds meeting the applicable requirements on 22 December 2014 was completed on 4 February 2015.

II – NOTES TO THE FINANCIAL STATEMENTS

N.B.: *Amounts are expressed in euros unless expressly stated otherwise.*

II.1 – Balance sheet

II.1.1 – Non-current assets

Intangible assets:

Movements in gross intangible assets:

Gross value	Start of year	Increase	Decrease	Reclassification	Mergers	End of year
Set-up costs	2,910					2,910
Concessions, patents	1,280,330	5,978			16,254	1,302,562
Goodwill	222,797,579	3,253,896	767,611	934,907	40,076,814	266,295,586
Other intangible assets	2,446,284	2,585	299,504	(679,907)	49,950	1,519,408
Downpayments on intangible assets	5,887,983	884,831	550,000	(255,000)		5,967,814
Total	232,415,086	4,147,290	1,617,115	0	40,143,018	275,088,279

Movements in amortisation of gross intangible assets:

Depreciation/amortisation	Start of year	Increase	Decrease	Mergers	End of year
Set-up costs	65	68			133
Concessions, patents	926,179	116,467		16,254	1,058,900
Goodwill	0				0
Other intangible assets	615,876	46,217		49,558	711,651
Downpayments on intangible assets	0				0
Total	1,542,120	162,684	0	65,811	1,770,685

Property, plant and equipment:

Movements in gross property, plant & equipment:

Gross value	Start of year	Increase	Decrease	Reclassification	Mergers	End of year
Lands	5,586,023					5,586,024
Buildings	153,821,897	9,372,911	426,866	15,391,437	1,689,022	179,848,400
Technical and General Facilities	40,580,231	2,997,749	21,926	527,176	2,246,866	46,330,097
Transport equipment	385,359	64,932	232		14,567	464,626
Property, plant and equipment in progress	23,423,643	8,690,373	0	(10,058,136)	380,422	22,436,303
Other tangible assets	27,885,443	1,694,558	532,166	105,286	2,241,626	31,394,746
Total	251,682,597	22,820,523	981,190	5,965,763	6,572,502	286,060,197

Movements in amortisation of gross property, plant & equipment:

Depreciation/amortisation	Start of year	Increase	Decrease	Reclassification	Mergers	End of year
Lands	33,035		4,364			28,671
Buildings	48,789,972	7,244,599	81,037	579,181	839,599	56,213,953
Technical and General Facilities	29,029,330	3,952,888	21,926	20,008	1,782,599	34,762,899
Transport equipment	315,834	28,803	232		14,567	358,972
Other tangible assets	19,227,021	1,596,149	104,466	2,500	2,053,220	22,774,424
Total	97,395,188	12,822,439	212,025	601,689	4,689,985	114,138,919

Financial assets:

Movements in gross financial assets:

Gross value	Start of year	Increase	Decrease	Reclassification	Mergers	End of year
Equity investments	682,314,903	187,675,390	3,372,359		(43,611,681)	823,006,254
Other equity interests	6,985					6,985
Receivables related to investments	0	55,791,126				55,791,126
Loans	8,394,471	909,804			101,740	9,406,017
Other non-trading assets	3,603,457	46,283,620	45,769,374		455,418	4,573,121
Total	694,319,816	290,659,940	49,141,733	0	(43,054,523)	892,783,503

The increase in equity securities was mainly due to the acquisition of the SENEVITA and SILVER CARE groups, with the latter owing the Company in relation to its €55 million equity investment.

ORPEA sold its SARL Reine Bellevue and SCI Courbevoie de l'Arche shares, with a consequent €3 million decrease in its securities.

The changes in "other financial assets" were primarily caused by treasury share transactions.

Loans and other financial assets break down as follows:

	31/12/2014	up to 1 year	over 1 year
Loans	9,406,017	31,583	9,374,434
Deposits and guarantees	3,699,932		3,699,932
Treasury shares	873,189	873,189	
Total	13,979,138	904,772	13,074,366

The General Meeting of Shareholders of 29 June 2006 authorised a share repurchase programme. This programme is intended to allow the Company to provide liquidity and stimulate the market, and to optimise its capital management. 19,500 treasury shares were held under the programme on 31 December 2014.

Movements in provisions against financial assets:

Provisions	Start of year	Increase	Decrease	Mergers	End of year
Equity securities	2,360,849	4,805,113		149,079	7,315,041
Loans	39,107				39,107
Total	2,399,956	4,805,113	0	149,079	7,354,148

II.1.2 – List of subsidiaries and other equity interests

Company	Share capital	Share of capital held	Profit for the financial year ended	Equity 2014	Carrying amount of securities 2014	
					Gross	Net
SCI Route des Ecluses	303,374	99%	19,134	1,960,110	303,374	303,374
SCI Les Rives d'Or	1,524	99%	163,863	1,841,863	933,755	933,755
SCI du Château	1,524	99%	331,435	2,639,371	1,353,340	1,353,340
SCI Tour Pujols	1,524	99%	322,316	2,000,291	1,364,795	1,364,795
SCI La Cerisaie	1,524	99%	137,468	2,146,851	47,224	47,224
SCI Val de Seine	1,524	99%	(428,062)	(3,486,958)	711,307	711,307
SCI Cliscouet	1,524	99%	430,948	1,346,176	1,494	1,494
SCI Age d'Or	2,549,161	99%	857,674	12,027,776	6,234,540	6,234,540
SCI Gambetta	1,524	99%	442,956	5,238,061	1,509	1,509
SCI Croix Rousse	1,524	99%	514,855	5,800,621	1,509	1,509
SCI Les Dornets	1,524	99%	242,485	1,209,416	1,494	1,494
SCI Château d'Angleterre	1,646	99%	2,366,597	7,784,561	1,763,577	1,763,577
SCI Montchenot	1,524	99%	245,972	10,765,824	1,286,933	1,286,933
SCI 115 rue de la Santé	1,524	90%	569,762	12,046,386	1,372	1,372
SCI Abbaye	1,524	90%	(303,185)	(3,606,035)	344,410	344,410
SCI Les Tamaris	1,524	99%	456,909	2,295,339	1,357	1,357
SCI Passage Victor Marchand	1,524	99%	(328,365)	3,178,321	1,509	1,509
SCI Fauriel	1,524	99%	(1,835,007)	(9,932,383)	1,618,841	1,618,841
SCI Port Thureau	1,524	99%	158,511	1,214,473	63,708	63,708
SCI de l'Abbaye	1,524	99%	285,244	599,153	1,509	1,509
SCI Les Maraichers	1,524	99%	464,680	1,599,182	99,595	99,595
SCI Bosguerard	1,524	99%	132,377	1,009,011	1,274,306	1,274,306
SCI Le Vallon	1,524	90%	445,602	5,326,187	2,033,228	2,033,228
SCI Brest Le Lys Blanc	1,524	47%	796,797	(11,937,144)	717	717
SCI Bel Air	1,524	99%	(96,717)	16,914	335,837	335,837
SAS CLINEA	194,008,608	100%	27,618,911	295,590,823	203,855,563	203,855,563
SARL Les Matines	7,622	100%	(651,345)	(4,450,338)	7,622	7,622
SARL Bel Air	1,265,327	100%	261,836	3,881,040	840,604	840,604
SARL Amarmau	7,622	100%	(64,877)	(1,064,333)	7,622	7,622
SARL 94 Niort	7,700	100%	(9,093,982)	21,072,531	7,700	7,700
SARL 95	7,700	100%	(83,131)	(630,891)	7,700	0
SCI Sainte Brigitte	1,525	100%	(26,689)	(637,342)	1,524	1,524
SARL VIVREA	150,000	100%	(689,901)	(2,614,134)	150,000	150,000
SA LES CHARMILLES	76,225	98%	(250,027)	4,201,234	3,092,517	3,092,517
SCI KOD'S	22,650	100%	56,980	526,330	68,094	68,094
SARL LA BRETAGNE	277,457	100%	(141,506)	(1,161,915)	41,300	41,300
SARL RESIDENCE LA VENITIE	13,300	100%	(242,450)	(470,744)	796,267	796,267
SARL L'ATRIUM	7,622	100%	4,431	(738,735)	985,140	985,140
SARL GESTIHOME SENIOR	400	100%	(915)	(8,728)	410,849	0
SA BRIGE	1,200,000	100%	(7,491)	56,672	670,000	670,000
SRLORPEA ITALIA	3,350,000	5%	(3,026,699)	1,123,205	682,862	682,862
SCI LES TREILLES	15,245	99.99%	47,501	2,187,598	2,363,698	2,363,698
SCI LES MAGNOLIAS	1,525	99%	(279,923)	(2,573,866)	1,510	1,510
SCI le Barbaras	182,939	100%	1,780,254	6,450,516	821	821
SARL DOMEA	100,000	100%	92,630	80,458	100,000	100,000
SARL 96	7,700	100%	(77,771)	3,054,208	6,930	6,930
SCI BEAULIEU	3,049	100%	(12,560)	(57,054)	30,490	0
SAS LA SAHARIENNE	1,365,263	100%	(171,538)	(673,687)	5,712,440	5,712,440
SARL ORPEA DEV	100,000	100%	(1,059)	875,871	100,000	100,000
SAS ORGANIS	37,000	100%	266,197	(144,724)	11,775,946	9,825,946
GRUPO CARE	63,921	100%	4,176,712	4,608,199	19,228,321	19,228,321
DINMORPEA	5,000	100%	451,917	131,510	5,000	5,000
SRL CASA MIA IMMOBILIARE	20,000,000	100%	17,924	14,259,435	17,646,819	17,646,819
SA ORPEA BELGIUM	81,500,000	99.99%	904,549	141,682,383	65,479,233	65,479,233
SA DOMAINE DE CHURCHILL	815,012	100%	530,496	16,780,528	12,135,729	12,135,729
SA DOMAINE DE LONGCHAMP	65,026	10%	104,681	12,014,299	1,414,449	1,414,449

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Company	Share capital	Share of capital held	Profit for the financial year ended	Equity 2014	Carrying amount of securities 2014	
					Gross	Net
SA LONGCHAMPS LIBERTAS	90,000	100%	882,076	1,401,956	554,719	554,719
SA RS DOMAINE DE CHURCHILL	265,039	100%	151,099	585,013	3,075,311	3,075,311
TRANSAC CONSULTING CORPORAT	3,009	100%	(3,480)	(9,473)	1,823,231	1,823,231
SAS Résidence St Luc	37,200	100%	(394,877)	(4,325,645)	2,644,007	2,644,007
SARL Benian	1,000	20%	(208)	(41,532)	300,200	0
SCI JEM II	152	90%	57,544	437,869	883,500	883,500
SARL La Doyenne de Santé	8,000	50%	(241,477)	(326,835)	1,267,425	1,267,425
SA Gerone	500,000	100%	(220,316)	1,273,026	2,982,451	2,982,451
SCI Douarnenez	1,500	100%	340,179	(1,243,668)	1,485	1,485
SCI Barbacane	1,524	1%	23,009	928,217	15	15
SCI Selika	10,671	0.14%	35,189	5,613,894	15	15
SCI SLIM	762	100%	81,528	806,669	1,830	1,830
SCI SAINTES BA	1,524	1%	(676,056)	3,501,870	15	15
SCI Les Anes	1,000	0.10%	12,098	(1,535,412)	1	1
SARL L'Ombrière	8,000	100%	(52,637)	(779,761)	822,027	0
SAS MDR La Cheneraie	254,220	2%	(9,284)	(984,311)	146,044	146,044
SARL IDF resid Ret.Le Sophora	7,622	10%	(472,981)	(1,422,511)	80,000	80,000
SNC les Jardins d'Escudie	100,000	100%	(342,184)	(4,191,374)	824,310	824,310
SA Résidence du Moulin	38,112	100%	(311,344)	(2,642,725)	2,100,466	2,100,466
SC Les Praticiens	87,600	1%	1,670	64,236	67,009	0
SAS Résidence La cheneraie	2,537,040	100%	30,538	6,155,820	7,324,746	7,324,746
SA EMCEJIDEY	293,400	100%	1,889,427	2,621,637	4,419,887	4,419,887
SARL Résidence du Parc	18,560	100%	(13,825)	18,246	5,810	5,810
SCI du Fauvet	1,524	10%	(470,658)	238,141	68,306	68,306
OPCI	5,301,885	5.02%	(86,222)	4,868,542	479,732	479,732
SAS SFI France	4,000,000	51%	(133,530)	(1,692,127)	23,305,520	23,305,520
SCI Ansi	22,867	0.1%	2,040,356	5,257,185	40,399	40,399
SARL Viteal les Cedres	50,000	100%	(82,841)	(1,520,560)	85,039	0
SA Le Vieux Château	50,000	100%	28,339	(1,387,613)	629,728	629,728
SAS Home La Tour	40,600	100%	(17,955)	(545,512)	2,797,720	2,797,720
SAS MEDITER	69,650,000	100%	65,993,532	125,680,475	169,198,343	169,198,343
SNC des Parrans	7,622	100%	(124,927)	(310,194)	1,399,856	0
SAS Holding Mandres	8,000	100%	385,526	683,337	3,325,832	3,325,832
SNC Les Acanthes	7,622	100%	(144,222)	(114,216)	1,468,434	0
SA Le Clos St Grégoire	38,173	100%	207,455	1,893,514	4,692,302	4,692,302
SA Rive Ardente	135,000	100%	1,863,488	2,140,040	5,062,487	5,062,487
SAS le Clos d'Aliènor	40,000	100%	95,856	177,113	2,834,020	2,834,020
SAS les Jardins d'Aliènor	10,000	100%	211,224	606,482	4,102,931	4,102,931
SA Immobilière de Santé	7,828,400	49%	(211,654)	5,226,201	13,210,000	13,210,000
SARL Domidom	4,992,525	100%	(848,349)	(2,194,288)	12,066,082	12,066,082
GCS	100,000	12.50%	0	1,016,576	23,300	23,300
SAS Immo Nevers	5,000	100%	(50,539)	1,711,079	5,000	5,000
SCI Castelviel	152	50%	(593,930)	(2,313,927)	763,650	763,650
SAS St Jean	16,000	100%	(143,229)	(136,349)	3,135,916	3,135,916
SAS Château de Pile	7,622	100%	(18,020)	(270,420)	624,358	0
SCI Super Aix	228,674	13%	(25,191)	1,958,023	478,537	478,537
SAS Actiretraite	4,000	100%	(474,844)	(956,881)	782,105	782,105
Groupe SENEVITA AG	144,000	100%	(3,510,769)	117,344	101,518,009	101,518,009
Groupe SILVERCARE	18,031,082	100%	4,930,814	58,842,963	73,455,535	73,455,535
SARL Les Buissonnets	80,000	100%	234,518	1,424,309	80,000	80,000
SCI Parc st Loup	150,000	100%	(28,344)	(420,920)	149,079	0
SCI Larry	150,000	100%	84,433	3,379,842	150,621	150,621
Other securities					56,100	56,100
Other securities (access)					284,816	284,816
Total					**823,006,254**	**815,691,213**

II.1.3 - Inventories and work-in-progress

	Gross 31/12/14	Provisions 31/12/14	Net 31/12/2014	Net 31/12/2013
Minor equipment and supplies	1,698,916		1,698,916	1,602,612
Current real estate	68,810,464	1,188,655	67,621,809	55,086,926
Total	70,509,380	1,188,655	69,320,725	56,689,537

Net real estate work-in-progress of €67,621,809 incorporates finance costs incurred during the construction period which amounted to €6,564,650 at year-end, compared to €5,518,398 at the end of 2013.
These finance costs have been capitalised at an average rate of 4.30%, versus 4.40% in 2013.

II.1.4 - Receivables

	Gross 31/12/2014	Provisions 31/12/2014	Net 31/12/2014	Net 31/12/2013
Clients and linked accounts	18,388,040	5,482,164	12,905,876	14,175,525
Tax and social security receivables	40,951,124		40,951,124	40,332,797
Group and associates	1,223,919,480		1,223,919,480	1,144,673,279
Sundry debtors	125,776,778	764,736	125,012,042	52,739,198
Total	1,409,035,423	6,246,902	1,402,788,522	1,251,920,798

All receivables are due in less than one year.

Movements in provisions for impairment of financial assets:

	Start of year	Provision for the year	Transfer from year	Mergers	End of year
Trade receivables	5,113,969	2,357,686	2,206,563	217,073	5,482,164
Other sundry debtors	633,232	209,407	78,789	887	764,736
Total	5,747,200	2,567,093	2,285,352	217,959	6,246,902

II.1.5 - Inventories of securities

Net Book Value	31/12/2013	Acquisitions	Disposals	Provisions	Mergers	31/12/2014
Short-term investments(1)	87,208,500	221,749,306	180,966,001	0	268,438	128,260,245
Shares reserved for employees (numbers)	101,961 (3,010)		9,078			92,882 (2,715)

(1) No impairment losses were recognised against marketable securities as their fair value was higher than their carrying amount.

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II.1.6 – Composition of the share capital

(in thousands of euros)	Number of shares issued	Share capital	Share premiums and reserves	Retained earnings	Net profit for the year	Regulated provisions	Dividends	Total shareholders' equity
As at 31/12/2012	*52,998,062*	**66,247,578**	**385,500,175**	**8,112,989**	**8,352,759**	**2,522,265**	**0**	**470,735,767**
Appropriation of net profit			(15,582,362)	(7,863,716)	(8,352,759)		31,798,837	0
Stock option plan								0
Capital increase 11/12/13	*2,478,929*	3,098,661	95,776,345					98,875,006
Exercise of share warrants			(4,824,094)					(4,824,094)
Exercise OCEANE								0
Dividends							(31,798,837)	(31,798,837)
Regulated provisions						1,148,121		1,148,121
Result on 31 December 2013					2,952,446			2,952,446
As at 31/12/2013	*55,476,991*	**69,346,239**	**460,870,063**	**249,273**	**2,952,446**	**3,670,386**	**0**	**537,088,407**
Appropriation of net profit			(38,852,377)	2,970,929	(2,952,446)		38,833,894	0
Stock option plan								0
Capital increase								0
Exercise of share warrants	*89,419*	111,774	3,079,370					3,191,143
Exercise OCEANE	*1,483*	1,854						1,854
Dividends							(38,833,894)	(38,833,894)
Regulated provisions						1,145,375		1,145,375
Result on 31 December 2014					7,511,357			7,511,357
As at 31/12/2014	*55,567,893*	**69,459,866**	**425,097,055**	**3,220,202**	**7,511,357**	**4,815,761**	**0**	**510,104,241**

The share capital at year-end was €69,459,866 divided into 55,567,893 shares each with a par value of €1.25.

During 2013, the Company acquired and cancelled 917,041 share warrants as part of the public tender offer launched by the Company, approved by the AMF on 17 September 2013 under number 13-459, for €4.824 million.

On 11 December 2013, the Company carried out a capital increase with a par value of €3.099 million, thus creating 2,478,929 new shares.
This transaction generated a premium of €95,776 thousand net of expenses, after deduction of associated fees for net tax of €1,125 thousand.

Following the exercise of share warrants during the year, the Company carried out a capital increase with a par value of €112 thousand, thus creating 89,419 new shares.

The General Meeting of Shareholders of 25 June 2014 approved the payment of a dividend in respect of the 2013 financial year of €0.70 per share, representing a total of €38,833,894 paid at end-July 2014.

II.1.7 – Provisions

	Start of year	Provision for the year	Transfer from year (used provisions)	Transfer from year (unused provisions)	Mergers	End of year
Labour disputes	3,848,265	1,814,889	562,239	1,151,241	133,785	4,083,459
Other	17,496,976	6,386,000				23,882,976
Provisions for liabilities and charges	**21,345,241**	**8,200,889**	**562,239**	**1,151,241**	**133,785**	**27,966,432**

"Other provisions for liabilities and charges" mainly refer to the risk of the Company and the tax authorities arriving at different results in the application of rules to calculate VAT pro rata. This provision amounted to €20.7 million on 31 December 2014.

ORPEA and some of its subsidiaries included in its perimeter of fiscal integration undergo tax audits. Most of the adjustments notified by the tax authorities have been disputed, and no provision has thus been made for these adjustments. Undisputed adjustments are recognised in the financial year.

II.1.8 – Liabilities

	31/12/2014	31/12/2014	31/12/2013	31/12/2013
Borrowings and financial liabilities	2,146,181,615		1,606,365,160	
Debts maturing in one year or less		*742,446,823*		*435,313,093*
Liabilities payable after more than one year and less than 5 years		*1,133,482,596*		*661,311,297*
Liabilities maturing in over 5 years		*270,252,196*		*509,740,770*
Trade payables	59,289,919		40,066,247	
Debts maturing in one year or less		*59,289,919*		*40,066,247*
Liabilities payable after more than one year and less than 5 years				
Liabilities maturing in over 5 years				
Tax and payroll liabilities	89,932,198		72,603,693	
Debts maturing in one year or less		*89,932,198*		*72,603,693*
Liabilities payable after more than one year and less than 5 years				
Liabilities maturing in over 5 years				
Group and associates	309,073,183		406,634,231	
Debts maturing in one year or less		*309,073,183*		*406,634,231*
Liabilities payable after more than one year and less than 5 years				
Liabilities maturing in over 5 years				
Sundry liabilities	97,743,319		84,791,732	
Debts maturing in one year or less		*68,516,101*		*58,801,383*
Liabilities payable after more than one year and less than 5 years		*29,227,218*		*25,990,348*
Liabilities maturing in over 5 years				
Total	2,702,220,234	2,702,220,234	2,210,461,063	2,210,461,062

Loans contracted during the year amounted to €842,600 thousand and loans repaid amounted to €325,558 thousand.

Borrowings and financial liabilities

ORPEA Group's financing policy

Financing requirements have increased as a result of the Group's strong growth momentum. ORPEA not only finances its own expansion operations, but also those of its subsidiaries, and principally Clinea.

Bonds

OBSAAR bond issue: During the second half of 2009, ORPEA issued bonds with redeemable warrants to subscribe for new or purchase existing shares (OBSAAR) for a total par value of €217 million.

This loan is repayable in 2012 and 2013 at 20% of the principal each year and in 2014 and 2015 at 30% of the principal each year. The interest rate for the issue is three-month EURIBOR + 137 base points before fees. The terms and conditions of these bonds can be found in the securities note (*note d'opération*) approved by the AMF under no. 09-225 on 15 July 2009.

The first two repayments (representing 20%) for €43,345 thousand each were made on 14 August 2012 and 14 August 2013.

The third repayment (representing 30%) for €65,017 thousand was made on 14 August 2014.

OCEANE bond issue: In the second half of 2009, ORPEA issued 4,069,635 bonds convertible into new or existing shares (OCEANE) at a unit price of €44.23, representing a total of €180 million.

These bonds will be redeemed on 1 January 2016. The coupon payable on the bonds is 3.875% per year. The bonds may be converted into shares (1.107 shares for one bond) between 15 December 2010 and up to the seventh working day inclusive preceding the normal redemption date at a price of €44.23 per share. The terms and conditions of these bonds can be found in the securities note approved by the AMF under no. 10-429 on 7 December 2010.

The conversion of OCEANE bonds meeting the applicable requirements on 22 December 2014 was completed on 4 February 2015.

ORNANE bond issue: On 9 July 2013, ORPEA issued bonds with a cash redemption option and/or convertible into new or existing shares (ORNANE) with an entitlement date of 17 July 2013 and maturing on 1 January 2020. The 4,260,631 bonds have a par value of €46.56 each, and a total par value of €198 million.
The coupon payable on the bonds is 1.75% per year throughout the life of the bonds, payable six-monthly in arrears.

Other bonds: ORPEA carried out three bond issues during the second half of 2012 on the Euro PP market, issuing:

- 1,930 bonds in two tranches (securities note approved by the AMF under no. 12-580 on 28 November 2012):
    - Tranche A: for a total of €65 million, i.e. 650 bonds at a unit price of €100,000. These bonds will be redeemed on 10 January 2018. The coupon payable on the bonds is 4.10% per year,
    - Tranche B: a total of €128 million, i.e. 1,280 bonds at a unit price of €100,000. These bonds will be redeemed on 30 May 2019. The coupon payable on the bonds is 4.60% per year;

- 200 bonds at a unit price of €100,000, totalling €20 million (securities note approved by the AMF under no. 12-579 on 28 November 2012). These bonds will be redeemed on 30 November 2018. The coupon payable on the bonds is 4.20% per year;
-
- 900 bonds at a unit price of €100,000, totalling €90 million. These bonds will be redeemed on 4 December 2026. The coupon payable on the bonds is 5.25% per year.

In 2013, the Company carried out two bond issues, issuing:

- 330 bonds at a unit price of €100,791, totalling €33 million (securities note approved by the AMF under no. 13-152 on 10 April 2013). These bonds will be redeemed on 30 May 2019. The coupon payable on the bonds is 4.60% per year;
- 200 bonds at a unit price of €100,000, totalling €20 million (securities note approved by the AMF under no. 13-357 on 11 July 2013). These bonds will be redeemed on 30 November 2019. The coupon payable on the bonds is 4.15% per year.

During the year, the Group carried out a Schuldschein-type bond issue for a value of €203 million and with different maturities, as detailed below:

- €117.0 million maturing on 25 July 2019, at both fixed and variable rates;
- €29.5 million maturing on 27 July 2020, at both fixed and variable rates;
- €50.0 million maturing on 27 July 2021, at both fixed and variable rates;
- €6.5 million maturing on 24 July 2024, at fixed rate.

The Group also carried out a bond issue on the Euro PP market, issuing 520 bonds at a unit price of €100,000 (securities note approved by the AMF under no. 14-443 on 29 July 2014). These bonds will be redeemed on 31 July 2021. The coupon payable on the bonds is 3.327% per year.

Banking covenants

Various loans taken out by the Company are conditional on compliance with financial ratios that are assessed under the group's non-trading liabilities.

The agreed ratios are as follows:

$$R1 = \frac{\text{consolidated net debt (excluding property debt)}}{\text{Consolidated EBITDA} - 6\% \text{ of property debt}}$$

and

$$R2 = \frac{\text{consolidated net debt}}{\text{Equity + quasi equity (i.e. deferred tax liabilities linked to the valuation of operating intangible assets under IFRS in the consolidated financial statements)}}$$

On 31 December 2014, these ratios were 2.8 and 1.2 respectively, within the required limits, which were mainly 5.5 for R1 and 2.0 for R2 as at 31 December 2014.

II.1.9 – Financial instruments

At 31 December 2014 as at 31 December 2013, the derivatives portfolio included fixed for floating (mainly three-month Euribor) interest rate swaps and interest rate options. These derivative instruments have either a constant or decreasing nominal profile. All these derivatives are used for hedging transactions in accordance with article 372-2 of the PCG.

At the end of 2014, the maturity of the interest rate derivatives was as follows:

	Maturity (€m)				
	2015	2016	2017	2018	2019
Average notional (€m)	1,361	1,392	1,323	1,198	842
Effective rate	2.3%	1.8%	1.7%	1.7%	1.3%

At the end of 2013, the maturity of the interest rate derivatives was as follows:

	Maturity (€m)				
	2014	2015	2016	2017	2018
Average notional (€m)	1,360	1,361	1,392	1,295	1,262
Effective rate	2.6%	2.3%	1.8%	1.7%	1.7%

The fair value of hedging instruments at 31 December 2014, i.e. (€102.4) million, is not posted on the balance sheet date but recorded symmetrically with the hedged items on maturity of each contract.

At 31 December 2013, the fair value amounted to (€60.5) million.

II.1.10 – Other

Accrued expenses

	31/12/2014	31/12/2013
Borrowings and financial liabilities	23,554,465	20,529,057
Trade payables	14,751,422	15,446,391
Tax, social and sundry liabilities	41,366,634	38,790,182
Total	**79,672,522**	**74,765,631**

Accrued income

	31/12/2014	31/12/2013
Financial receivables	62,926	14,033
Clients and linked accounts	3,909,639	4,407,828
Other receivables	11,394,667	9,695,262
Total	**15,367,232**	**14,117,123**

Prepaid expenses

	31/12/2014	31/12/2013
Operation	663,331	335,868
Financial	5,437,276	2,501,812
Extraordinary		0
Total	**6,100,607**	**2,837,680**

The change was mainly caused by prepaid expenses relating to the costs associated with the bond issues carried out this year.

Prepaid income

	31/12/2014	31/12/2013
Operation	38,603,119	18,733,731
Total	**38,603,119**	**18,733,731**

This item recorded (i) prepaid income from off-plan sales of €28,163 thousand and (ii) the portion of medical care allowances yet to be recognised in future expenses (€10,440 thousand).

Unrealised currency gains

	31/12/2014	31/12/2013
Swiss subsidiary	0	31,979
Total	**0**	**31,979**

II.1.11 – Related party disclosures

ENTITIES	Other receivables	Other liabilities	Other financial income	Financial expenses
Subsidiaries 100% owned by the Group	1,223,919,480	309,073,183	48,849,704	11,947,621
Other subsidiaries	19,115,781	7,791,740	78,383	3,778

II.2 – Income statement

II.2.1 – Revenue

	31/12/2014	31/12/2013
Operation of nursing homes	608,100,399	537,684,298
Disposal of real estate	16,993,736	14,841,402
Total	625,094,135	552,525,700

II.2.2 – Operating income

	31/12/2014	31/12/2013
Operation of nursing homes	608,100,399	537,684,298
Operating revenues	**608,100,399**	**537,684,298**
Disposal of real estate	16,993,736	14,841,402
Inventory change	(22,300,245)	(14,873,711)
Income from real estate activity	**(5,306,508)**	**(32,309)**
Capitalised production	10,441,228	4,905,419
Operating subsidies	228,769	201,701
Provisions and charge transfer	14,418,958	14,868,573
Other income	277,462	3,134,972
Other operating income	**25,366,417**	**23,110,665**
Total operating income	**628,160,308**	**560,762,654**

II.2.3 – Expenses transfer

	31/12/2014	31/12/2013
Restructuring and development costs	1,254,348	3,478,611
Capitalised expenses	3,308,194	2,240,498
Insurance payouts	551,246	619,373
Provident fund payouts	3,222,017	2,846,552
Training refunds	2,755,876	2,360,635
Sickness payouts	174,614	339,759
Finance charges on real estate projects	2,548,148	1,721,243
Sundry expenses	2,032	43,433
Total	**13,816,476**	**13,650,104**

II.2.4 – Financial income

	31/12/2014	31/12/2013
Interest on bank borrowings and other financial charges	(53,499,781)	(46,979,352)
Net losses on financial instruments	(27,283,512)	(31,105,026)
Foreign exchange loss	(9,483)	
Provisions for securities impairment	(4,805,113)	(410,849)
Other charges	(8,550)	(29,774)
Income from investments	13,009,000	2,002,332
Net gains on inter-company current account	36,976,689	40,027,698
Capitalised financial expenses	2,548,148	1,721,243
Net income from sale of marketable securities	285,329	388,915
Foreign exchange gains	257	0
Other income	26,918	27,512
Net finance cost	**(32,760,096)**	**(34,357,301)**

Income from investments essentially corresponds to €13,000,000 in dividends paid by CLINEA SAS.

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II.2.5 - Extraordinary income

	31/12/2014		31/12/2013	
Extraordinary Income		28,740,064		81,119,879
On management transactions	*940,761*		*1,164,724*	
On investment transactions	*26,946,737*		*78,589,972*	
Including real estate sales	*0*		*10,945,630*	
Including the sale of equity interests	*4,959,359*		*51,004,159*	
Provision and charge transfer	*852,565*		*1,365,183*	
Extraordinary charges		31,178,966		85,661,910
On management transactions	*3,631,777*		*7,855,260*	
Including cost on initial recognition	*2,279,019*		*2,881,673*	
Including caretaking costs	*428,869*		*1,141,651*	
Including property deed	*799,841*		*426,771*	
On investment transactions	*25,798,016*		*75,649,994*	
Including real estate sales	*0*		*10,944,369*	
Including the sale of equity interests	*3,372,359*		*49,705,091*	
Extraordinary depreciation/amortisation, impairmen	*1,749,172*		*2,156,656*	
Exceptional items		**(2,438,902)**		**(4,542,032)**

	31/12/2014	**31/12/2013**
Capital gains and losses on asset disposals	1,217,286	2,995,592
Restructuring and development costs	(2,676,260)	(6,679,753)
Provisions for sundry debtors	250,168	356,773
Special depreciation/amortisation	(1,145,375)	(1,148,120)
Other	(84,721)	(66,526)
Exceptional items	**(2,438,903)**	**(4,542,032)**

II.2.6 - Taxes

As head of the ORPEA tax consolidation group, ORPEA calculates the tax payable on the group's taxable income.
The tax group has no further tax loss carryforwards, although a few subsidiaries have tax losses that can be set against their own taxable profits.

On 31 December 2014, the ORPEA tax group's aggregate net profit was €92,632,283, including ORPEA SA's tax loss of €6,681,540 in its capacity as "member company".

As provided for under the group tax relief agreement, each subsidiary is responsible for paying its own income tax and contributions on taxable profits and capital gains, offset where applicable against any tax credits on tax loss carryforwards.

The tax charge posted in ORPEA SA's financial statements amounts to €4,767,843, broken down as follows:

	Before tax	Corporation tax	After tax
Operating profit	47,478,198	(8,051,698)	39,426,500
Net finance cost	(32,760,096)	5,240,227	(27,519,869)
Exceptional items	(2,438,903)	(794,086)	(3,232,989)
Tax on dividends and other		(1,162,286)	(1,162,286)
Accounting result	12,279,199	(4,767,843)	7,511,356

Timing differences between the tax treatment and accounting treatment of various transactions are likely to affect the future tax liability as follows:

- Add-backs to be made in future years:
  - Tax deferred unrealised gains on purchased goodwill arising as a result of mergers: €43.610 million;
  - Tax deferred unrealised gains on securities arising as a result of mergers: €24.419 million.

- Deductions to be made in future years:
  - Organic social security organisation: €1,048 thousand;
  - Unrealised gain on mutual funds: €23,000.

III - FINANCIAL COMMITMENTS AND OTHER INFORMATION

III.1 - Off-balance sheet commitments

Debt-related commitments

Financial commitments

Contractual obligations (in k€)	31/12/2014	31/12/2013
Counter-indemnities on contracts		
Assigned claims not yet due (Daily slips, etc.)	19,516	6,260
Pledges, mortgages and other securities	752,628	235,586
Total	772,144	241,846

Contractual obligations (in k€)	31/12/2014	Payments due by period		
		less than one year	from 1 to 5 years	over 5 years
Long-term borrowings	2,146,182	742,447	1,133,483	270,252
Finance lease obligations	39,483	12,521	24,629	2,333
Operating leases				
Irrevocable purchase obligations				
Other long-term obligations				
Total	2,185,665	754,968	1,158,112	272,585

Lease commitments

	Lease commitments real estate	Lease commitments financial
Original date	47,535,637	86,508,502
Royalties for the year	3,126,229	9,432,333
Cumulative charges from previous years	23,958,265	57,370,188
Theoretical provision for the year	831,869	8,097,294
Cumulative amortisation for prior years	5,968,051	28,960,834
Royalties outstanding - one year	2,928,534	9,592,520
Royalties outstanding - over one year and up to five years	6,172,134	18,456,839
Royalties outstanding - over five years	2,333,213	0
Surrender value	14,910,000	625,264

Commitments to employees

The amount of employee retirement benefit obligations, determined using a projected unit credit method, amounted in 2014 to €9,748 thousand, compared to €8,839 thousand in 2013.

The main actuarial assumptions at 31 December 2014 were:

- rate of salary increase: 2.50% taking account of inflation;
- discount rate: 1.50%;
- retirement age: 65 years;
- social security contribution rate: in line with 2014 figures.

The amount paid by the Company in retirement benefits amounted to €196,650 in 2014.

There were no material commitments in respect of long-service awards.

Commitments related to individual training rights (DIF)

The law of 4 May 2004 on professional training introduced a system whereby employees can build up training rights to be used at their discretion with their employer's agreement. The minimum annual amount is 20 hours capped at a cumulative total of 120 hours.

On 31 December 2013, these training rights did not generate any additional costs as they are financed by refunds obtained under professional training contracts. The expense is posted as and when the hours are used.

Other commitments

In 2002, ORPEA granted its subsidiary, SA Clinique du Docteur Courjon, a debt write-off of €1,915,487 with a claw-back condition, since taken over by CLINEA SAS.

In terms of the 49.9% stake in Immobilière de Santé, the following commitments were exchanged for a possible acquisition of a 100% controlling interest:

- Promise of sale to ORPEA between 1 July 2018 and 30 June 2019;
- Promise of purchase by ORPEA between 1 July 2019 and 30 June 2020.

III.2 - Employees

At 31 December 2014, full-time equivalents employed by ORPEA SA were as follows:

	31/12/2014	31/12/2013
Managers	666	629
Employees/Workers	7,244	6,891
Total	7,910	7,520

III.3 - Benefits granted to directors and executive officers

The total amount of gross compensation, fees (excluding all taxes) and benefits paid during the 2014 financial year to ORPEA SA's corporate officers was €2.051 million. Attendance fees for members of the Board of Directors for the 2014 financial year, paid in 2015, were €269,000.

2. STATUTORY AUDITORS' REPORT ON THE STATUTORY FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.
This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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Statutory Auditors'
report on the statutory financial statements

Financial year ended 31 December 2014

To the Shareholders,

In accordance with the instructions given to us by your General Meeting, we present our report for the financial year ending 31 December 2014, on:

- the audit of ORPEA's statutory financial statements, as appended to this report;
- the justification for our assessments;
- the specific reviews and information required by law.

These financial statements were approved by the Board of Directors. Our role is to express an opinion on those financial statements based on our audit.

I. Opinion on the statutory financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit, based on sample checks or other methods of selection, involves verifying the items substantiating the amounts and information contained in the annual financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly in all material respects the financial position and assets and liabilities of the Company as at 31 December 2014 and the results of its operations for the year then ended in accordance with French generally accepted accounting principles.

II. Basis for our assessments

As required by the provisions of article L. 823-9 of the French Commercial Code on the basis for our assessments, we draw your attention to the following matters:

- Note 1.2.1 describes the accounting standards and methods used to measure operating licences recognised as intangible assets;
- Note 1.2.3 describes the accounting standards and methods used to measure equity interests recognised as non-current financial assets.

As part of our overall assessment of the accounting policies used by the Company, we assessed the appropriateness of the accounting methods described above and the disclosures provided in the notes to the statutory financial statements.

These appraisals formed part of our audit of the annual accounts as a whole, and therefore contributed to our opinion expressed in the first part of this report.

III. Specific procedures and disclosures

In accordance with the professional standards applicable in France, we also carried out the specific checks required by law.

We have no matters to report regarding the fairness and consistency with the financial statements of the information given in the management report, and in the documents sent to the shareholders with respect to the financial position and the financial statements.

As regards the information provided pursuant to the provisions of article L. 225-102-1 of the French Commercial Code on remuneration and benefits paid to and commitments made to the directors and executive officers, we have verified that this information is consistent with the financial statements or the data used to prepare the financial statements, and, where applicable, the information obtained by your Company from companies controlling it or controlled by it. Based on our work, we believe the information provided is true and fair.

As required by law, we also verified that the requisite disclosures concerning interests and controlling interests and the identity of holders of share capital and voting rights were made in the management report.

Paris and Neuilly-sur-Seine, 7 May 2015

The Statutory Auditors

Saint-Honoré BK&A	Deloitte & Associés
Emmanuel KLINGER	Joël ASSAYAH

CHAPTER IX: DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS OF 23 JUNE 2015

1. REPORT OF THE BOARD OF DIRECTORS ON THE PROPOSED RESOLUTIONS

The purpose of this report is to comment on the main points of the proposed resolutions submitted to the general meeting by your Company's Board of Directors.

This report is not intended to be detailed nor can it replace a comprehensive reading of the full text of the proposed resolutions, which it is intended to supplement.

The full text of the proposed resolutions is attached to this report.

We have called this combined General Meeting of Shareholders for the approval of the resolutions relating to:

I. Within the competence of the ordinary General Meeting of Shareholders

- approval of the statutory and consolidated financial statements for financial year ended 31 December 2014;
- the appropriation of net profit and the allocation of the dividend of €0.80 per share;
- presentation of the Statutory Auditors' Report on the agreements of Articles L. 225-38 *et seq.* of the French Commercial Code - Approval of said Agreements;
- ratification of the co-optation of Bernadette Chevallier-Sanet as a new director;
- the renewal for four years of the director terms of Jean-Claude Marian, Yves Le Masne, Alain Carrier and FFP INVEST
- the setting of the amount of directors' fees;
- an opinion on the compensation due or allocated to the corporate officers (Jean-Claude Marian, Chairman of the Board of Directors, Yves Le Masne, Chief Executive Officer and Jean-Claude Brdenk, Chief Operating Officer);
- the authorisation given to the Board of Directors to trade in the Company's shares.

II. Within the competence of the extraordinary general meeting

- renewal of the authorisation granted to the Board of Directors to reduce the share capital by cancelling treasury shares held by the Company;
- the authority granted to the Board of Directors to award existing or new free shares, without preferential subscription rights, to the corporate officers or employees of the Company or related companies;
- the authorisation given to the Board of Directors to grant options for the subscription and/or purchase of shares in the Company by corporate officers and employees of the Company or of Group companies, entailing the shareholders' waiver of their preferential rights of subscription to shares issued as a result of the exercise of subscription options.

Thus, the Board of Directors is submitting for your approval 18 resolutions.

I – APPROVAL OF THE STATUTORY AND CONSOLIDATED FINANCIAL STATEMENTS (1ST AND 2ND ORDINARY RESOLUTIONS)

In accordance with legal requirements we have called this meeting within six months from the end of the business year, for the review and approval of the Company's statutory and consolidated financial statements.

The purpose of **the 1st resolution** is the review and approval of ORPEA's statutory accounts for the year ending 31 December 2014, showing a profit of €7,511,356.58.

The purpose of **the 2nd resolution** is the review and approval of ORPEA's consolidated accounts for the year ending 31 December 2013, showing a net profit of €120,691,629.

For more information on these accounts and on the Company's performance during 2014, please refer to the information given in the Board of Directors' management report, which is included in the 2014 Registration Document.

II – APPROPRIATION OF NET PROFIT (3RD ORDINARY RESOLUTION)

With the 3rd resolution, the Board of Directors proposes the following allocations of the income for financial year 2014:

- the profits, of	€7,511,356.58
to be allocated to the legal reserve in the amount of	€375,567.85
the remainder, i.e. €7,135,788.73	
increased by:	
1) the "Retained earnings" item, i.e.	€3,220,201.99
2) the "Share, merger and contribution premiums" item, amounting to	€35,000,000.00
giving a total distributable amount of	€45,355,990.72

payment of a cash dividend of €0.80 for each of the 55,567,893 shares comprising the share capital as of 1 January 2015, i.e. €44,454,314.40

- the balance of €901,676.32 to "Retained earnings".

The dividend would be paid on 10 July 2015, with the specification that the shares owned by the Company on the payment date will not receive a dividend and that the corresponding amounts will be allocated to "Retained earnings". In the event of a change in the number of shares eligible for dividends, compared to the 55,567,893 shares in the capital as of 1 January 2015, the Board may adjust the global dividend amount by making a withdrawal from the "Retained earnings" account.

The proposed dividend gives entitlement to the 40% tax allowance foreseen under article 158-3 paragraph 2 of the French General Tax Code applicable to individuals resident for tax purposes in France.

The table below indicates the dividend amount for the past three years:

Financial year	Dividend per share	Tax allowance
2011	€0.50	yes
2012	€0.60	yes
2013	€0.70	yes

III - APPROVAL OF REGULATED AGREEMENTS (4TH ORDINARY RESOLUTION)

The purpose of **the 4th resolution** is the approval of the agreements covered in the Statutory Auditors' special report.

You are reminded that, in accordance with the law, only new agreements which are yet to be approved by the shareholders are subject to a vote by the General Meeting. The Statutory Auditors' special report makes reference to the existing agreements which continued during the year ended 31 December 2014, but have only been mentioned for the purposes of information to shareholders (they are not subject to another vote by the General Meeting).

The section of the special report concerning the agreements authorised in 2014 (and yet to be approved) covers four agreements authorised by the Board of Directors at the meetings of 11 December 2014.

1 - Agreement with FFP Invest:

Director concerned:

FFP Invest, whose permanent representative is Thierry Mabille de Poncheville.

Nature and purpose:

The purpose of this agreement is to grant similar rights as those granted to CPPIB in the Investment Agreement of 11 December 2013 in the event of capital outflows and of new increases in capital. The rights granted provide FFP Invest:

- As long as its holds at least 5% of the Company's share capital, the opportunity to subscribe to any future capital increases of the Company or, if the planned transaction does not allow it to subscribe to the increase in capital, to be accretive by all means agreed by the parties;

- The right to obtain the assistance of the Company for all significant securities sales transactions which FFP Invest wishes to carry out. A securities sale is considered significant if it involves more than 10% of the capital sold to a given person or more than 5% sold to various investors. The Company's assistance consists in coordinating shareholder-sellers and providing reasonable assistance to facilitate sales transactions.

2. - Agreement with SOFINA:

Director concerned:

Sophie Malarme-Lecloux, director appointed on proposal by SOFINA.

Nature and purpose:

The purpose of this agreement is to grant similar rights as those granted to CPPIB in the Investment Agreement of 11 December 2013 in the event of capital outflows and of new increases in capital. The rights granted provide SOFINA:

- As long as its holds at least 5% of the Company's share capital, the opportunity to subscribe to any future capital increases of the Company or, if the planned transaction does not allow it to subscribe to the increase in capital, to be accretive by all means agreed by the parties;

- The right to obtain the assistance of the Company for all significant securities sales transactions which SOFINA wishes to carry out. A securities sale is considered significant if it involves more than 10% of the capital sold to a given person or more than 5% sold to various investors. The Company's assistance consists in coordinating shareholder-sellers and providing reasonable assistance to facilitate sales transactions.

3 - Agreement with Jean-Claude Marian:

Director concerned:

Jean-Claude Marian

Nature and purpose:

The purpose of this agreement is to grant similar rights as those granted to CPPIB in the Investment Agreement of 11 December 2013 in the event of capital outflows and of new increases in capital. The rights granted provide Jean-Claude Marian:

- As long as he holds at least 5% of the Company's share capital, the opportunity to subscribe to any future capital increases of the Company or, if the planned transaction does not allow him to subscribe to the increase in capital, to be accretive by all means agreed by the parties;

- The right to obtain the assistance of the Company for all significant securities sales transactions which Jean-Claude Marian wishes to carry out. A securities sale is considered significant if it involves more than 10% of the capital sold to a given person or more than 5% sold to various investors. The Company's assistance consists in coordinating shareholder-sellers and providing reasonable assistance to facilitate sales transactions.

4 – Amendment to the Investment Agreement with CPPIB:

Director concerned:

Alain Carrier, Director appointed on proposal by CPPIB

Nature and purpose:

As part of CPPIB's acquisition of its share capital, the Company entered into an Investment Agreement with CPPIB aimed at setting the main procedures for CPPIB's investment. The Investment Agreement was amended to inform the Board of Directors of the Company of all requests for assistance from CPPIB for all significant sales of securities, according to the following procedures:

- On receipt by the Company of a request for assistance, the Company can inform the Board of Directors if it has previously notified CPPIB of its intention to do so,
- The Company will not inform the Board of Directors if the request for assistance is withdrawn within five working days following receipt by CPPIB of the notification from the Company.

IV – BOARD OF DIRECTORS (5TH TO 13TH ORDINARY RESOLUTIONS)

RATIFICATION OF THE APPOINTMENT OF BERNADETTE CHEVALLIER-SANET

On 16 September 2014, the Board of Directors was informed of the resignation of Brigitte Michel from her role as director, and co-opted Bernadette Chevallier-Danet as a replacement for the remainder of the term of her predecessor, i.e. until the conclusion of the Ordinary General Meeting convened in 2017 to approve the financial statements for the year closing on 31 December 2016.

By the 5th resolution, you are therefore asked to approve ratification of the co-optation of Bernadette Chevallier-Danet voted at the Board of Directors' meeting of 16 September 2014.

RENEWAL OF THE DIRECTOR'S TERM OF MR JEAN-CLAUDE MARIAN.

The 6th resolution proposes the reappointment of Jean-Claude Marian, whose office is due to expire at the end of this General Meeting, for a term of four years ending at the closure of the General Meeting called to approve the 2018 financial statements.

The 7th resolution proposes the reappointment of Yves Le Masne, whose office is due to expire at the end of this General Meeting, for a term of four years ending at the closure of the General Meeting called to approve the 2018 financial statements.

The 8th resolution proposes the reappointment of FFP Invest, represented by Thierry Mabille de Poncheville, whose office is due to expire at the end of this General Meeting, for a term of four years ending at the closure of the General Meeting called to approve the 2018 financial statements.

The 9th resolution proposes the reappointment of Alain Carrier, whose office is due to expire at the end of this General Meeting, for a term of four years ending at the closure of the General Meeting called to approve the 2018 financial statements.

DIRECTORS' FEES

You are reminded that from 2013 the total amount of Directors' fees had been set at €300,000 per financial year.
It has been noted, on one hand, that the work of the Study Committees has increased and, on the other, that there is a plan to expand the Board of Directors with the appointment of another director.
The 10th resolution asks that you set the overall amount of the Director's fees for the Board at €400,000 for the current financial year and each of the following years, with the specification that this amount will remain in force until a new decision is made by the General Meeting of Shareholders.

OPINION ON REMUNERATION COMPONENTS DUE OR AWARDED FOR 2014 TO EACH OF THE EXECUTIVE CORPORATE OFFICERS

In accordance with the recommendations of the AFEP-MEDEF Code as revised in June 2013 (section 24.3), the corporate governance code the Company applies pursuant to article L. 225-37 of the French Commercial Code, the 11th, 12th and 13th resolutions are aimed at consulting the General Meeting of Shareholders in relation to the remuneration components due or awarded for 2014 to each executive corporate officer, i.e.: Jean-Claude Marian, Chairman of the Board of Directors, Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer (all of these components are detailed in the Registration Document, section Corporate Governance, 2014 Report of the Chairman of the Board of Directors).

Remuneration components due or awarded for 2014 to Jean-Claude Marian, Chairman of the Board of Directors

Remuneration components	Amounts (gross and before tax) (paid in 2014)	Presentation
Fixed remuneration	€550,000	Upon a proposal by the Appointments and Remuneration Committee, the Board of Directors' meeting on 29 April 2014 awarded the Chairman of the Board of Directors gross annual compensation of €550,000.
Directors' fees	€23,500	The amount paid to each director is calculated in accordance with the Board of Directors' Rules of Procedure.
Jean-Claude Marian is not entitled to the following remuneration components: Variable compensation Variable compensation multiannual extraordinary compensation, benefits in kind, stock options, bonus shares, supplementary retirement,		

"Severance benefits" clause, non-compete benefits.		

Remuneration components due or awarded for 2014 to Yves Le Masne, Chief Executive Officer

Remuneration components	Amounts (gross and before tax) (paid in 2014)	Presentation
Fixed remuneration: Variable compensation: Extraordinary compensation:	€720,000 €288,000 €200,000	The Board of Directors meeting on 25 March 2013 set the compensation for Mr Le Masne as follows: ▮ a fixed component of €720,000 gross on a yearly basis; (amount unchanged for the 2014 financial year); ▮ a variable component of up to 40% of the gross yearly remuneration, but which may reach 70% in the event of transactions or circumstances deemed exceptional by the Board. The criteria for evaluating the variable portion were defined as follows: – three-quarters of the variable portion are measured against quantitative objectives (determined with reference to business and financial objectives), the remainder is measured against qualitative criteria (determined, based on objectives related to the integration of new foreign acquisitions).
Directors' fees	€ 23,500	The amount paid to each director is calculated in accordance with the Board of Directors' Rules of Procedure.
Severance benefits	No amount due or paid	In accordance with the decisions of the Board of Directors of 25 March 2013 and 25 April 2013, approved by the Combined General Shareholders' Meeting on 20 June 2013, Mr Le Masne is entitled to severance pay in case of termination of his office as CEO, for an amount equal to twenty-four (24) months of gross fixed and variable remuneration (as a multiple of a monthly average of compensation due and paid for the previous two years). Performance conditions apply. This payment will be due in the event of: • forced departure: forced

		departure, at the initiative of the Board of Directors, irrespective of how this termination of office occurs, notably by revocation, requested resignation or non-renewal of mandate (excluding termination of office as a result of a serious offence); or • a change in the Company's control (this being understood as any change to the Company's legal form as a result of any merger, restructuring, disposal, public offering or exchange operation, notably following which a legal or physical person, acting alone or in concert, directly or indirectly, holds a fraction of the Company's capital or voting rights giving him or her effective control of the Company) or its strategy, on the initiative of the Board of Directors or the corporate officer concerned. The payment of this compensation will also be subject to the following condition: the average variable remuneration with respect to the two years preceding the termination year of the officer in question must have been equal to or greater than 75% of the non-extraordinary target variable compensation (i.e., excluding the extraordinary variable portion). In the event that the average variable remuneration with respect to the two years preceding departure is between 74% and 50% of said target regular variable remuneration, the amount of benefits are reduced in proportion to the rate of completion of the above conditions. If the completion rate is under 50%, no benefits are paid. No payment will be due if Mr Le Masne is entitled to basic retirement benefits in the six months following termination of his office.
Supplementary pension scheme	None	On 25 March 2013, the Board of Directors authorised the application of the collective agreement regarding disability and related

		benefits and employer-reimbursed healthcare that are part of the Group's contract for Yves Le Masne. This commitment was approved by the General Meeting of Shareholders on 24 June 2013.
Benefits in kind	€3,500	Mr Le Masne has been given a company car.
Unemployment insurance	None	On 25 April 2013, the Board of Directors renewed the authorisation to take out unemployment insurance, with the Company bearing the cost of the premiums.
Yves Le Masne does not receive the following remuneration components: multiannual variable compensation, exceptional compensation, stock options, bonus shares, supplementary pension, non-compete benefits		

Remuneration components due or awarded for 2014 to Jean-Claude Brdenk, Chief Operating Officer

Remuneration components	Amounts (gross and before tax)	Presentation
Fixed remuneration: Variable compensation: Extraordinary compensation:	(paid in 2014) €565,000 €260,000 €100,000	Upon a proposal by the Appointments and Remuneration Committee, the Board of Directors' meeting on 29 April 2014 awarded compensation as follows: ▮ a fixed component of €580,000 gross on a yearly basis; ▮ a variable component of up to 50% of the gross yearly remuneration, but which may reach 70% in case of transactions or circumstances deemed exceptional by the Board. The criteria for evaluating the variable portion were defined as follows: - three-quarters of the variable portion are measured against quantitative objectives (determined with reference to business and financial objectives); - the remainder is measured against qualitative criteria determined with reference to largely managerial objectives and on quality.

Directors' fees	None	Mr Brdenk does not receive any Directors' fees.
Severance benefits	No amount due or paid	In accordance with the decisions of the Board of Directors of 25 March 2013 and 25 April 2013, approved by the Combined General Shareholders' Meeting on 20 June 2013, Mr Brdenk is entitled to severance pay in case of termination of his office as Chief Operating Officer, for an amount equal to twenty-four (24) months of gross fixed and variable remuneration (as a multiple of a monthly average of compensation due and paid for the previous two years). Performance conditions apply. This payment will be due in the event of: • forced departure: forced departure, at the initiative of the Board of Directors, irrespective of how this termination of office occurs, notably by revocation, requested resignation or non-renewal of mandate (excluding termination of office as a result of a serious offence); or • a change in the Company's control (this being understood as any change to the Company's legal form as a result of any merger, restructuring, disposal, public offering or exchange operation, notably following which a legal or physical person, acting alone or in concert, directly or indirectly, holds a fraction of the Company's capital or voting rights giving him or her effective control of the Company) or its strategy, on the initiative of the Board of Directors or the corporate officer concerned. The payment of this compensation will also be subject to the following condition: the average variable remuneration with respect to the two years preceding the termination year of the officer in question must have been equal to or greater than 75% of the non-extraordinary target variable compensation (i.e., excluding the

		extraordinary variable portion). In the event that the average variable remuneration with respect to the two years preceding departure is between 74% and 50% of said target regular variable remuneration, the amount of benefits are reduced in proportion to the rate of completion of the above conditions. If the completion rate is under 50%, no benefits are paid. No payment will be due if Mr Brdenk is entitled to basic retirement benefits in the six months following termination of his office.
Supplementary pension scheme	None	On 25 March 2013, the Board of Directors authorised the application of the collective agreement regarding disability and related benefits and employer-reimbursed healthcare that are part of the Group's contract for Mr Brdenk. This commitment was approved by the General Meeting of Shareholders on 20 June 2013.
Benefits in kind	4.5 K€	Mr Brdenk has been given a company car.
Unemployment insurance	None	On 25 March 2013, the Board of Directors approved an authorisation to take out unemployment insurance, with the Company bearing the cost of the premiums. This policy takes effect as of 1 January2014. This commitment was approved by the General Meeting of Shareholders on 20 June 2013.
Mr Brdenk does not receive the following remuneration components: multiannual variable compensation, exceptional compensation, stock options, bonus shares, supplementary pension, non-compete benefits		

V – AUTHORISATION FOR THE COMPANY TO BUYBACK AND, IF APPLICABLE, TO CANCEL ITS OWN SHARES (14TH AND 15TH ORDINARY AND EXTRAORDINARY RESOLUTIONS)

Buyback of the Company's own shares – 14th ordinary resolution

As of 31 December 2014, the Company held 19,500 of its own shares (for further information on the implementation of the share buyback programme in 2014, please refer to chapter II, section 16 of the Registration Document).

The 14th resolution proposes the renewal of the annual authorisation granted to the Board of Directors to buyback Company shares in accordance with articles L. 225-209 *et seq.* of the French Commercial Code, notably for the purpose of:
- to make a market or promote liquidity in the shares through an independent investment services provider acting under a liquidity contract that complies with a code of conduct approved by the *Autorité des Marchés Financiers*, with the understanding that the number of shares counted in the 10% calculation below shall equal the number of shares bought less the number resold within the time period of this authorisation;
- to allot all or some of the shares purchased to employees and/or officers of the Company and/or to Group companies under the terms and conditions set out by law, and particularly under employee profit-sharing plans, stock option plans, share award plans or employee share ownership plans;
- to allot shares upon the exercise of securities giving rights to shares of the Company by way of conversion, exercise, redemption, exchange, presentation of a warrant or otherwise, in accordance with stock market regulations;
- to cancel all or some of the shares acquired in capital reductions under the terms and conditions set out in the French Commercial Code, subject to the fourteenth resolution being passed by the shareholders during the extraordinary portion of the meeting;
- to keep all or some of the shares purchased to tender in exchange, as payment or otherwise for future acquisitions, in compliance with practices authorised by the *Autorité des Marchés Financiers*; or
- more broadly, to undertake any hedging or other transaction that is authorised or might be authorised by regulations in force.

This authorisation would be granted for a period of 18 months and will replace, for the non-authorised portion, the authorisation with the same effect granted by the shareholders on 25 June 2014.

It will enable the implementation of a share buyback programme with the following features:
- Maximum percentage of share capital that may be held:
  - 10% of the total number of shares forming the share capital of the Company; and
  - 5% of the total number of shares making up the Company's share capital if these are shares acquired by the Company for holding and subsequent use in payment or exchange as part of a merger, spin-off or capital contribution.
- Maximum purchase price: €100;
- Maximum amount of the programme: As an indication, at 31 March 2015, based on the share capital recorded on 4 February 2015, without taking into account the shares already held, the amount would be €601,132,840;
- Buyback procedure: the purchase, sale, transfer or exchange of these shares may be effected and settled by any means in accordance with the regulations in force, on one or more occasions, on or off the market, including over-the-counter, and by the purchase or sale of blocks (without limiting the portion of the buyback programme that may be executed by this means), by the use of options or other financial derivatives and at all events directly or through the intermediary of an investment services provider, and at such times as the Board of Directors shall deem proper, excluding at the time of a public offer on the Company's shares.

The shares purchased and kept by the Company will be stripped of their voting rights and will not be entitled to dividend payments.

Cancellation of shares acquired by the Company – 15th extraordinary resolution

Under the **15th resolution**, we are seeking an 18-month renewal of the authorisation granted at the combined general meeting of 25 June 2014, to cancel all or part of the shares in the Company purchased under the share buyback programme.

In accordance with legal requirements the shares can only be cancelled up to the limit of 10% of the share capital per 24-month period.

Cancellation of shares will entail a reduction of the share capital and consequently an amendment to the articles of association; this resolution is subject to the quorum and majority requirements for extraordinary business.

We would point out that to date no shares have been cancelled.

VII – RENEWAL OF DELEGATIONS AND AUTHORISATIONS IN FAVOUR OF GROUP EMPLOYEES AND OFFICERS

- The Group believes it is important to involve its employees and corporate officers in its development and to foster a sense of belonging by ensuring their interests match those of the Company's shareholders. As a consequence, you are asked to authorise the Board to award options and/or bonus shares.

✓ **Authorisation for the Board of Directors to carry out the free allocation of existing or new shares (16th resolution).**

The **16th resolution** would authorise the Board of Directors to allocate existing or new free shares (excluding preferential shares), in one or more transactions, to the beneficiaries or categories of beneficiaries it may choose amongst the salaried staff of the Company or its related groups pursuant to article L. 225-197-2 of the Code and the corporate officers of the Company or its related companies or groups, who meet the conditions established by section II of article L. 225-197-1 of the Code.

The total number of free shares allocated may not exceed 0.5% of the Company's capital as of the day of the Board's decision, it being understood that the par value of any additional shares issued in order to preserve the rights of the holders of securities or of other rights giving access to capital, in accordance with the applicable laws and regulations, and, where necessary, any other contractual provisions relating to adjustments, will be added to this ceiling.

The allocation of free shares to the corporate officers under this resolution cannot exceed a ceiling of 0.2%.

The allocation of all or part of the shares will be dependent on meeting at least two performance conditions set by the Board of Directors at the time the allocation is decided. It is noted, however, that the Board of Directors can, if required, proceed with a share allocation with no performance conditions as part of an allocation to all employees.

The Company shares allocated to beneficiaries will be vested to their beneficiaries either (i) at the end of a vesting period of at least two years following which beneficiaries are required to retain their shares for a further two years, at least, from the expiration of the vesting period, or (ii) following a vesting period of minimum four years after which beneficiaries are not required to retain their shares for a further period, it being understood that the shares will be immediately and definitively vested in the event of invalidity of the beneficiary in the second or third category as defined in article L. 341-4 of the French Social Security Code, or foreign equivalent. In this case, the beneficiaries of Company shares will not be subject to any obligation to retain the Company shares and will be free to dispose of their shares as soon as they are vested.

In the event that the law is amended and, notably, if an amendment allows for a decrease in the vesting and/or retention periods or the elimination of the retention period, the Board of Directors may reduce the vesting period and/or reduce or eliminate the retention period, within the constraints of the performance conditions described above;

In the event of the free allocation of new shares this authority will entail, to the extent the shares are definitively allocated, an increase in capital through the incorporation of reserves, earnings or share premiums for the benefit of the shares' beneficiaries, and the corresponding waiver by the shareholders, for the benefit of said beneficiaries, of the preferential rights of subscription to those shares and the portion of the reserves, earnings and premiums thus incorporated.

This authorisation would be granted for 26 months from this General Shareholders' Meeting and would render null and void the powers granted by the Combined General Meeting of 25 June 2014. You are reminded that the powers granted by the Combined General Meeting of 25 June 2014 have not been used.

- ✓ **Authorisation for the Board of Directors to grant subscription and/or share purchase options to employees and corporate officers of the Company (17th resolution).**

With the **17th resolution**, the Board of Directors proposes that it be authorised to grant the salaried employees, the corporate officers of the Company and/or its connected entities, options which give an entitlement, at its discretion, either to the subscription of new shares in the Company to be issued following a capital increase, or to the purchase of existing shares in the Company, resulting from buybacks.

The total number of options which may be granted in connection with this authorisation may not give rights to subscribe or purchase more than four hundred and sixty thousand (460,000) shares on the allotment date, with the understanding that, if applicable, the par value of any additional shares issued in order to preserve the rights of the holders of securities or of other rights giving access to capital, in accordance with the applicable laws and regulations, and, where necessary, any other contractual provisions relating to adjustments, will be added to this ceiling.

The allocation of options for the subscription and/or purchase of shares to corporate officers under this resolution cannot exceed a ceiling of 0.2%.

The allocation of all or part of the share subscription and/or purchase options will be dependent on meeting at least two performance conditions set by the Board of Directors at the time the allocation is decided. It is noted, however, that the Board of Directors can, if required, proceed with the allocation of options for share subscriptions and/or purchases with no performance conditions as part of an allocation to all employees.

The subscription or purchase price will be set by the Board of Directors on the date on which the option is granted. The subscription price may not be lower than the average of the first prices listed for the 20 stock market sessions preceding the allocation date and the purchase price may not be less than the average purchase price of the shares held by the Company in accordance with articles L. 225-208 and L. 225-209 of the French Commercial Code.

The price can only be modified if, over the period during which the options granted can be exercised, the Company carries out one of the financial or share-related operations provided for by law.

The duration of the period for the exercise of the options granted, as approved by the Board Directors, may not exceed five years from the allocation date.

Pursuant to article L. 225-178 of the French Commercial Code, this authority carries with it, ipso jure, for the benefit of the holders of subscription options, the shareholders' express waiver of their preferential right of subscription to the shares that will be issued as the subscription options are exercised.

This authorisation would be granted for 26 months from this General Shareholders' Meeting and would render null and void the powers granted by the Combined General Meeting of 25 June 2014. You are reminded that the powers granted by the Combined General Meeting of 25 June 2014 have not been used.

X – POWERS FOR FULFILMENT OF FORMALITIES (18TH RESOLUTION)

Under this last resolution, you are asked to grant the powers needed to fulfil any formalities required pursuant to the resolutions passed at this general meeting.

2. PROPOSED RESOLUTIONS PRESENTED BY THE BOARD OF DIRECTORS

2.1 – ORDINARY RESOLUTIONS

FIRST RESOLUTION (*Approval of the 2014 statutory financial statements*).

Having considered the Board of Directors' management report and its attachments, the report of the Chairman of the Board of Directors under article L. 225-37 of the French Commercial Code, and the reports of the Statutory Auditors, and voting under the quorum and majority conditions required for ordinary business, the shareholders approve the financial statements for the year ended on 31 December 2014 as presented, recording a profit of €7,511,356.58.

SECOND RESOLUTION (*Approval of the 2014 consolidated financial statements*).

Having considered the Group's management report and the Statutory Auditors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders approve the consolidated financial statements for the year ended 31 December 2014 as presented, showing a net profit of €120,691,629.

THIRD RESOLUTION (*Appropriation of net profit*)

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders resolve to appropriate as follows:

- the profits, of	€7,511,356.58
to be allocated to the legal reserve in the amount of	€375,567.85
the remainder, i.e.	€7,135,788.73
increased by:	
1) the "Retained earnings" item, i.e.	€3,220,201.99
2) the "Share, merger and contribution premiums" item, amounting to	€35,000,000.00
giving a total distributable amount of	€45,355,990.72

payment of a cash dividend of €0.80 for each of the 55,567,893 shares comprising the share capital as of 1 January 2015, i.e. €44,454,314.40,

- the balance of €901,676.32 to "Retained earnings".

The dividend will be paid on 10 July 2015.

The shareholders give the Board of Directors full powers, with the ability to sub-delegate in accordance with the provisions of the law, to determine the total amount of the dividend payout and the resulting balance to be transferred to retained earnings, particularly in light of the number of shares held by the Company on the dividend payment date and the number of shares, if any, cancelled before that date.

The shareholders also authorise the Board of Directors, with the ability to sub-delegate in accordance with the provisions of the law, to deduct from the "Retained earnings" or the "Share, merger and contribution premiums" accounts, the sums required to pay the dividend in respect of shares issued upon the exercise of stock options between 1 January 2015 and the dividend payment date.

The sum of the proposed annual dividend is eligible for the 40% tax-allowance available to private shareholders resident in France for tax purposes, in accordance with the provisions of article 158-3 paragraph 2 of the French General Tax Code.

The shareholders duly note the dividends paid in the three previous financial years, as summarised in the table below:

Financial year	Net dividend received (€)	Distributed income giving entitlement to 40% reduction (€)*	Distributed income not giving entitlement to 40% reduction (€)	Total (€)
2011	0.50	0.50	None	0.50
2012	0.60	0.60	None	0.60
2013	0.70	0.70	None	0.70

* The annual dividend was eligible for the tax relief available to private shareholders resident in France for tax purposes, in accordance with the provisions of article 158.3, paragraph 2 of the French General Tax Code.

<u>FOURTH RESOLUTION</u> (*Presentation of the Statutory Auditors' Report on the agreements of Articles L. 225-38 et seq. of the French Commercial Code - Approval of said Agreements*)

Having considered the Statutory Auditors' special report on the agreements covered under articles L. 225-38 et seq. of the French Commercial Code, and voting under the quorum and majority conditions required for ordinary business, the shareholders approve the agreements covered in said report.

<u>FIFTH RESOLUTION</u> *(Ratification of the co-optation of Bernadette Chevallier-Danet as a new Director)*

The shareholders, voting under the quorum and majority conditions required for ordinary business, upon a proposal by the Board of Directors and under the conditions set by article 15 of the articles of association, hereby ratify the provisional co-optation of Bernadette Chevallier-Danet by the Board, to replace Brigitte Michel, who resigned, for the remainder of the latter's term of office, i.e. until the annual general meeting called in 2017 to approve the financial statements for the year closing on 31 December 2016.

<u>SIXTH RESOLUTION</u> (*Reappointment of Jean-Claude Marian as Director for a term of four years*)

Voting under the quorum and majority conditions required for ordinary business, the shareholders renew, for four years, Jean-Claude Marian's term of office as Director, whose mandate was due to expire after this general meeting.

The directorship thus renewed will expire on the date of the general meeting called in 2019 to approve the accounts for the year ending on 31 December 2018.

SEVENTH RESOLUTION (*Reappointment of Yves Le Masne as Director for four years*)

Voting under the quorum and majority conditions required for ordinary business, the shareholders renew, for four years, Yves Le Masne's term of office as Director, whose mandate was due to expire after this general meeting.

The directorship thus renewed will expire on the date of the general meeting called in 2019 to approve the accounts for the year ending on 31 December 2018.

EIGHTH RESOLUTION (*Reappointment of FFP Invest as Director for four years*)

Voting under the quorum and majority conditions required for ordinary business, the shareholders renew, for four years, FFP Invest's term of office as Director, represented by Thierry Mabille de Poncheville, whose mandate was due to expire after this general meeting.

The directorship thus renewed will expire on the date of the general meeting called in 2019 to approve the accounts for the year ending on 31 December 2018.

NINTH RESOLUTION (*Reappointment of Alain Carrier as Director for four years*)

Voting under the quorum and majority conditions required for ordinary business, the shareholders renew, for four years, Alain Carrier's term of office as Director, whose mandate was due to expire after this general meeting.

The directorship thus renewed will expire on the date of the general meeting called in 2019 to approve the accounts for the year ending on 31 December 2018.

TENTH RESOLUTION *(Directors' fees)*

After reviewing the Board of Directors' report, the shareholders decide to set the overall annual amount of the Directors' fees allocated to the Board of Directors for the current year and each of the following years at €400,000, with the specification that this amount will remain in force until a new decision by the General Meeting of Shareholders.

ELEVENTH RESOLUTION *(Opinion on remuneration components due or awarded to Jean-Claude Marian, Chairman of the Board of Directors)*

Having reviewed the Board of Directors' report, the shareholders issue a favourable opinion on the remuneration components due or awarded to Jean-Claude Marian, Chairman of the Board of Directors, for the financial year ended on 31 December 2014, as set out in the 2014 Registration Document and included in the Board's report.

TWELFTH RESOLUTION (*Opinion on remuneration components due or awarded to Yves Le Masne, Chief Executive Officer*)

Having reviewed the Board of Directors' report, the shareholders issue a favourable opinion on the remuneration components due or awarded to Yves Le Masne, Chief Executive Officer, for the financial year ended on 31 December 2014, as set out in the 2014 Registration Document and included in the Board's report.

<u>THIRTEENTH RESOLUTION</u> (*Opinion on remuneration components due or awarded to Jean-Claude Brdenk, Chief Operating Officer*)

Having reviewed the Board of Directors' report, the shareholders issue a favourable opinion on the remuneration components due or awarded to Jean-Claude Brdenk, Chief Operating Officer, for the financial year ended on 31 December 2014, as set out in the 2014 Registration Document and included in the Board's report.

<u>FOURTEENTH RESOLUTION</u> (Authorisation given to the Board Directors to trade in the Company's shares)

Voting under the quorum and majority conditions required for ordinary business and having considered the Board of Directors' report and the presentation of the share buyback programme established in accordance with articles 241-1 et seq. of the AMF General Regulations, the shareholders hereby authorise the Board of Directors pursuant to article L. 225-209 et seq. of the French Commercial Code to trade in the Company's shares in compliance with the legal and regulatory requirements applicable at the time of trading and under the conditions set out below, notably:

a) to make a market or promote liquidity in the shares through an independent investment services provider acting under a liquidity contract that complies with a code of conduct approved by the *Autorité des Marchés Financiers*, with the understanding that the number of shares counted in the 10% calculation below shall equal the number of shares bought less the number resold within the authorisation period;

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

c) to allot shares upon the exercise of securities giving rights to shares of the Company by way of conversion, exercise, redemption, exchange, presentation of a warrant or otherwise, in accordance with stock market regulations;

d) to cancel all or some of the shares acquired in capital reductions under the terms and conditions set out in the French Commercial Code, subject to the 15th resolution being passed by the shareholders during the extraordinary portion of the meeting;

e) to keep all or some of the shares purchased to tender in exchange, as payment or otherwise for future acquisitions, in compliance with practices authorised by the *Autorité des Marchés Financiers*; or

f) more broadly, to undertake any hedging or other transaction that is authorised or might be authorised by regulations in force.

The purchase, sale, transfer or exchange of these shares may be effected and settled by any means in accordance with the regulations in force, on one or more occasions, on or off the market, including over-the-counter, and by the purchase or sale of blocks (without limiting the portion of the buyback programme that may be executed by this means), by the use of options or other financial derivatives and at all events directly or through the intermediary of an investment services provider, and at such times as the Board of Directors shall deem proper, excluding at the time of a public offer on the Company's shares.

The shareholders set the following limits on the Board of Directors' use of this authority:

At any time the maximum number of Company shares that may be purchased may not exceed:
- 10% of the total number of shares forming the share capital of the Company; and
- 5% of the total number of shares making up the Company's share capital if these are shares acquired by the Company for holding and subsequent use in payment or exchange as part of a merger, spin-off or capital contribution.

These percentages apply when appropriate to a number adjusted for transactions that may impact the share capital subsequently to this Shareholders Meeting.

The maximum purchase price, excluding transaction costs, may not exceed €100 (one hundred euros) per share.

As an indication, at 31 March 2015, the maximum theoretical amount the Company could use to buyback its own shares under this resolution, without taking into account shares already owned, would equal six hundred and one million, one hundred thirty-two thousand, eight hundred and forty (601,132,840) euros, corresponding to six million, eleven thousand three hundred and twenty-eight (6,011,328) shares, to be purchased at the maximum unit price of €100, excluding fees, as established above and based on the share capital as set out in the Articles of Association at 4 February 2015.

These limits are subject to any adjustments for capital transactions made by the Company in accordance with the provisions of the laws and regulations.

These transactions may in no instance lead the Company to owning more than 10% of its share capital at any time.

This authorisation is given for a period of 18 months from the date of this meeting.

The shareholders give the Board of Directors full powers, with the ability to sub-delegate in accordance with the laws and regulations, to place trading orders, sign purchase, exchange or transfer documents, enter into agreements, issue declarations and execute formalities, make any of the adjustments listed above, allocate or reallocate the shares bought back to the various goals in accordance with the applicable legal and regulatory requirements and, in general, to do what is required to carry out this authority.

This resolution cancels and supersedes the unused portion of any previous authorisation given for the same purpose.

2.2 – Extraordinary resolutions

FIFTEENTH RESOLUTION *(Renewal of the authorisation granted to the Board of Directors to reduce the share capital by cancelling treasury shares held by the Company)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the provisions of article L. 225-136 of the French Commercial Code:

1. Authorise the Board of Directors to cancel any number of treasury shares that it shall deem fit, in one or more transactions, to the extent and at the times it shall choose, within the legal limits, i.e.

currently a maximum of 10% of the Company's share capital per 24-month period, with the specification that this limit applies to an amount of the Company's capital which, if required, will be adjusted to take into account transactions impacting the share capital after this General Meeting of Shareholders; and to reduce the share capital accordingly.

2. Give this authorisation to the Board of Directors for a period of 18 months from the date of this meeting.

3. Decide that the Board of Directors has full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law, and in particular, to:

- cancel the shares and reduce the share capital accordingly;
- determine the final amount and set the terms and conditions of the capital reductions and place them on record;
- transfer the difference between the carrying amount and par value of the shares cancelled from any reserve or share premium accounts, including the legal reserve for up to 10% of the cancelled share capital; and
- amend the articles of association accordingly and, more generally, do everything necessary in accordance with the law in force at the time of using this authorisation.

4. Duly note that this authorisation cancels and supersedes - for the unused period - the authorisation given under the fourteenth resolution passed at the combined general meeting of 25 June 2014.

SIXTEENTH RESOLUTION *(Authority granted to the Board of Directors to award existing or new free shares, without preferential subscription rights, to the corporate officers or employees of the Company or related companies).*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the provisions of articles L. 225-197-1 et seq. of the French Commercial Code:

1. Authorise the Board of Directors, with an option to sub-delegate in accordance with the applicable laws and regulations, to allocate existing or new free shares (excluding preferential shares), in one or more transactions, to the beneficiaries or categories of beneficiaries it may choose amongst the salaried staff of the Company or its related groups pursuant to article L. 225-197-2 of the Code and the corporate officers of the Company or its related companies or groups, who meet the conditions established by section II of article L. 225-197-1 of the Code, under the following conditions;

2. Decide that the total number of free shares allocated hereunder, whether existing or to be issued, may not exceed 0.5% of the Company's capital as of the day of the Board's decision, it being understood that the par value of any additional shares issued in order to preserve the rights of the holders of securities or of other rights giving access to capital, in accordance with the applicable laws and regulations, and, where necessary, any other contractual provisions relating to adjustments, will be added to this ceiling.
Decide that the allocation of free shares to the corporate officers under this resolution cannot exceed a ceiling of 0.2%.

3. Expressly condition the allocation of all or part of the shares allocated under this authorisation on meeting at least two performance conditions set by the Board of Directors at the time the allocation is

decided. It is noted, however, that the Board of Directors can, if required, proceed with a share allocation with no performance conditions as part of an allocation to all employees.

4. Decide that the Company shares allocated to beneficiaries will be vested to their beneficiaries either (i) at the end of a vesting period of at least two years following which beneficiaries are required to retain their shares for a further two years, at least, from the expiration of the vesting period, or (ii) following a vesting period of minimum four years after which beneficiaries are not required to retain their shares for a further period, it being understood that the shares will be immediately and definitively vested in the event of invalidity of the beneficiary in the second or third category as defined in article L. 341-4 of the French Social Security Code, or foreign equivalent. In this case, the beneficiaries of Company shares will not be subject to any obligation to retain the shares and will be free to dispose of their shares as soon as they are vested.

5. Decide that, in the event that the law is amended and, notably, if an amendment allows for a decrease in the vesting and/or retention periods or the elimination of the retention period, the Board of Directors may reduce the vesting period and/or reduce or eliminate the retention period, within the constraints of the performance conditions described above.

6. Authorise the Board of Directors to proceed, if necessary, with adjustments to the number of freely-allocated shares necessary in order to preserve the rights of the beneficiaries, in view of any operations that might take place in relation to the Company's capital. Any shares allocated in application of the above adjustments will be deemed to have been allocated on the same date as those initially allocated.

7. Acknowledge that in the event of the free allocation of new shares this authority will entail, to the extent the shares are definitively allocated, an increase in capital through the incorporation of reserves, earnings or share premiums for the benefit of the shares' beneficiaries, and the corresponding waiver by the shareholders, for the benefit of said beneficiaries, of the preferential rights of subscription to those shares and the portion of the reserves, earnings and premiums thus incorporated.

8. Take note that shares may be awarded to the executive officers covered under section II of article L. 225-197-1 of the French Commercial Code, only in compliance with article L. 225-197-6 of the same Code.

9. Take note that, should the Board of Directors exercise this authority, every year it will inform the ordinary general meeting of the transactions carried out under articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code, under the conditions set out in article L. 225-197-4 of the same Code.

10. Decide that the Board of Directors has full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law, and in particular, to:

- determine whether the freely allocated shares are existing or newly-issued shares;
- determine the identity of the beneficiaries or categories of beneficiaries, the allocation of shares among the personnel and corporate officers of the Company or of the above-mentioned companies or groupings, and the number of shares allocated to each of them;
- stipulate the conditions and if applicable the criteria for allocation of the shares (including, if necessary, individual or collective performance), and in particular the minimum acquisition period and the conservation period required for each beneficiary under the conditions provided for above, on the understanding that as the shares are granted free of charge to corporate officers, the Board of Directors must either (a) decide that the freely-granted shares cannot be

transferred by the interested parties before termination of their duties, or (b) stipulate the quantity of freely-granted shares they are required to retain in registered form until the termination of their duties;
- include a provision to temporarily suspend the rights of allocation;
- verify the definitive allocation dates, and the date from which the shares can be freely transferred, taking into account the legal restrictions;
- where new shares are issued, stipulate the amount and type of the reserves, earnings or premiums to be incorporated and if necessary allocate to those reserves, earnings or premiums the sums necessary for the payment of said shares, verify and carry out the capital increases made in application of this authority, make the corresponding amendments to the articles of association, and in general carry out all the necessary acts and formalities.

11. Give this authorisation - which supersedes the unused part of any preceding authority relating to the same object - for a period of 26 months from the date of this general meeting.

SEVENTEENTH RESOLUTION *(Authorisation given to the Board of Directors to grant options for the subscription and/or purchase of shares in the Company by corporate officers and employees of the Company or of Group companies, entailing the shareholders' waiver of their preferential rights of subscription to shares issued as a result of the exercise of subscription options).*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the provisions of articles L. 225-177 to L. 225-186-1 of the French Commercial Code:

1. Authorise the Board of Directors to award all or some salaried employees and corporate officers of the Company and/or directly or indirectly related companies or groupings under article L. 225-180 of the French Commercial Code, eligible in accordance with the applicable laws and regulations, options with the right, at its discretion, to subscribe new Company shares to be issued through a capital increase, or to purchase existing Company shares acquired by the Company in compliance with the law, one or more times.

2. Decide that the total number of options which may be granted in connection with this authorisation may not give rights to subscribe or purchase more than four hundred and sixty thousand (460,000) shares on the allotment date, with the understanding that, if applicable, the par value of any additional shares issued in order to preserve the rights of the holders of securities or of other rights giving access to capital, in accordance with the applicable laws and regulations, and, where necessary, any other contractual provisions relating to adjustments, will be added to this ceiling.

3. Decide that the allocation of options for the subscription and/or purchase of shares to corporate officers under this resolution cannot exceed a sub-ceiling of 0.2%.

4. Expressly condition the allocation of all or part of the subscription and/or purchase options under this authorisation on meeting at least two performance conditions set by the Board of Directors at the time the allocation is decided. It is noted, however, that the Board of Directors can, if required, proceed with the allocation of options for share subscriptions and/or purchases with no performance conditions as part of an allocation to all employees.

5. Decide that, in the event of the granting of share subscription or share purchase options, the subscription or purchase price will be set by the Board of Directors on the date on which the option is

granted. The subscription price may not be lower than the average of the first prices listed for the 20 stock market sessions preceding the allocation date and the purchase price may not be less than the average purchase price of the shares held by the Company in accordance with articles L. 225-208 and L. 225-209 of the French Commercial Code.

The price can only be modified if, over the period during which the options granted can be exercised, the Company carries out one of the financial or share-related operations provided for by law.

In the last case, the Board Directors will proceed, according to the provisions of regulations in force, to adjust the number and price of the shares included in the options granted, in order to take into account the impact of the operation in question.

6. Decide that the duration of the period for the exercise of the options granted, as approved by the Board Directors, may not exceed five years from the allocation date.

7. Acknowledge that, pursuant to article L. 225-178 of the French Commercial Code, this authority carries with it, *ipso jure*, for the benefit of the holders of subscription options, the shareholders' express waiver of their preferential right of subscription to the shares that will be issued as the subscription options are exercised.

8. Take note that options may be awarded to the executive officers covered under paragraph 4 of article L. 225-185 of the French Commercial Code, only in compliance with article L. 225-186-1 of the same Code.

9. Decide that the Board of Directors has full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law, and in particular, to:

- draw up the list of beneficiaries of the options and stipulate the conditions under which the options will be granted and exercised by their beneficiaries, including, where necessary, performance criteria;
- determine, where necessary, the length-of-service conditions to be fulfilled by the beneficiaries of the options within the limits of the applicable laws and regulations;
- stipulate the period(s) for the exercise of the options and, if necessary, draw up clauses prohibiting the immediate re-sale of all or some of the shares;
- determine the vesting date, including retroactively, of new shares resulting from the exercise of the options;
- for the options granted to the corporate officers of the Company, ensure that the options may only be exercised prior to the termination of their duties, or set the number of shares that must be kept until termination of their duties;
- provide an option to temporarily suspend the exercise of options in the event of financial or share-related operations;
- limit, restrict or prohibit the exercise of options during certain periods, or after certain events, its decision possibly relating to all or some of the shares, and involving all or some of the beneficiaries;
- authorise any agreement, take any measure, carry out or arrange the completion of any steps or formalities needed to render definitive the capital increase(s) which might be conducted by virtue of this authorisation; amend the articles of association accordingly and generally do all other things necessary;

- at its sole discretion, attribute the costs of the capital increases to the amount of the corresponding premiums, and deduct from said premium the sums needed to bring the legal reserve up to a tenth of the new capital after each increase.

10. Give this authorisation – which supersedes the unused part of any preceding authority relating to the same object – for a period of 26 months from the date of this General Meeting of Shareholders.

2.3 – ORDINARY RESOLUTIONS

EIGHTEENTH RESOLUTION *(Powers for filings and formalities)*

The shareholders, voting under the quorum and majority conditions required for ordinary general meetings, give full powers to a bearer of an original, a copy or excerpt of the minutes of this meeting, to carry out any legal or administrative formalities and any filings or communications required by the laws in force.

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3. Statutory Auditors' report on financial authorisations and delegated authorities

This is a free translation into English of the Statutory Auditors' report on capital transactions that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on capital transactions should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Saint-Honoré BK&A
140 rue du Faubourg Saint-Honoré
75008 Paris

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

ORPEA
Société Anonyme
115 rue de la Santé
75013 Paris

Statutory Auditors' Report
on the capital transactions proposed in the resolutions
submitted to the vote of the Extraordinary general meeting of 23 June 2015

Dear Shareholders,

In our capacity as Statutory Auditors of your company and in accordance with the assignments entrusted to us by the French Commercial Code, we hereby present our report on the capital transactions submitted for your approval.

1. Reduction of capital by cancellation of treasury shares (15th resolution)

In accordance with article L. 225-209 of the French Commercial Code concerning reductions in share capital through the cancellation of shares, we have prepared this report to inform you of our assessment of the reasons for and terms and conditions of the proposed reduction in share capital.

Your Board of Directors requests that you delegate to it, for a period of 18 months, all powers to cancel treasury shares purchased under the share buyback programme, up to a maximum limit of 10% of its share capital per 24-month period, pursuant to the provisions of the above-mentioned article.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. These procedures include assessing whether the reasons for and terms and conditions of the proposed capital reduction, which will not affect equality between shareholders, are due and proper.

We have no matters to report as to the reasons for or terms and conditions of the proposed capital reduction.

2. Authorisation to allocate new or existing shares free of charge to some or all salaried employees and/or corporate officers (sixteenth resolution)

In accordance with article L. 225-197-1 of the French Commercial Code, we have drafted this report on the proposed allocation of free, existing or new ordinary shares to the salaried staff and/or corporate officers of the Company or its related companies or groupings pursuant to article L. 225-197-2 of the same Code.

The number of free shares allocated may not account for more than 0.5% of the Company's share capital at the date of the Board's decision, with the specification that allocation of free shares to the corporate officers may not exceed a sub-ceiling of 0.2%.

Your Board of Directors requests that you authorise it, for a period of 26 months, to allocate existing or new shares, free of charge, in one or more transactions. It is the Board's responsibility to prepare a report on the proposed transaction. It is our responsibility to report, if necessary, on the information provided to you on the proposed transaction.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. These procedures consisted of verifying that the methods proposed and set out in the report of the Board of Directors comply with the provisions of French law.

We have no matters to report as to the information given in the report of the Board of Directors relating to the proposed authorisation to allocate free shares.

3. Allocation of subscription and/or purchase options for shares to employees and corporate officers (17th resolution)

In accordance with articles L. 225-177 and R. 225-144 of the French Commercial Code, we have drafted this report on the award to all or some employees and corporate officers of subscription and/or purchase options for shares in the Company or its related companies or groupings under article L. 225-180 of the same Code.

The subscription or purchase options for shares granted under this authority may not entitle to more than 460,000 shares in total on the date of the Board's decision, with the specification that the subscription and/or purchase options allocated to the corporate officers may not exceed a sub-ceiling of 0.2%

Your Board of Directors is responsible for preparing a report on the reasons for the proposal to grant share subscription and/or purchase options and on the proposed methods used to set the subscription or exercise price. It is our responsibility to report on the proposed methods used to set the share subscription or exercise price.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. These procedures consisted of verifying that the proposed methods used to set the subscription or exercise price are specified in the report of the Board of Directors and that they comply with the provisions laid down by laws and regulations.

We have no comments to make on the proposed methods for setting the share subscription or exercise price.

Paris and Neuilly-sur-Seine, 13 May 2015

The Statutory Auditors

Saint-Honoré BK&A	Deloitte & Associés
Emmanuel KLINGER	Joël ASSAYAH

Chapter X: Further information

1. Persons responsible for the registration document and statement

1.1 Persons responsible for the registration document

Dr Jean-Claude Marian, Chairman of the Board of Directors
Yves Le Masne, Chief Executive Officer

1.2 –Statement by the persons responsible for the registration document

Having taken all reasonable care to ensure that such is the case, to the best of our knowledge, all of the information contained in the registration document is in accordance with the facts and contains no omissions likely to affect its import.

To the best of our knowledge, we certify that the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and profit or loss of the Company and all consolidated companies, and that the management report provided on pages 128 to 187 presents a true and fair view of the business trends, results and financial position of the Company and all consolidated companies, as well as a description of the main risks and uncertainties to which they are exposed.

We have received an audit completion letter (*lettre de fin de travail*) from the Statutory Auditors, in which they state that they have verified the information relating to the Group's financial position and financial statements contained in this registration document and that they have read through the document in its entirety.

Puteaux, 18 May 2015

1.3 – Contacts for Investors

ORPEA
Yves Le Masne – Chief Executive Officer – Tel.: +33 (0)1 47 75 78 07
Steve Grobet – Investor Relations Officer – Tel.: +33 (0)1 47 75 74 66 – s.grobet@orpea.net

2. STATUTORY AUDITORS

1.1 PRINCIPAL STATUTORY AUDITORS

- **Saint-Honoré BK&A**
  Represented by Mr. Emmanuel Klinger
  140 rue du Faubourg Saint Honoré - 75008 Paris

The firm of Saint Honoré BK&A was first appointed at the General Meeting of Shareholders of 27 June 2008 for term of six years. It was re-appointed at the annual General Meeting of Shareholders of 25 June 2014 for a term of six years ending at the conclusion of the annual general meeting held to approve the 2019 financial statements.

- **Deloitte & Associés**
  Represented by Joël Assayah
  185 avenue Charles-de-Gaulle - 92200 Neuilly-Sur-Seine

Deloitte & Associés was first appointed at the annual general meeting of 29 June 2006 to replace Vademecum, which stood down for personal reasons. Its appointment ran from 1 January 2006 until the end of its predecessor's term that is until the conclusion of the annual general meeting held to approve the 2009 financial statements.

Deloitte & Associés was re-appointed at the annual General Meeting of Shareholders of 25 June 2010 for a term of six years ending at the conclusion of the annual general meeting held to approve the 2015 financial statements.

1.2 ALTERNATE STATUTORY AUDITORS

- SAINT HONORE SEREG
  Alternate to Saint-Honoré BK&A
  140 rue du Faubourg Saint Honoré - 75008 Paris

Appointed at the General Meeting of Shareholders of 25 June 2014 for a term of six years ending at the conclusion of the annual general meeting held to approve the 2019 financial statements.

- BEAS
  Alternate to Deloitte & Associés
  7-9 Villa Houssay - 92200 Neuilly-Sur-Seine

Appointed at the same time and for the same term as Deloitte & Associés, replacing Mrs Françoise Vainqueur, joint alternate statutory auditor, who resigned for personal reasons.

1.3 – FEES PAID TO THE STATUTORY AUDITORS

Budgeted auditors' fees with respect to 2014 and 2013.

	Deloitte & Associés				Saint-Honoré BK&A			
	2014		2013		2014		2013	
in thousands of euros	€	%	€	%	€	%	€	%
1. Audit								
1.1 Statutory and contractual audit services								
- Issuer of statements	843	58%	996	60%	730	79%	771	80%
- Fully-consolidated subsidiaries	603	42%	525	32%	189	21%	198	20%
1.2 Other audit-related services								
- Issuer of statements			60	4%				
- Fully-consolidated subsidiaries			73	4%				
Sub-total	1,446	100%	1,654	100%	919	100%	969	100%
2. Other services provided to fully-consolidated subsidiaries								
2.1 Legal, tax and employment advice								
2.2 Other								
Sub-total	0	0%	0	0%	0	0	0	0
Total	1,446	100%	1,654	100%	919	100%	969	100%

3. DOCUMENTS ON DISPLAY

This list comprises the annual information document published between 8 May 2014 and 12 May 2015 pursuant to article 451-1-1 of the French Monetary and Financial Code and article 221-1-1 of the AMF's General Regulation, supplemented by the ORPEA Group's latest publications.

1.1 PUBLICATIONS ON THE AMF'S WEBSITE

Published in the database of financial decisions and information (BDIF) of the French Financial Markets Authority (www.amf-france.org)

Publication date	Type of document
11/02/2015	Crossing of Threshold Declaration no. 215C0186
21/01/2015	Declaration of net short positions no. 2015E348233
20/01/2015	Declaration of net short positions no. 2015E347958
30/07/2014	Prospectus for a bond issue, approval no. 14-443
26/06/2014	Directors' Declaration no. 2014DD314981
22/06/2014	Directors' Declaration no. 2014DD314513
22/06/2014	Directors' Declaration no. 2014DD314505
22/06/2014	Directors' Declaration no. 2014DD314509
22/06/2014	Directors' Declaration no. 2014DD314516
22/06/2014	Directors' Declaration no. 2014DD314514
22/06/2014	Directors' Declaration no. 2014DD314502
21/06/2014	Directors' Declaration no. 2014DD314246
16/05/2014	2013 Registration Document filing no. D.14-0539

1.2 PUBLICATIONS IN THE BALO

Published on the website of the Journal Officiel's French Legal Announcements Bulletin (*Bulletin des Annonces Légales Obligatoires*, www.journal-officiel.gouv.fr)

Publication date	Type of document
05/01/2015	Notice of early redemption of OCEANEs
14/07/2014	Notice of adjustment of OCEANE and ORNANE's exchange ratios
02/07/2014	Final 2013 financial statements
06/06/2014	Notice to attend the CGM of 25 June 2014
19/05/2014	Notice of the CGM of 25 June 2014

1.3- PUBLICATIONS ON THE COMPANY'S WEBSITE

Published on the ORPEA website (www.orpea-corp.com))

Publication date	Heading	Type of document
05/05/2015	Announcements	Strong revenue growth in Q1 2015: up 25.7% to €538 million
13/04/2015	Documentation/Other regulated info	Number of shares and voting rights at 31/03/2015
31/03/2015	Documentation/Presentations	Presentation of 2014 annual results
31/03/2015	Announcements	2014: new year of profitable high growth
09/03/2015	Documentation/Other regulated information	Number of shares and voting rights at 27/02/2015
11/02/2015	Announcements	2014 Revenue rose sharply and above objective: up +21.2% to €1,948.4 million
09/02/2015	Documentation/Other regulated information	Number of shares and voting rights at 04/02/2015
05/02/2015	Documentation/Other regulated information	Number of shares and voting rights at 30/01/2015
04/02/2015	Announcements	Success of early redemption of 2016 OCEANEs
20/01/2015	Documentation/Presentations	Acquisition of SeneCura
20/01/2015	Announcements	Acquisition of SenaCura, the leader in Austria of dependency care
08/01/2015	Documentation/Other regulated information	Number of shares and voting rights at 31/12/2014
06/01/2015	Documentation/Other regulated information	Interim report on the liquidity contract at 31/12/2014
05/01/2015	Announcements	Early redemption of OCEANEs maturing in 2016
06/11/2014	Documentation/Other regulated information	Number of shares and voting rights at 31/10/2014
05/11/2014	Announcements	Accelerated sales growth in the 3rd quarter of 2014: up +29.0% to €524.5 million
15/10/2014	Documentation/Other regulated info	Number of shares and voting rights at 30/09/2014
08/10/2014	Announcements	Press release announcing availability of the interim financial statements at June 2014
08/10/2014	Documentation/Financial Reports	2014 Interim Financial Report
30/09/2014	Documentation/Financial Reports	Articles of association of Company updated to 30/09/2014
17/09/2014	Documentation/Presentations	Presentation of 2014 Interim results
17/09/2014	Announcements	Strong expansion and solid, profitable growth in HY1 of 2014
08/09/2014	Documentation/Other regulated information	Number of shares and voting rights at 29/08/2014
04/08/2014	Documentation/Other regulated information	Number of shares and voting rights at 31/07/2014

30/07/2014	Documentation/Other regulated information	Euro PP prospectus, AMF approval no. 14-443 (€52 million)
16/07/2014	Announcements	Accelerated revenue growth in the 3rd quarter of 2014: up +16.2% to €462.6 million
09/07/2014	Documentation/Other regulated information	Announcement of adjustment of OCEANE's and ORNANE's ratios and conversion rates
09/07/2014	Announcements	Announcement of adjustment of OCEANE's and ORNANE's ratios and conversion rates
03/07/2014	Documentation/Other regulated information	Number of shares and voting rights at 30/06/2014
01/07/2014	Documentation/Other regulated information	Interim report on the liquidity contract at 30/06/2014
04/06/2014	Documentation/Other regulated information	Number of shares and voting rights at 30/05/2014
04/06/2014	Documentation/Other regulated info	Press release announcing availability of draft documents relating to the GM of 25/06/2014
16/05/2014	Documentation/Other regulated information	Publication of the 2013 Registration Document
16/05/2014	Announcements	Publication of the 2013 Registration Document
16/05/2014	Documentation/Financial Reports	2013 Registration Document

1.4- Publications on an AMF-approved newswire

Published on the newswire (www.businesswire.fr/portal/site/fr)

Publication date	Type of document
05/05/2015	Strong revenue growth in Q1 2015: up 25.7% to €538 million
13/04/2015	Monthly information on the total number of voting rights and shares comprising the share capital at 31 March 2015
31/03/2015	2014: new year of profitable high growth
09/03/2015	Monthly information on the total number of voting rights and shares comprising the share capital at 27 February 2015
11/02/2015	2014 revenue rose sharply and above objective: up 21.2% to €1,948.4
09/02/2015	Monthly information on the total number of voting rights and shares comprising the share capital at 4 February 2015
05/02/2015	Monthly information on the total number of voting rights and shares comprising the share capital at 30 January 2015
04/02/2015	Success of early redemption of 2016 OCEANEs
20/01/2015	New strategic expansion internationally
08/01/2015	Monthly information on the total number of voting rights and shares comprising the share capital
06/01/2015	Annual report on the liquidity contract signed with the stockbroker Gilbert Dupont
05/01/2015	Early redemption of OCEANE 1s maturing in 2016
04/12/2014	Monthly information on the total number of voting rights and shares comprising the share capital
06/11/2014	Monthly information on the total number of voting rights and shares comprising

	the share capital
05/11/2014	Accelerated revenue growth in the 3rd quarter: up +29.0% to €524.5 million
15/10/2014	Monthly information on the total number of voting rights and shares comprising the share capital
08/10/2014	Press release announcing availability of the interim financial statements at 30 June 2014
08/10/2014	Interim financial report
17/09/2014	HY 1 2014: strong expansion, solid, profitable growth
08/09/2014	Monthly information on the total number of voting rights and shares comprising the share capital
04/08/2014	Monthly information on the total number of voting rights and shares comprising the share capital
16/07/2014	Accelerated revenue growth in Q2: up +16.2% to €462.6 million
09/07/2014	Adjustment of the ratio for allocating shares on OCEANEs and for converting ORNANEs
03/07/2014	Monthly information on the total number of voting rights and shares comprising the share capital
01/07/2014	Interim report on the liquidity contract signed with the stockbroker Gilbert Dupont
04/06/2014	Monthly information on the total number of voting rights and shares comprising the share capital
04/06/2014	Procedures for making available or viewing the information concerning the combined general meeting of 25 June 2014
16/05/2014	Publication of the 2013 Registration Document

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