2015 Registration Document

Including the annual financial report

ORPEA

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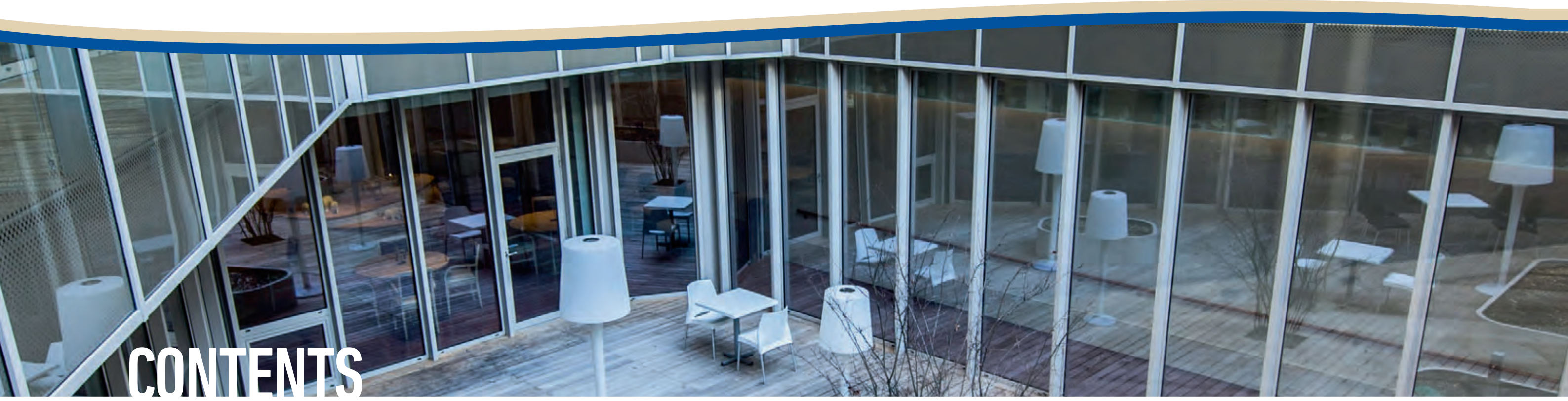

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LA VIE CONTINUE AVEC NOUS

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AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Registration Document was filed with the Autorité des Marchés Financiers on 19 May 2016 in accordance with article 212-13 of the General Regulation. 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 2013 Registration Document filed on 16 May 2014 under number 14–0539 and the 2014 Registration Document filed on 19 May 2015 under number D.15-0510.

The aforementioned registration documents are available on the AMF and ORPEA websites (www.orpea-corp.com, Section Documentation), or on request from the Company's head office (ORPEA - Relations Investisseurs/Investor Relations - 12 rue Jean Jaurès - CS 10032 - 92813 Puteaux Cedex).

1 PRESENTATION OF THE ORPEA GROUP AND ITS MARKETS

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The ORPEA Group has the mission to care for physically or psychologically dependent people who have chosen to live in the Group's facilities (long-term care facilities, post-acute and rehabilitation clinics, psychiatric care clinics) by providing them with the essential care for their well-being and by supporting them in their everyday activities with respect for their dignity and individuality.

Present in the home care sector since 2014, the ORPEA Group offers care services for physical or psychological dependency, at home or in care facilities, to meet the expectations of the European supervisory authorities and of its residents and patients, for better and easier access to care.

Since it was founded in 1989, ORPEA has always put the quality of its care and services at the centre of its development strategy. The ORPEA Group is committed to implementing all human and technical means necessary for the well-being of our patients and residents and to provide optimal care.

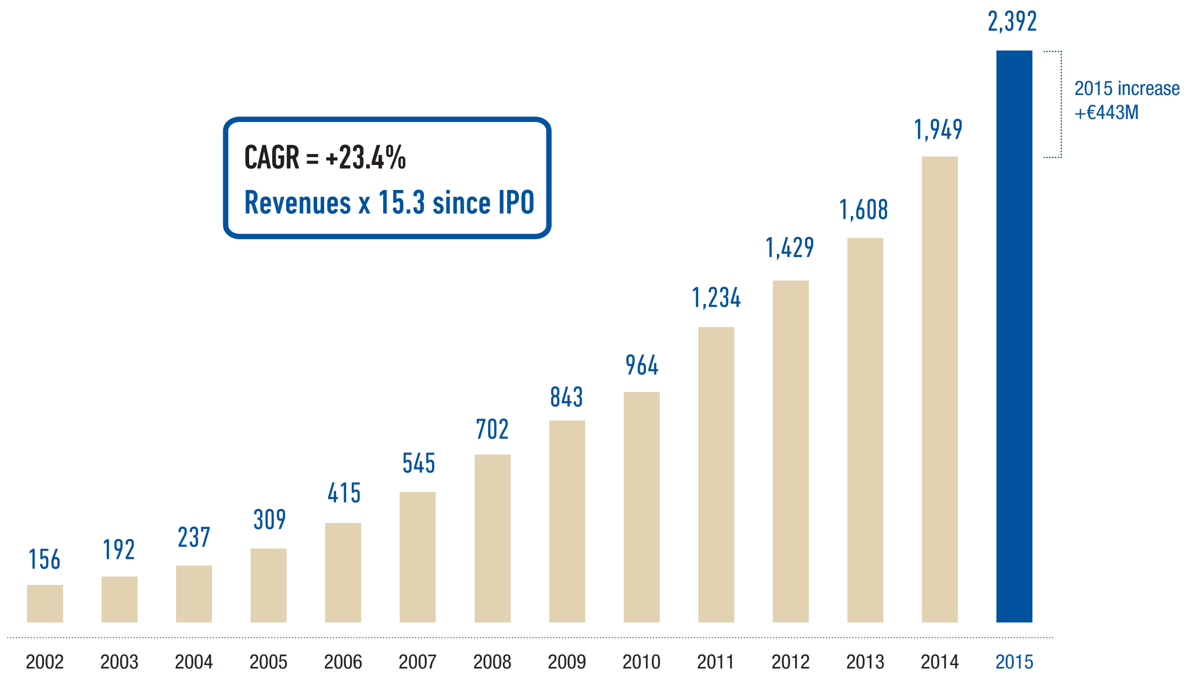
Against a background of ageing populations, not only in Europe but also worldwide, and increasing need for specialisation and medical care in what is a fragmented sector, ORPEA has over the last 27 years been one of the European leaders for dependency care with 67,781 beds in 683 facilities across eight countries.

With an organisational structure that is structured and scaled for international expansion, financial flexibility and established platforms in eight 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.

1.1 KEY FIGURES FOR ORPEA

1.1.1 Revenues

CHANGE IN THE GROUP'S REVENUES SINCE THE IPO *(IN MILLIONS OF EUROS)*



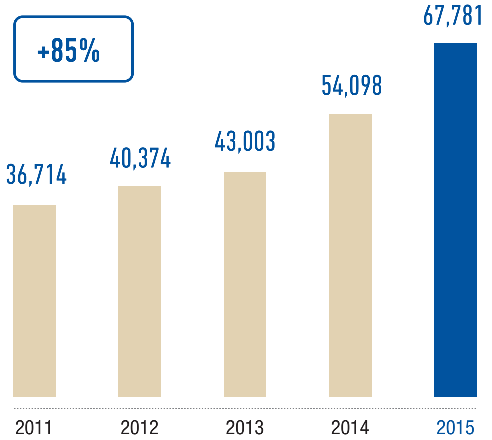
CAGR: Compounded Annual Growth Rate

(in millions of euros)	2015	2014	2013
France	1,596.6	1,499.8	1,342.3
% of total revenues	*67%*	*77%*	*83%*
International	795.0	448.8	265.7
% of total revenues	*33%*	*23%*	*17%*
Belgium	157.8	164.9	158.1
Spain	63.9	55.6	49.6
Italy	45.9	41.6	38.5
Switzerland	130.1	84.4	19.5
Germany	287.5	102.2	0.0
Austria	109.8	0.0	0.0
TOTAL	**2,391.6**	**1,948.6**	**1,607.9**

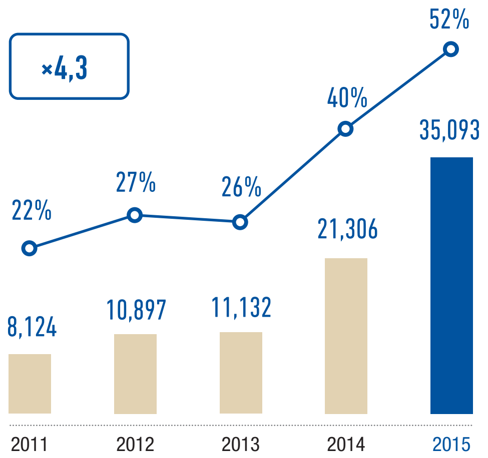
1.1.2 Network development

NETWORK GROWTH DYNAMIC *(IN NUMBER OF BEDS)*

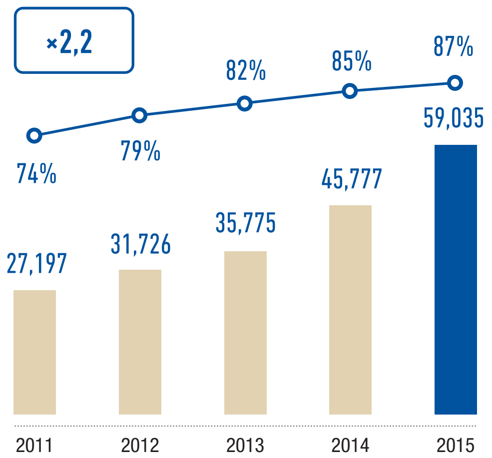
TOTAL NETWORK *(NUMBER OF BEDS)*



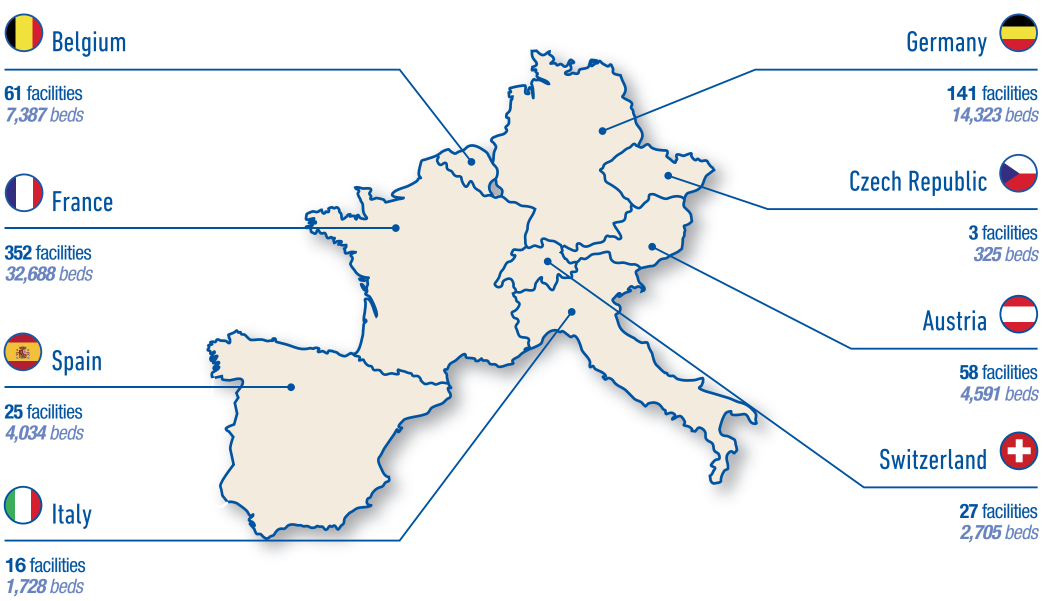
INTERNATIONAL NETWORK *(NUMBER OF BEDS AND % OF TOTAL NETWORK)*



NETWORK MATURITY *(NUMBER OF MATURE BEDS AND % OF TOTAL NETWORK)*



A EUROPEAN NETWORK OF 67,781 BEDS IN 683 FACILITIES



Summary table 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*	2015 revenues	% 2015 revenues	Of which operational beds excluding beds under redevelopment	Of which beds under redevelopment	Of which beds under construction
France	352	32,688	1,596.6	66.8%	29,695	1,140	1,853
Belgium	61	7,387	157.8	6.6%	5,538	322	1,527
Spain	25	4,034	63.9	2.7%	4,034	0	0
Italy	16	1,728	45.9	1.9%	1,136	60	532
Switzerland	27	2,705	130.1	5.4%	2,243	0	462
Germany	141	14,323	287.5	12.0%	11,722	82	2,519
Austria	58	4,591	109.8	4.6%	4,462	0	129
Czech Republic	3	325	0.0	0.0%	205	0	120
TOTAL	**683**	**67,781**	**2,391.6**	**100.0%**	**59,035**	**1,604**	**7,142**

* *Figures to 31 December 2015.*

					Beds**		
	Number of Facilities**	Number of beds**	2014 revenues	% 2014 revenues	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**

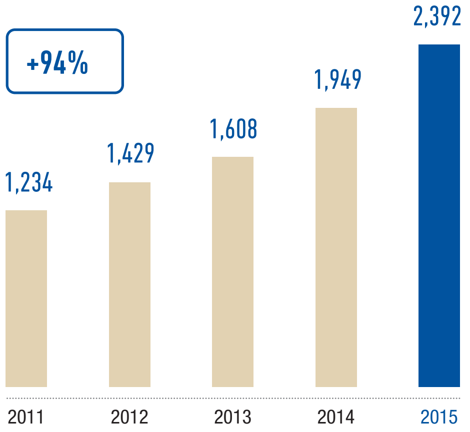
** *Figures to 1 March 2015.*

					Beds***		
	Number of Facilities***	Number of beds***	2013 revenues	% 2013 revenues	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**

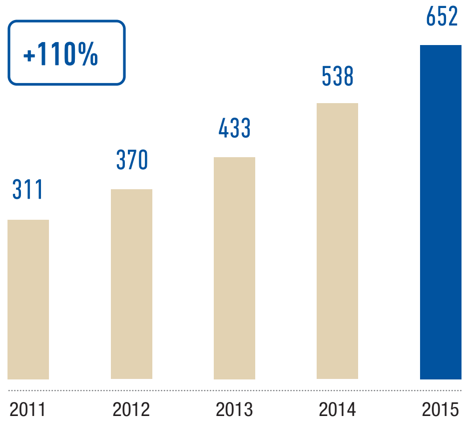
*** *Figures to 1 March 2014.*

1.1.3 Selected financial information

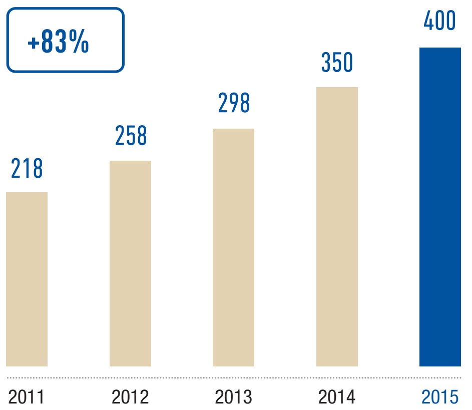
REVENUES *(IN MILLIONS OF EUROS)*



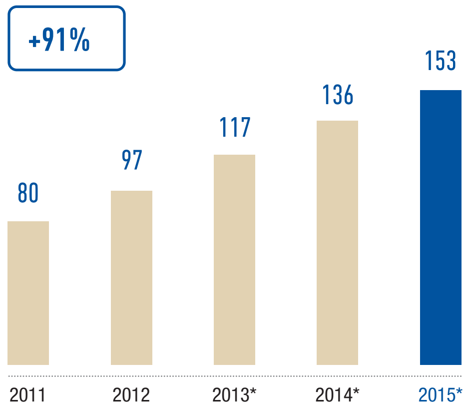
EBITDAR *(IN MILLIONS OF EUROS)*



EBITDA *(IN MILLIONS OF EUROS)*



NET PROFIT *(IN MILLIONS OF EUROS)*



** Excluding change in fair value of the allotment of the ORNANE bonds.*

Selected financial information - consolidated income statement

(in millions of euros) (IFRS)	31/12/2015	31/12/2014	31/12/2013
Revenues	2,391.6	1,948.6	1,607.9
EBITDAR**	652.5	537.8	433.2
EBITDA***	400.5	350.1	298.0
Recurring operating profit	303.6	271.2	227.3
Operating profit	323.0	308.9	268.4
Net financial cost	(96.8)	(99.2)	(90.6)
Change in JVO*	(43.0)	(25.1)	(4.9)
Net profit (Group share) excluding change in net JVO*	153.3	136.3	116.9
NET PROFIT (GROUP SHARE)	**126.6**	**120.8**	**113.9**

* *JVO = fair value of the entitlement to the allotment of shares in ORNANE bonds.*
** *EBITDAR = current EBITDA before rents, including provisions relating to “external charges” and “staff costs”.*
*** *EBITDA = recurring operating profit before depreciation, amortisation and provisions, including provisions relating to “external charges” and “staff costs”.*

Selected financial information - consolidated statement of cash flows

(in millions of euros)	31/12/2015	31/12/2014	31/12/2013
Cash flow	301	260	226
Cash flow from operating activities	314	290	247
Net cash flow from investment activities	(1,014)	(587)	(235)
Net cash flow from financing activities	597	450	93
Change in cash and cash equivalents	(103)	154	106
Cash and cash equivalents, end of period	519	622	468

Selected financial information - consolidated balance sheet

(in millions of euros)	31/12/2015	31/12/2014	31/12/2013
Equity attributable to owners of the Company	**1,810**	**1,498**	**1,412**
Current financial liabilities*	514	522	495
Non-current financial liabilities	3,219	2,479	1,925
● Cash & Cash Equivalents	(519)	(622)	(468)
Net debt	**3,214**	**2,379**	**1,952**
Goodwill	842	677	398
Intangible assets**	1,824	1,619	1,440
Property, plant and equipment***	3,572	2,907	2,772
TOTAL ASSETS	**7,371**	**6,286**	**5,452**

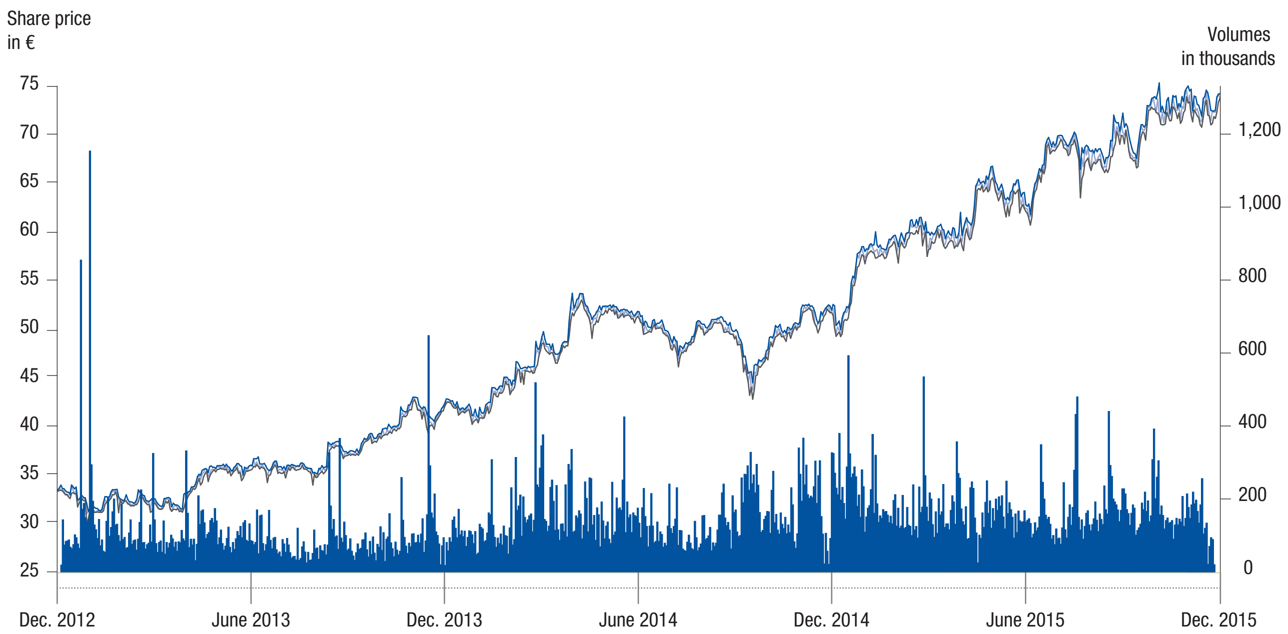
* *Of which assets and liabilities held for sale.*
** *Including the intangible assets held for sale for €76 million in 2014 and €73 million in 2015.*
*** *Including the property, plant and equipment held for sale for €124 million in 2014 and €127 million in 2015.*

Selected financial information - earnings per share

(in euros)	31/12/2015	31/12/2014	31/12/2013
Basic earnings per share	2.12	2.18	2.15
Dividend (proposed at the Shareholders' Meeting for 2015)	0.90	0.80	0.70

1.1.4 Stock Market Data

CHANGES IN SHARE PRICE AND VOLUME OVER THREE YEARS



INDICES

- Compartment A of 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

	2015	2014	2013
Closing price at 31 December	€73.78	€51.88	€42.24
12 month closing high	€74.53	€53.70	€42.85
12 month closing low	€49.31	€40.24	€31.05
Number of shares at 31 December	60,273,691	55,567,893	55,476,991
Market capitalisation at 31 December	€4,447M	€2,883M	€2,343M
Annual performance	+42%	+23%	+26%
Average daily trading volume* *(in no. of shares)*	175,085	151,258	107,241
Average daily trading volume* *(in millions of euros)*	€11.2M	€7.3M	€3.8M
12-month turnover	74%	69%	49%

* *Volumes including Euronext and the alternative platforms (Chi-X, Turquoise and Bats).*

1.2 ORPEA GROUP'S ACTIVITIES

ORPEA cares for dependent people at home or in facilities (long-term care facilities, post-acute and rehabilitation clinics, psychiatric care clinics).

Founded in France in 1989, the ORPEA Group is now present in 8 other countries (Germany, Belgium, Austria, Switzerland, Spain, Italy, Czech Republic and China).

This exceptional development was carried out within a precise, selective framework. The Group has always put the quality of its care, at all stages of dependency, at the heart of its development. Thanks to prudent development, combining internal growth with the creation of new facilities and external growth through targeted acquisitions, ORPEA has given itself the means to continue this policy of providing quality care to its residents and patients.

ORPEA has expanded in countries with specific characteristics that offer strong visibility: an ageing population, insufficient and/or loosely structured care offer, a sector presenting high entry barriers with regulated authorisation systems.

The experience acquired by ORPEA in France has enabled it to develop a powerful model, that the Group can now roll-out in all countries in which it is present, whilst adapting it to the local specificities and cultures, with the aim of offering structured care adapted to the population's needs.

1.2.1 The methodological construction of a European leader

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:** the 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-stay 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 the Group to accelerate its expansion.
- **2004: Expansion into Europe:** ORPEA opens its first two facilities in Italy, in partnership with the 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: Continued international expansion:** acquisitions of facilities in Switzerland (psychiatric clinic in Nyon, by Lake Geneva), in Belgium (geriatric complex in the centre of Brussels), and in Spain (Grupo Care, with 15 facilities representing 1,504 beds).
- **2007: ORPEA is eligible for the Deferred Settlement Service** (DSS), improving the stock's liquidity.

  The international growth strategy has paid off: for the first time, 10% of consolidated revenues 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, Spain and Italy, and roll-out of 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 for the Group:** acquisition of Artevida in Spain (1,162 beds and places), 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:** CPPIB, Canada's largest pension fund, with around CAD 200 billion under management, became the Group's leading shareholder with 15.9% of shares, thus improving the visibility and sustainability of ORPEA's long-term development.
- **2014: Strong acceleration of international expansion, in particular in German-speaking countries,** with two strategic acquisitions: SENEVITA in Switzerland (2,293 beds/21 nursing homes) and SILVER CARE in Germany (5,963 beds/61 nursing homes). These acquisitions doubled the size of the Group's international network.
- **2015: Continued international development**, with acquisitions in Austria and the Czech Republic via the SENECURA Group representing 4,236 beds, as well as in Germany with the CELENUS KLINIKEN Group, including 15 clinics (2,602 beds), followed by two regional Groups offering a complementary network to that of SILVER CARE: RGB (3,006 beds) and VITALIS (2,487 beds). The latter was only consolidated from January 2016.

1.2.2 ORPEA Group's business: an overall offer for care, at all stages of dependency

The ORPEA Group's business has been built around different forms of permanent and temporary dependency care:

- loss of independence due to ageing;
- rehabilitation care after an acute attack;
- mental illness.

Thus, ORPEA proposes a global, standardised care and services offering to care for people experiencing a loss of independence via a network of specialised structures:

- nursing homes (mainly long-term care facilities);
- post-acute and rehabilitation care facilities;
- psychiatric clinics;
- home care services.

1.2.2.1 FACILITIES FOR THE ELDERLY

A variety of residential services

LONG-TERM CARE FACILITIES

ORPEA's facilities for the elderly are mainly nursing home facilities. The core offer at ORPEA Residences, whatever the country, is, of course, long-term care.

However, to promote the life course and care for elderly dependent people and meet the expectations of public authorities, ORPEA Residences also offer additional reception formulae:

- *temporary accommodation*: An elderly person may have to stay at one of the Group's residences temporarily, for example if:
  - their carers are exhausted and need some time to rest,
  - their spouse is hospitalised and can no longer ensure continuity of care with professionals at home,
  - 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*: these 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 providing contact with others. The aim of these solutions is to provide relief for family carers and to support at-home care in optimal conditions.

Overall, a nursing home offers the following services:

- care and support services tailored to each resident;
- logistical and residential services such as accommodation, meals prepared on-site and served in the restaurant, laundry, room cleaning and various entertainment and therapeutic activities each day.

SPECIFIC CARE FOR PEOPLE SUFFERING FROM ALZHEIMER'S DISEASE

In all of the countries in which the Group operates, ORPEA Residences also offer protected accommodation units specifically for people suffering from Alzheimer's disease and related pathologies. 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's Medical Department has defined architectural principles for such units based on their knowledge of the problems linked to 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.

Similarly, a furniture range has been specifically developed based on an understanding of the illness and the risks it poses for these specific accommodation units.

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.

SERVICED RESIDENCES

In Belgium, Switzerland, Germany and to a lesser extent, in France, the Group has also developed a complementary offering for autonomous or semi-autonomous elderly people, who wish to benefit from common residential services (such as cleaning, entertainment and meals), and seven days a week logistical assistance, whilst retaining their independence: serviced residences or sheltered housing.

These facilities offer apartments (studio to two-bedroom) instead of just bedrooms, but do not have a salaried care team.

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.

External independent specialists (physiotherapists, speech therapists, etc.), can be brought in where such treatment is prescribed in addition to the care from the multi-disciplinary team in the facility.

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 plans

Customised care plans are implemented for each resident, following discussions with the person and their family, taking into account their life history, desires and interests.

Staff endeavour to create a pleasant and welcoming living environment by organising activities each day.

A coordinated programme of events is arranged by a qualified professional with two main aims:

* occupational, around 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 occupational therapy workshops on keeping up physical and intellectual capabilities (press review, gentle gymnastics, visual arts, etc.).

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

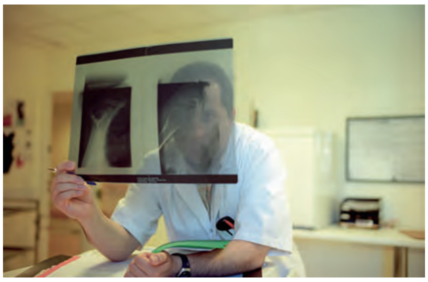
Finally, ORPEA strives to integrate its facilities with the social life of the town, to develop rich and dynamic social ties to surrounding cultural life for the well-being of the elderly people it cares for. This includes the organisation of activities with children from nearby schools, as well as with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

1.2.2.2 POST-ACUTE AND REHABILITATION CARE FACILITIES

ORPEA Group's post-acute and rehabilitation care facilities (SSRs), most of which are located in France, with some in Switzerland, Italy, Germany and Austria, have the aim of carrying out medical and/or post-operative care, as well as rehabilitation and re-education for patients requiring medical resources and technical platforms.

The aim is to support the patient in their recovery and in regaining independence, with a view to preparing their professional and social reinsertion and their return home.

In Germany, the fundamental mission for an SSR clinic (as in psychiatric clinics) is to allow the patient to return to work. For the Authorities, the aim is to boost the work market and optimise public sector budgets by increasing income through the number of active people and by reducing costs (an SSR is cheaper than hospital or home care).



The care offering in post-acute and rehabilitation facilities

ORPEA has developed an overall post-acute and rehabilitation offering both for full-time hospital and daily hospital services to respond to patients' desires to receive rehabilitation during the day at clinics and return home in the evening.

Beyond post-acute and rehabilitation care (following surgery or the acute phase of a chronic illness), the Group's SSR clinics have developed recognised specialisations, allowing them to promote the know-how of their teams and to provide care solutions most suited to patients' needs whilst meeting the needs of the healthcare environment in accordance with regional public healthcare plans for each country and region.

The main SSR specialities are:

- **Geriatrics**: dedicated to patients aged 75 years and over, dependent or at risk of becoming dependent. These dedicated units result from the complexity of the health of elderly people, characterised by frailness, active multiple pathologies, with specific risks of decompensation, physical dependency and/or cognitive impairment and psycho-social problems. The gerontological assessment by a geriatric reference doctor allows for targeted care. Geriatric post-acute care beds take care in particular of the following pathologies:
  - mild cardiology (excluding post surgery care),
  - endocrinology and, in particular, the post-operative care of diabetes pathologies,
  - oncology and mainly inter-treatment intervals of chemotherapy,
  - rheumatology,
  - neurology (degenerative pathologies or vascular conditions),
  - mild trauma and care for people with orthopaedic immobilisation or awaiting surgery,
  - general and specialist surgery;
- **in the care for musculoskeletal conditions**: to provide care adapted to patients specifically from trauma, orthopaedic or rheumatologic services. These services take care of musculoskeletal conditions such as: hip and knee prosthesis, knee ligament surgery, shoulder pathologies and re-education of rotator cuffs, post spinal surgery care or chronic back pain, inflammatory and degenerative rheumatism or sportspeople requiring intensive re-education after surgery.

  Patients with a disability may be fitted with a temporary or permanent prosthesis. Prostheses and the necessary compensation devices are fitted and adjusted in a specific studio;
- **in the care of nervous system diseases**: to take care of patients:
  - after strokes for intensive re-education,
  - suffering from multiple sclerosis, following flare-ups of this disabling disease, intercurrent complications or related surgery (spasticity, ulcers, urology, etc.) for a global assessment of the deficiencies and preventive or therapeutic actions,
  - and more generally, disabling neurological pathologies in order to assess the neurological deficiencies.

  In France, in view of its experience in Neurological Re-education, the Group is also recognised for the care of chronic vegetative or minimally conscious patients. These special units receive patients with serious neurological after-effects (lack of awareness for three to six months for medical reasons, 12 months for trauma) who require constant high-level care. For these patients requiring long-term care, a care plan is defined;
- **for the care of cardio-vascular conditions**: for which the aim is to provide post-operative care for cardiac surgery, patients with coronary disease, victims of myocardial infarction (heart attack), patients with heart failure, infective endocarditis, peripheral vascular disease or slightly raised arterial hypertension. Cardiac rehabilitation is a programme including physical activities, education and advice to help the patient recover. It enables better recovery, prevents deterioration and reduces the risks of future cardiac problems. It usually includes:
  - assessment of physical capacities and risk factors, and medical monitoring,
  - physical activities,
  - information on life styles: diet and nutrition,
  - psychological support: support and management strategies for depression, anxiety, and the return to work;
- **in Nutrition**: which receives patients suffering from obesity, with or without complications (diabetes, arterial hypertension, dyslipidemia, renal insufficiency, etc.), in particular prior to and also following surgery (bariatric, orthopaedic, etc.) for nutritional and physical rehabilitation in the case of loss of independence due to obesity. The proposed therapeutic project includes:
  - individual and group nutritional re-education with the aim of introducing a healthy diet,
  - care for people with eating disorders,
  - care for people with body image disorders, and lack of self-esteem,
  - work on stress and emotion management,
  - an adapted and customised physical reconditioning programme,
  - often, screening and care for sleep apnoea (diagnosis, equipment and monitoring),
  - psychological support and aid for social reinsertion;
- **Haematology and Oncology** provide care for patients from acute oncology structures (myeloma, leukaemia), whose health does not allow them to return to their homes immediately. These are mainly inter-treatment intervals for chemotherapy for dependent, fragile patients, and also chemotherapy treatments prescribed by another facility (oral administration only). Renutrition, pain management and nursing are also dealt with in these units. Complications of the pathology or its treatment are also cared for (aplasia, anaemia, deterioration of the general state, etc.), treatment monitoring, stomas and palliative care.

Care resources

The Group's post-acute and rehabilitation facilities have qualified multi-disciplinary medical and nursing teams, including general and specialist doctors (depending on the medical project: cardiologists, physical and rehabilitation specialists, geriatric specialists, etc.), physiotherapy specialists (depending on the medical project: physiotherapists, occupational therapists, psycho-motricity specialists, physical educators in adapted activities, speech therapists, dieticians, etc.), a pharmacist, nurses and assistants, a psychologist and social assistant to prepare social and professional reintegration and the return home.

To offer adapted care, the teams are supported by modern, cutting-edge technical platforms, adapted to the medical project for each facility and the pathologies being cared for.

Examples include:

* a physiotherapy area or gymnasium;
* occupational therapy and/or psycho-motricity workshop;
* therapeutic kitchen or apartment;
* rehabilitation swimming pool, diagnosis platform and rehabilitation of balance and walking problems, and isokineticity unit for functional rehabilitation;
* exterior fitness or walking path;
* stress testing room, ultrasound room, and also respiratory physiotherapy room for cardio-vascular rehabilitation.

These resources allow the Group to form effective partnerships with specialist centres and recognised hospitals.

To create an environment conducive to well-being and convalescence, the Group's clinics offer quality residential and comfort services.

1.2.2.3 PSYCHIATRIC CLINICS

The Group's Psychiatric facilities in France, Switzerland, Germany 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 Psychiatric care offering

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.

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:

* **Geriatric Psychiatry Units** to care for and treat elderly patients with age-related psychiatric pathologies. Care is provided by geriatric psychiatrists, a geriatrician, a neuropsychologist, a neurologist and an enhanced paramedical team;
* **Collaboration Units**, which receive patients in hospital on a compulsory basis within the framework of a close collaboration with a Hospital Centre (in this case, in Argenteuil and Villepinte) for which it operates inter-departmental beds. These public-private partnerships are seen as unique in France;
* **Young Adults Units**, that receive patients aged between 16 and 25 years, often with behavioural disorders. These units are part of regional care networks and sectors;
* **Parent-Child Units**, whose aim is to care jointly for the parent and child in situations of post-natal depression.

Overall clinical oversight is provided by a psychiatrist acting as a coordinator, thus making it possible to harmonise the operation of the units for children, adolescents and young adults.

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.

Treatment

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

Caregiver/non-caregiver/administration meetings, multi-disciplinary staff, supervisions, enable professionals to compare notes, exchange and to work towards a common goal which is the well-being and recovery of 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. The Group's facilities offer several types:

- 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-esteem, 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.

1.2.2.4 AT-HOME SERVICES

To facilitate continuity of care between post-acute and rehabilitation care facilities, nursing homes and the home, ORPEA also offers home-support services for people losing their independence, in France, Austria and Germany.

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.

ORPEA offers customised support for people coming out of hospital and elderly people losing their independence to enable them to live in their homes with peace of mind.

Different services are offered:

- comfort services: cleaning, ironing, gardening;
- dependency services: moral support, day or night supervision, assistance for hygiene, aid for meals;
- accompaniment services: to support travel, on an arm or in a vehicle.

By taking into account the expectations, habits and daily rhythm of each person, the qualified and experienced carers can intervene in the person's home on an ad hoc or regular seven day a week basis.

1.2.3 A European network

Having become one of the European leaders in dependency care, as at 31 December 2015, the ORPEA Group had a unique network of **683 facilities**, representing **67,781 beds** spread over **eight European countries**.

FRANCE

The Group began its business in France in 1989. The French network has 352 facilities (32,688 beds):

- nursing homes, known as *Etablissements d'hébergement pour personnes âgées dependants* (EHPAD) or long-term care facilities;
- post-acute and rehabilitation care facilities;
- psychiatric clinics.

Through its DOMIDOM and ADHAP networks, ORPEA also offers home care services.

Since then, ORPEA has pursued a development strategy of setting up new facilities and making targeted acquisitions.

The 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 present in the Île-de-France, Provence-Alpes-Côte d'Azur, Aquitaine, Poitou-Charentes and Rhône Alpes regions with over 20 sites in each region: 41% of the French facilities are located in Île-de-France and PACA, and 56% if we add the Aquitaine and Poitou-Charentes regions.

BELGIUM

ORPEA Belgium has a network of 61 facilities representing 7,387 beds, comprising:

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

Over the years, ORPEA Belgium has become one of the leading networks of facilities specialising in the care of elderly people in the country (and the leader in Brussels).

The Belgian facilities are mainly located in Flanders and Brussels, and, as in other countries, most of the Group's facilities are in town centres or near major population centres.

SPAIN

ORPEA Ibérica has a network of 25 nursing homes, representing 4,034 beds.

ORPEA began its expansion into Spain in 2006 with the acquisition of Grupo Care and continued its development 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, 75% of beds are located in Madrid and its periphery in recently built facilities.

ITALY

ORPEA Italia has a network of 16 facilities representing 1,728 beds, comprising:

* flexible residential facilities (RAF): for semi-able bodied people with different specialist units: convalescence, stabilised psychiatric patients, care for mental and physical disabilities;
* assisted residential facilities (RAS): long-term care facilities for Alzheimer patients and patients in comas;
* Psychiatric Clinics.

ORPEA opened its first facilities in Italy in 2004 and then developed mainly by setting up facilities from scratch.

The Group has a high-quality network in the North of Italy (Piedmont and the Marches region) which is differentiated from the average care home, with recent, high-quality facilities offering almost exclusively private rooms.

SWITZERLAND

In Switzerland, ORPEA has a network of 27 facilities representing 2,705 beds, comprising:

* a psychiatric clinic in Nyon, acquired in 2006 and completely restructured, which has 150 years of experience in the treatment of mental health disorders;
* a Treatment and Rehabilitation Centre (CTR) for post-acute and rehabilitation care, built by the Group and opened in 2013;

socio-medical facilities (EMS), bringing together on a same site the activities of long-term care facilities and serviced residences, since the acquisition of the SENEVITA network in 2014, exclusively located in German-speaking Switzerland (cantons of Bern, Zurich, Basel, Aargau, Solothurn and Fribourg).

GERMANY

In Germany, ORPEA has a network of 141 facilities representing 14,323 beds, comprising:

* long-term care facilities;
* post-acute and rehabilitation care facilities;
* psychiatric clinics;
* ORPEA has been present in Germany since July 2014 with the acquisition of SILVER CARE, leader in quality care for the elderly.

Organised around 10 regional clusters (including Lower Saxony, Baden-Württemberg, and North Rhine-Westphalia), each trades under its own brand, which fits with the regionalised German healthcare system.

In 2015, ORPEA continued its development in Germany with the acquisition of:

* CELENUS KLINIKEN, third private operator in the country specialising in post-acute and rehabilitation care and psychiatrics;
* Residenz Gruppe Bremen, a regional network of nursing homes, complementary to the SILVER CARE offering, which allows ORPEA to extend its presence in the south and south-east of Germany.

In addition to these external growth operations, ORPEA continued its development in Germany with new facility creation projects, representing 1,607 beds.

As a result, ORPEA's German network has more than doubled in size in 18 months.

The facilities are recently built, modern and have some of the best ratios of private rooms in Germany with nearly 80%.

AUSTRIA

ORPEA has been present in Austria since January 2015 with the takeover of the SENECURA Group, leader in dependency care in the private sector with an overall offer of services that provide genuine support and care for elderly people in their daily lives (58 facilities and 4,591 beds):

* nursing homes;
* rehabilitation clinics;
* home care and services.

SENECURA also has three facilities in the Czech Republic (325 beds), including one that opened at the end of 2015 and another at the beginning of 2016.

1.3 THE PILLARS OF THE ORPEA MODEL

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.

1.3.1 Strong founding values

Since it was founded, ORPEA has always had the aim of optimising the quality of its care and services offered to patients (quality of life, care and residential services).

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, from the start, the Group has defined common commitments based on strong values that it reproduces internationally whilst also respecting national differences: ethics, trust, respect, 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

Ethics covers all these values and guides the Group, in particular in defining its quality and training policies.

The code of ethics set out in the "best practices" manual contains professionally designed and fully validated commitment charters.

While this is undeniably a praiseworthy practice, it is reasonable to ask how many members of staff have really read and assimilated these guidelines.

Based on this ethics hypothesis, the Group has designed an original ethics protocol in order to help the teams in each facility draft their ethics charters.

Based on work that began nearly 15 years ago and that was performed with two independent consultants specialising in care ethics, all the teams were invited to choose a number of values that they considered to be the most important in their jobs and in ensuring the well-being of the people entrusted to them (such as respect, listening skills, competence, mutual assistance, 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.

In 2015, to reinforce this process, and deepen a pragmatic culture of clinical ethics and care innovation, the ORPEA Group created an International Scientific and Ethics Council. Including recognised European geriatrics experts, this Council has the aim of answering ethics questions asked by Group professionals.

1.3.2 Quality policy at the heart of development

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 because we believe that lasting growth cannot be achieved without quality, continuous quality improvements to our services and practices are 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 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 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.

1.3.2.1 ORGANISATION OF THE QUALITY PROCESS

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.

The Quality Department's tasks are:

- 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 external assessment processes (certification, accreditation);
- to develop tools for:
  - training and assessment with a view to improving team know-how,
  - planning and follow-up on procedures,
  - monitoring, such as scorecards, indicators, quality control, etc.;
- to set up the Quality Award;
- to organise the annual satisfaction survey for residents;
- 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.

Thus, the Quality Department offers support and advice to facilities in implementing the approach, monitoring and controlling the implemented actions, and methodological assistance for the creation of tools to steer the Process in a homogeneous way across the Group.

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 Department.

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 Corporate 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. These are completed by internal training sessions, to remind staff of good professional practices (Alzheimer's, prevention of abuse, gestures and postures, safety, etc.), to update and strengthen team knowledge and also to share everyday experience.

As a result, the monitoring offered to Group facilities by the Quality Department and Medical Department enables a secure environment to be offered to residents, patients and employees, and the aspects associated with the welcome, comfort, care monitoring and safety to be controlled.

1.3.2.2 REGULAR ASSESSMENTS OF FACILITIES

To ensure the monitoring and control of the Quality Approach across the Group, internal and external assessments are regularly carried out within all 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.

Internal assessments

Internal assessments carried out by the Regional Managers, Quality Department, Medical Department and/or General Management, are the opportunity to check that the Group's procedures have been integrated and applied and that the protocols are understood.

They also ensure that corrective actions implemented have been correctly followed-up over the long term.

Outside assessments

External assessments and certification are a real proof of transparency for residents and their families, guaranteeing that our facilities comply with their commitments on the uniformity and quality of the services provided over time.

The Quality Approach is a continuing and permanent process, of which certification is only one stage, and whose actions continue over the long term.

IN CLINICS

In France, a compulsory external assessment procedure for all health facilities (both public and private) is carried out by the *Haute Autorité de Santé* (HAS), an independent public authority with a scientific remit. 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. A multi-disciplinary steering committee at each of the Group's clinics is responsible for the permanent monitoring of this quality improvement system.

As part of the certification process, health facilities must report on their quality and risk management policy every 18 to 24 months, through the quality account. There is also an on-site inspection by HAS experts every 4 years.

The Group's clinics which have already taken this certification have obtained satisfactory results. Within this framework, experts from the HAS have highlighted points of note in the organisation of some of the Group's clinics. These strengths are presented as "actions of note" in the certification reports.

In Germany, clinics are also subject to a compulsory certification process that meets standards validated by the BAR (*Bundersarbeitsgemeinschaft für Rehabilitation*). This certification must be renewed every three years, and is required to retain approval. Annual intermediate visits are also required.

In Italy, depending on the regions, the approval process is carried out by an approved inspection agency, the regional health services or an independent public authority.

In Austria, in clinics, controls are implemented by the health authorities, based on regulatory requirements ("*Krankenanstalten – und Kuranstaltengesetz" and "Gesundheitsqualitätsgesetz*").

In Switzerland, there are no specific requirements, however, the clinics have chosen to be certified ISO 9001:2008.

IN NURSING HOMES

In France, nursing homes are obliged to commit to an "approach to continuously improve the activities and service quality", which requires the implementation of self-assessments and an external assessment by an independent organisation.

Every 5 years, each nursing home must carry out a self-assessment of its activities, to evaluate implemented actions and their effects for residents. The in-house assessment involves participation by residents, families and professionals. The results and improvement projects dictate the means allocated by the supervisory authorities (Regional Health Agency and Departmental Council), who finance them as part of the Tripartite Agreement.

In parallel, every 7 years, the nursing home must have an "external" assessment carried out 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 this assessment dictate whether the facility will have its operating licence renewed.

At 31 December 2015, all the ORPEA Group's facilities obliged to have external assessments had complied with this obligation by submitting their external assessment reports to the supervisory authorities within the deadline.

In Spain, AENOR, the International Certification Body approved by the Health Ministry, carries out a multi-site certification audit (UNE Standard - EN - ISO 9001/2008), renewable every three years and awards certification, issuing a public certificate that must be posted in each home.

The head office and sites are audited by AENOR specialist auditors.

At the head office, 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 2015, all ORPEA Ibérica's sites were AENOR certified.

In 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 Switzerland, the care documentation is also audited by insurers (cantons and health funds). The areas associated with safety and hygiene are also included in the external audit carried out by the authorities.

In Italy, an external assessment procedure is compulsory for all facilities, clinics and nursing homes via an approval procedure. These assessments concern all of a healthcare facility's operations and practices, with the aim of ensuring that safety and quality of care requirements are actually taken into account by the facility.

In nursing homes, the assessment procedure is carried out by an ASL (regional health agency) Commission.

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).

The 97 SILVER CARE facilities inspected in 2015 all scored between 1.0 and 2.6 (Very Good and Satisfactory).

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 2015, for the fourth year running, SILVER CARE came first in the category of private groups with 30-plus facilities.

In Austria, nursing homes are subject to an annual control by the governmental authorities ("*Pflegeaufsicht*"), during which the respect for residents' rights, the quality of care provided, hygiene and safety are assessed.

The Federal Minister for Labour, Social Affairs and Consumer Protection has created a national quality certificate (NQZ), which distinguishes facilities that have implemented a real quality approach and thus meet the highest quality requirements. SENECURA is actively involved in this certification process that lasts around 2 years and has set itself the target of receiving certification for all its facilities over the next few years.

In the Czech Republic, the quality system has only just been started, and should develop over the coming years. The obligations with regard to quality depend on regional regulations, whilst inspection visits are carried out by the towns/municipalities.

FOR AT-HOME SERVICES

In France, ORPEA 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.

1.3.2.3 THE ORPEA-CLINEA QUALITY AWARD

In order to make Quality a federating managerial tool serving the well-being of residents and patients, the Quality Department has set up the Quality Award.

As Quality is also a state of mind, this Award contributes to ensuring that all our teams defend this quality of service and care, and aim to constantly develop it.

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).

Each of these winning 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.

In 2015, the prize winners in **France** were:

* 1st prize: the Toulouse Crampel Residence (31) and the Lyon Champvert Psychiatric Clinic (69);
* 2nd prize: the Saint Georges de Didonne Residence (17) and the post-acute and rehabilitation care clinic of Viry Chatillon (91);
* 3rd prize: the Marcoussis Residence (91) and the post-acute and rehabilitation care clinic of Grasse (06).

In **Belgium**, the winners of the 2015 quality prize were:

* 1st prize: the Saint-François Residence in Liège;
* 2nd prize: the Château d'Or Residence in Uccle;
* 3rd prize: the Résidence De Mannevinke in Anvers.

Lastly, in **Spain**, one residence was rewarded: Las Rozas in Madrid.

In the other European countries where the Quality Award has not yet been implemented, the quality of the teams was highlighted by numerous prizes.

For example, in **Switzerland**, as part of the reinsertion of disabled people, the SENEVITA Burgdorf facility obtained an ethics prize called "Sozialstern".

The SENEVITA Group also won 3rd prize in the "Great place to work" competition, showcasing the best employers in the health sector.

In **Austria**, SENECURA is the nursing home operator that obtained the most prizes in 2015, with annual awards and distinctions both for the quality of its care and of its teams ("NQZ, Telelos, Cura, Frauen-Und Familienfreundlicher Betrieb, Okoprofit, etc.").

1.3.2.4 SATISFACTION SURVEYS

We regularly carry out satisfaction surveys to ensure that the quality of support and services provided within the Group's facilities - and in particular that perceived by the residents/patients - comply with our commitments.

These reference tools illustrate our desire to best meet the needs of our residents and patients and to strengthen our attention to their expectations.

For the Group's clinics, questionnaires are systematically handed out to patients on admission or shortly before their departure. They are analysed once a month in order to monitor the development of strengths to be reinforced and areas for improvement. The results are then displayed.

In Germany, the retirement insurance funds carry out their own satisfaction survey with their insured persons - this takes place, however, several weeks after the patient has left. CELENUS KLINIKEN has, therefore, chosen to carry out an internal survey whilst the patient is still on-site.

In the Group's nursing homes, an anonymous survey is carried out each year to measure the level of satisfaction of residents and families. This "satisfaction barometer", produced by the Quality Department, allows residents and families to assess the residence's services, with regard to the level of reception, care, meals, availability and listening by staff, entertainment, etc. This barometer was designed to hear all voices as the questionnaires filled in by the residents and families are returned anonymously to the Quality Department, and analysed by an external company (the results are approved by a bailiff).

For 2015, 32,764 satisfaction questionnaires were sent to all residents and families for the ORPEA facilities located in France, Belgium, Spain, Italy, Switzerland and Germany.

18,924 questionnaires were returned and analysed, i.e. a return rate of 57.75% (an increase compared to the previous year with 55.7%). This survey reveals that:

- 91.96% of residents and families say that they are satisfied or very satisfied with the facilities' services (compared to 90.6% the previous year);
- 93.3% of residents and families would recommend the Group's facilities to their entourage (compared to 91.5% in 2014).

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.

For home care services, an annual satisfaction survey is carried out in France, based on phone sampling for customers of each agency.

In France, a satisfaction survey is also carried out for prescribing doctors and correspondents of Group facilities who send us their patients for hospitalisation or stays.

1.3.3 An optimised and efficient organisation to ensure Quality

1.3.3.1 AN ORGANISATION DESIGNED FOR INTERNATIONAL DEVELOPMENT

As part of the intensive international development policy begun in 2014, with over 50% of its network outside France, ORPEA has adapted its organisation so that it can monitor the implementation of its model internationally, so guaranteeing the same level of quality and optimising its management.

The Group's organisational aim is to find the correct balance between:

- on the one hand, a level of decentralisation to ensure proximity, respect for national specificities and to be closer to expectations; and
- on the other hand, the centralisation promoted by the Group in order to find synergies and enable control, benchmarking and communication.

Thus, the Group is now organised in Business Units, represented within each country in which the Group is present.

Each Business Unit has a management team (CEO, CFO, COO) and an administrative head office for the support functions, similar to the French model. Each local management team has in-depth knowledge of national regulations and key contacts, and robust experience of the economic, demographic and cultural issues affecting the country.

Each Business Unit has financial autonomy for managing its business plan, and financing for targeted development, in line with and under the control of the Group's General Management.

It is also responsible for drafting and implementing an annual road map for operations and support functions, as well as a strategic development plan.

In parallel, in order to federate the Business Units around a common base of practices and procedures, and to oversee the proper functioning of each international Business Unit, ORPEA has created a team of around twenty International Managers, mainly internally promoted (excellent knowledge of Group processes) within each "Corporate Services" support function, such as HR, Quality, Management Control and Finance, Development, Purchasing, Works and Legal.

These International Managers, federated around an International Project Manager, have defined for their respective scopes, the essential rules that apply to all Business Units to allow the Group to manage risks (quality, financial, reputation, etc.), reinforce the implementation of its Quality Process, streamline exchanges, carry out benchmarking and meet regulatory requirements (in particular those due to its stock market listing). These "Group Prerequisites", as well as adequate control modalities, guide the Business Units in their consolidation and in the implementation of the Group's processes and operating procedures. The International Managers are responsible for supporting the Business Units in rolling-out these Prerequisites and in overseeing their correct implementation and compliance.

Thus, their task is to initiate, advise, monitor and control the application of the Group's policies in each country, for each area of expertise, whilst adapting to the local culture and legislation.

The International Managers make available their experience in the area of expertise and contribute to promoting the consolidation of acquired groups and to streamlining the circulation of information within the Group.

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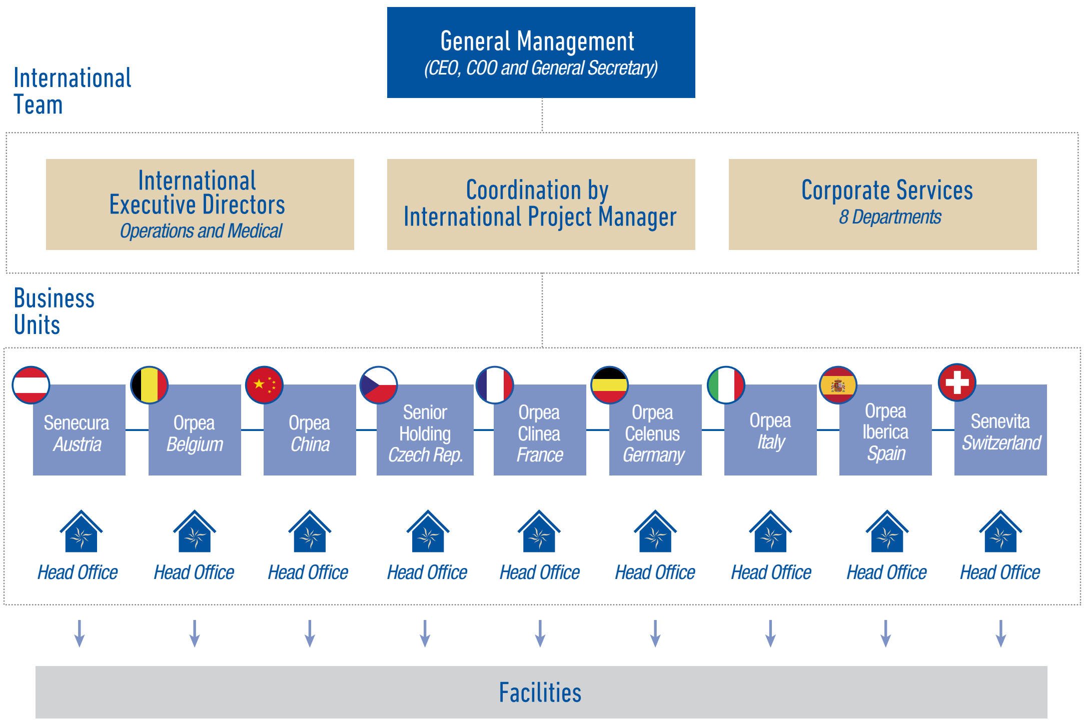


1.3.3.2 A CENTRALISED ORGANISATION WITHIN EACH BUSINESS UNIT

Each Business Unit has an extremely structured head office that brings together the main support functions, with the aim of discharging the facility directors from administrative tasks, so that they can mobilise and concentrate their efforts on supporting residents and patients and managing their teams.

This centralised system allows for the pooling of costs and optimisation both of the operation of facilities and management control and finance.

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

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

- centralisation of all general services at the Business Unit head office (accounting, purchasing, pay, legal, invoicing, 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.

1.3.3.3 A GROUP IT AND IT SYSTEMS DEPARTMENT AT THE HEART OF THE ORGANISATION (DSI)

With nearly 100 employees, the DSI has multi-disciplinary skills to develop and safeguard an IT system that is truly adapted to the Group's organisation and the management and steering requirements of its activity. In France and internationally, the aim is to have an essential tool for the continuous improvement of the Group's performance.

Thus, the DSI is organised around different centres of expertise:

- administration and technical infrastructures, including an integrated support hotline;
- integration and deployment;
- development & project managers;
- reporting and statistics;
- medical information and medico-economic analysis department (PMSI);
- dematerialisation and invoicing;
- quality control of the IT system and CNIL contacts.

In addition, to meet the needs of the Group's internationalisation, in 2015, the DSI delegated a dedicated team for the management and oversight of the IT system internationally.

The IT Department is today involved in a mission to rationalise the means and application portfolio on an international level, in order to support the implementation of the Prerequisites, standardise processes, optimise operating costs and support the Group's growth.

A new organisation now enables the strategic reflection activities to be separated from the project management and operational maintenance activities. This separation aims to support the Group's strategic vision and implement a true service dynamic between the DSI and the businesses on an international level.

A blueprint for IT systems has been launched on an international level. This process aims to identify the Group's applications that are the most suited to meet the challenges of tomorrow and the changes in sector practices, and to deploy them across the countries.

A centralised IT system

ORPEA develops a number of applications in-house, in order to have management and operational tools that meet its actual needs and allow it to optimise the management of facilities and reinforce security.

For example, the Group has invested in Research and Development in order to adapt the IT system required for managing its clinics. Hospital Manager is an integrated solution for looking after patients' administrative and medical information. Its different modules (invoicing, PMSI, prescriptions, pharmacy, medical records), allow it to address the problems relating to patient care (admission, dispensation of drugs, etc.), and future regulatory changes (diagnosis-related payment system). The notions of “multi-facilities” and multi-disciplinarity were fundamental in the design of the system, allowing for the creation of a single database (ORACLE), facilitating checks, data extraction 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.

In-house hosting to control and safeguard the IT system

In view of the Group’s strong international development and given the in-house development of numerous occupational applications, ORPEA hopes to:

* pool management applications across the Group where relevant for maintenance and reporting savings;
* perfectly master the IT system, in particular for data security;
* reinforce the supervision and control of the different Business Units;
* be capable of meeting the specific user needs whether they are in France or in the other countries in which ORPEA operates;
* anticipate tomorrow’s needs in line with the Group’s strategy.

In this context, in 2015 with the relocation of the Head Office, a new high-performance Datacentre was created, enabling all data and the Group’s IT system to be hosted, and offering better application availability and perfect continuity of operations, whilst securing the systems.

The construction of an in-house Datacentre was preferred over that of externalised hosting. In addition to the significant savings generated by this choice, it provides the flexibility and mastery required for data security.

This Datacentre has an IT room hosting 40 IT bays (offering 150% growth potential compared to current requirements, or 10 years of development), representing 250 servers and 300 Tb of data storage capacity.

The Datacentre adjoins an NSOC (Network and Security Operation Centre) comprising a steering area and crisis room, installed in the heart of the DSI offices.

This reinforcement of the supervision environment and administration tools enables better supervision of IT production. This area will be highly protected, like the Datacentre, to be able to operate 24 hours a day, 7 days a week.

With this new Datacentre, all ORPEA’s DSI is committed to an ITIL quality and certification programme, enabling it to meet the requirements, with the aim of obtaining HDS (Health Data Host) approval.

1.3.4 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.



1.3.4.1 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 the Group’s facilities are located either in city centres or in exceptional surroundings, with the constant aim of allowing close links with families and prescribing medical specialists, who are essential for the quality of care.

A study conducted in 2011 by DREES (*Étude n° 18 – La vie en établissement d’hébergement pour personnes âgées du point de vue des résidents et de leurs proches*/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 Île-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 and Flanders. In Spain, over 70% is in Madrid. In Italy, the Group is only present in the northern regions.

The Group also pays particular attention to:

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

1.3.4.2 REAL ESTATE STRATEGY

For many years, ORPEA's real estate strategy has been to remain the owner of a major portion of its real estate stock in order 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 in Belgium, Mediter and Mieux Vivre in France, SILVER CARE in Germany, SENEVITA in Switzerland, which reduced the Group's overall share of its owned real estate to below 50%.

It is for this reason that in 2015, ORPEA acquired several of the buildings operated by the Group, bringing its share of owned real estate to 36%.

These are quality assets (recent buildings in good locations) and ensure solid rental security: ORPEA is itself the lessee of its buildings, thus removing the risk of vacancy.

The real estate assets (including assets under construction) thus accounted for a figure in the balance sheet of €3.445 million, after deducting real estate assets held for sale on 31 December 2015, for an amount of €127 million (an increase of €663 million over 12 months).

All real estate assets in operation are carried at fair value. 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 (CBI).

The lease financing method is favoured by the Group, as it has the option of becoming the 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 under IFRS 16 planned for 1 January 2019, 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. As a result, operating leases will be recognised in a similar way to lease financing agreements, although 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 acquire 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 a mastered 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.

1.4 A SECTOR WITH HIGH ENTRY BARRIERS, DRIVEN 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.

1.4.1 Considerable needs and an under-dimensioned supply

1.4.1.1 DEMAND DRIVEN BY AN AGEING POPULATION

In most countries around the world, the progress in medicine and improved living standards have resulted in longer life expectancy, and as such resulting in an 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 26.7 million today to 57.3 million; an increase of more than 30 million people.

According to Eurostat, the share of the population aged 80 and over is set to more than double in nearly all Member States by 2080. According to demographic forecasts, the EU's population will continue to age: by 2080, nearly one person in eight will be over 80 (i.e. 12.3% of the population). The countries that will see the highest share of people over 80 are Portugal (15.8%), Germany (15.1%) and Poland (14.9%).

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)*						2015-2030	2015-2050
	2015	2020	2030	2040	2050	Change (%)	CAGR	Change (%)
European Union	26,735	29,829	36,820	46,906	57,314	38%	2.2%	114%
France	3,852	4,087	5,150	6,755	7,711	34%	2.0%	100%
Belgium	609	646	773	1,038	1,273	27%	1.6%	109%
Spain	2,710	2,800	3,382	4,309	5,726	25%	1.5%	111%
Italy	3,928	4,369	5,153	6,101	7,926	31%	1.8%	102%
Switzerland	408	452	627	820	1,095	54%	2.9%	168%
Germany	4,658	5,826	6,455	8,097	10,550	39%	2.2%	126%
Austria	428	473	625	791	1,081	46%	2.6%	152%
Czech Republic	417	437	699	860	923	68%	3.5%	122%

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.

In the short term, this steeply rising trend in the very elderly is identical with over 20% growth between 2015 and 2020 in the EU.

	Number of people aged 90 and over *(thousands)*						2015-2030	2015-2050
	2015	2020	2030	2040	2050	Change (%)	CAGR	Change (%)
European Union	4,264	5,179	6,996	9,644	13,048	64%	3.4%	206%
France	717	875	1,047	1,550	2,010	46%	3.0%	180%
Belgium	94	113	142	198	284	50%	2.6%	201%
Spain	443	553	662	931	1,278	49%	2.7%	188%
Italy	660	792	1,056	1,352	1,713	60%	3.2%	160%
Switzerland	70	82	109	169	234	57%	3.0%	236%
Germany	749	905	1,451	1,589	2,318	94%	4.5%	209%
Austria	72	83	109	154	218	50%	2.8%	202%
Czech Republic	51	64	82	163	198	62%	3.3%	290%

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.

1.4.1.2 INADEQUATE AND UNSUITABLE SUPPLY

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 at 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 - *Études 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 2015 were as follows:

	Number of long-term care beds	Beds per 100 people over 80 years
France	590,000	15%
Belgium	137,000	22%
Spain	350,000	13%
Italy	390,000	10%
Switzerland	93,500	23%
Germany	875,000	19%
Austria	70,000	15%

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 in high quality beds for the dependent elderly. In a 2010 report, the World Health Organisation 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, Germany 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.
- **In Austria**, with an equipment rate of 15%, an estimated 30,000 places will have to be created by 2030 (+47%).

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.

1.4.2 Composition of the sector

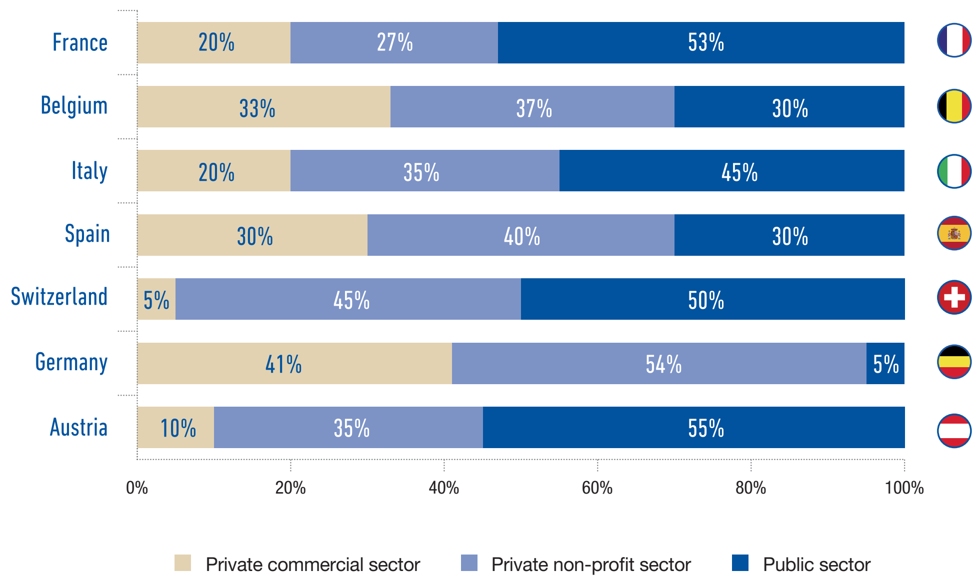
The dependency care sector has similar characteristics in all European countries where the Group operates:

- 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.

BREAKDOWN OF 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, more than 30% of the sector total, which are held by small regional groups or independents.

In Spain, the 10 leading private sector groups only represent 10% of the total long-term care beds.

In Austria and Switzerland, the private sector still mainly comprises independent operators or small family groups with a few hundred beds.

1.4.3 Increasing need for medical services and specialisation of facilities

1.4.3.1 INCREASED MEDICAL SERVICE IN NURSING HOMES

Nursing home residents are getting more and more dependent, an underlying trend seen in most European countries. In France, for example, a DREES study in December 2014 found that women made up 75% of residents. The average age of residents entering an institution is 89, 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.

In all European countries, therefore, the dependency rate of facilities is growing strongly.

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 etc.

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.

1.4.3.2 SPECIALISATION OF POST-ACUTE AND REHABILITATION CARE FACILITIES

The profile of patients at post-acute and rehabilitation care facilities has also changed.

The proportion of elderly patients admitted to post-acute and rehabilitation care facilities has risen sharply in recent years. In France, patients over 70 are the most likely to stay in post-acute and rehabilitation care facilities: in 2011, they represented over half of post-acute and rehabilitation care stays for the year, i.e. 700,000 stays for nearly 535,000 people. Half of them are aged from 80 to 89 years (Source: DREES - *Études et Résultats* no. 943 - December 2015).

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.

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 across Europe as the cost per day of post-acute and rehabilitation care is much lower for health insurance systems than medical, surgical and obstetric stays. For example, the estimated cost to the French health insurance system of a day in a post-acute and rehabilitation care facility 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, become the main and essential relay for hospitals and medical-surgical clinics, which have an average stay of 5.7 days (or even 4.5 days in the private sector) compared with an average of around 31 days at post-acute and rehabilitation care facilities and 56 days in psychiatric facilities (Source: DREES - *Panorama des établissements de santé* - 2014 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.

1.4.4 A regulated and controlled activity

The ORPEA Group operates in a very supervised and regulated environment due to the nature of its activities in the operation of accommodation facilities for dependent elderly people, post-acute and rehabilitation care clinics and psychiatric clinics.

For over 26 years, the ORPEA Group has developed a fine understanding and set of know-how and procedures that allow it to successfully operate in this complex regulatory environment. The Group considers this environment as an opportunity as it favours experienced operators such as ORPEA, and ensures high entry barriers to its markets.

As a result, historically, the ORPEA Group has favoured the development of its activities in countries in which the operation of dependency care facilities requires an administrative authorisation issued by a supervisory authority.

In France, Spain, Belgium, Italy, Switzerland and Austria, all creations, transformations and extensions of health or medico-social facilities require an administrative authorisation issued by the regional or national supervisory authorities. In these countries, the number of new authorisations is well regulated and limited by the Public Authorities in order to guarantee a good level of quality for care and services and manage budgets.

The process to obtain authorisations and the regulatory framework is different in each country, and even sometimes in each region within the same country. It is for this reason that it is essential to have recognised, experienced local teams with this knowledge.

ORPEA has also developed in other countries, such as Germany, where no administrative authorisation as such is required, but where the activity is more indirectly controlled by the public authorities, through their definition of standards and the control of compliance.

Beyond the administrative authorisation, the sector is also strictly controlled when it comes to technical, construction, safety and environmental standards and numbers of medical and non-medical care personnel. Compliance with these standards is closely monitored in all European countries by their respective federal or local supervisory authorities.

1.4.5 A controlled pricing system

Pricing of dependency care facilities is controlled in all European countries in the interests of controlling public sector health spending. The day rate can be broken down into two main components:

- a component that corresponds to care and medical expenses, generally financed by the public authorities, national or regional health insurance system, national dependency insurance, etc.;
- a component that corresponds to accommodation, meals, entertainment or residential comfort, most of the time financed by the resident or patient themselves, or by private insurance systems.

These tariff systems - different in each country and even sometimes in each region - represent another entry barrier for new operators, due to their complexity.

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;
- 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 price for post-acute and rehabilitation and psychiatric facilities is fixed by the French Social Security system, which pays a day rate for each patient 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. In addition to the day rate paid by Social Security, facilities can receive additional payments relating to residential services such as private rooms, television, telephone, Wifi, or other services). 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.

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 Économie (*Service Public Fédéral*). 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.

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.

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.

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

Nursing home pricing breaks down into three main components:

* a price for the real estate, called the "investment cost", covers rent or the investment to build and maintain the building. It is partly paid by the local authorities for residents receiving social security support or by the residents themselves;
* the price for food and residential services, which the resident or family pays;
* the medical and dependency care allowance, mainly 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 5 years, since Germany reformed its long-term care funding system some years ago. The allowance varies based on the level of dependency of the resident and differs from region to region. Changes are negotiated annually with local supervisory authorities.

The tariffs for post-acute and rehabilitation and psychiatric clinics are based on day fees. Negotiated with the different Social Security and/or Retirement funds, they vary within a facility depending on the pathology and the insurance. Similarly, there are specific tariffs for private sector patients. Generally, day fees covered by the Retirement insurance funds are higher than those financed by the Health Insurance funds, due to the issues of return to a professional activity.

IN AUSTRIA

Nursing home pricing breaks down into three components:

* costs for residential services, paid for by the residents;
* care costs;
* additional costs for private residents.

Similar to Germany, the Dependency Insurance finances the care component based on a unique scale on a national level, that depends on the person's level of dependency. If the resident's revenues is too low, the payment may be covered by the government's social support system. In this case, the total day rate is invoiced to the Land who then recovers the outstanding amount from the resident.

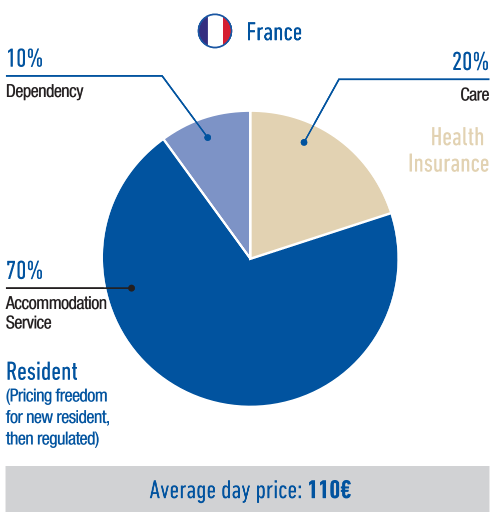
The Länder governments set a revaluation rate for tariffs annually, linked in particular to the consumer price index. Negotiation beyond this rate is possible, but requires detailed justification.

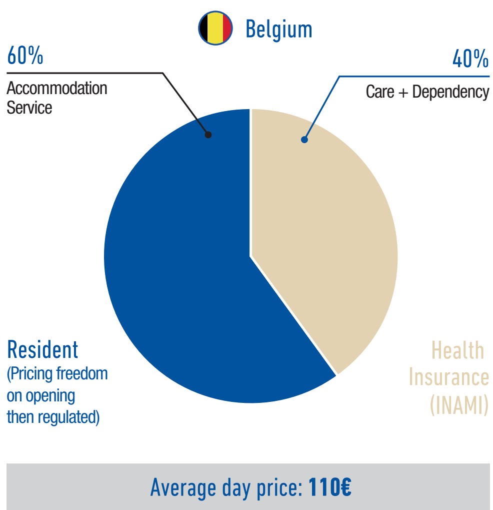
IN CZECH REPUBLIC

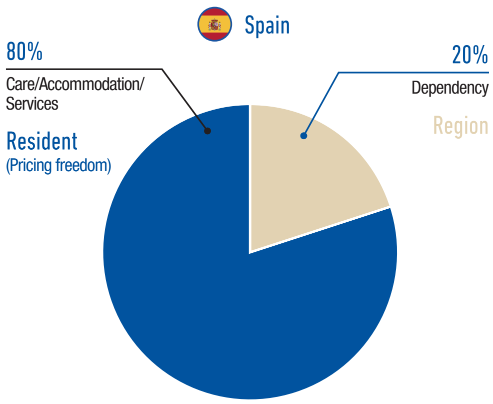
Nursing home pricing breaks down into three main components:

* a basic flat-rate, corresponding to the residential services, financed by the residents and their families;
* the dependency flat-rate, financed by the Dependency Insurance;
* care, invoiced per act, and covered by the Health Insurance fund.

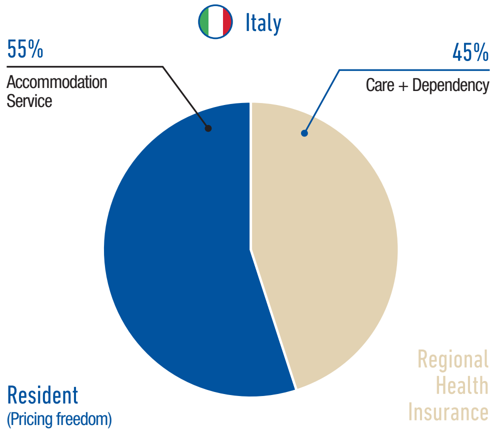
SUMMARY OF DAY PRICES IN NURSING HOMES



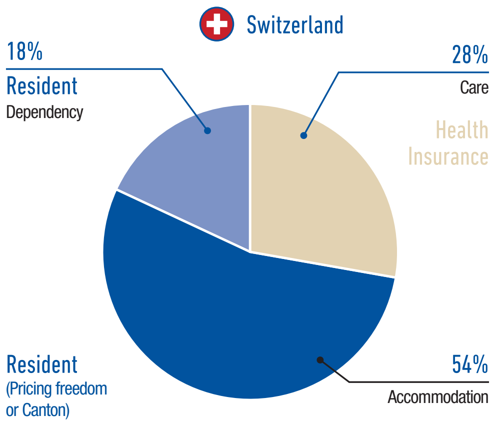




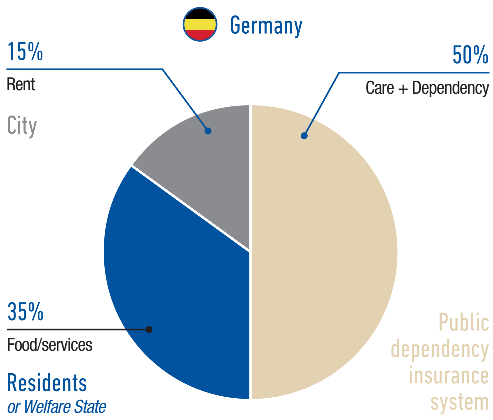
Average day price: **55€**



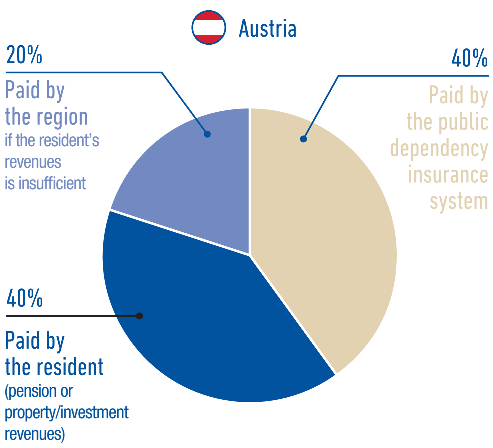
Average day price: **90€**



Average day price: **190€**



Average day price: **100€**



Average day price: **120€**

KEY INFORMATION ABOUT THE COMPANY

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2.1 PRINCIPAL STATUTORY REQUIREMENTS

The company ORPEA (hereinafter referred to as the "Company") is a société anonyme with a Board of Directors, governed by the French Commercial Code, its implementing decrees and by its articles of association.

Below is a summary of certain provisions of the Company's articles of association. A copy of our articles of association may be obtained by sending a request to the Company's head office.

2.1.1 Head office

The head office is located at 12 rue Jean Jaurès - CS 10032 - 92813 Puteaux Cedex.

2.1.2 Corporate purpose

Pursuant to article 2 of the articles of association, the corporate purpose of ORPEA consists mainly of:

- 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.

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.

2.1.3 General Management

EXCERPT FROM ARTICLE 14 OF THE ARTICLES OF ASSOCIATION

The General Management of the Company shall be the responsibility of either the Chairman of the Board of Directors, or another individual appointed by the Board of Directors and holding the position of Chief Executive Officer. The Board of Directors may select one of two General Management structures, in accordance with the following conditions:

- the choice must be made by the Board of Directors by a two-thirds majority vote of the members present;
- the chosen option must remain in force for a minimum period of two years.

When the General Management of the Company is assumed by the Chairman of the Board of Directors, the following provisions relating to the Chief Executive Officer shall apply to him/her.

EXCERPT FROM ARTICLE 19 OF THE ARTICLES OF ASSOCIATION

The Board of Directors shall elect, from among its members, a Chairman, who must be a physical person, and shall establish his/her compensation.

The Chairman is appointed for a period of time that may not exceed the duration of his/her directorship. He/she shall be eligible for re-election. The Chairman of the Board of Directors may not be more than 80 years of age. Should a Chairman reach this age limit, he/she shall be assumed to have resigned. He/she may be removed from office at any time by the Board of Directors. Any provision to the contrary shall be deemed nugatory. In the event of the temporary unavailability or the death of the Chairman, the Board of Directors may delegate to a director the duties of Chairman.

EXCERPT FROM ARTICLE 20 OF THE ARTICLES OF ASSOCIATION

1. The General Management of the Company shall be the responsibility of an individual appointed by the Board of Directors and holding the position of Chief Executive Officer.

   The Board of Directors, acting on a proposal by the Chief Executive Officer, may appoint one or more individuals to assist the Chief Executive Officer, with the title of Chief Operating Officer(s). The number of Chief Operating Officers may not exceed five.

   The Chief Executive Officer may not be more than 75 years of age. Should he/she reach this age limit, he/she shall be assumed to have resigned. Should the Chief Executive Officer cease to exercise or become prevented from exercising his/her duties, the Chief Operating Officers shall, unless decided otherwise by the Board, maintain their positions and powers until the appointment of a new Chief Executive Officer.

2. The Chief Executive Officer shall be 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/she shall represent the Company in its relations with third parties. The Company shall remain bound by even those actions of the Chief Executive Officer that fall outside of the Company's corporate purpose, unless the Company can prove that the third party knew that such action fell outside of the scope of its corporate purpose, or could not have ignored it given the circumstances. Publication of the articles of association shall not itself constitute sufficient proof thereof. The decisions by the Board of Directors limiting the powers of the Chief Executive Officer shall not be binding on third parties.

2.1.4 Shareholders' Meetings

CALLING OF GENERAL MEETING OF SHAREHOLDERS

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

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.

The person calling the meeting is responsible for preparing the agenda to be considered and the resolutions to be put to the General Meeting of Shareholders. 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.

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 of Shareholders 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.

In the absence of the Chairman of the Board of Directors, General Meetings shall be chaired by the Deputy Chairman of the Board of Directors or by a director duly empowered for this purpose by the Board of Directors. Failing which, the Meeting itself shall elect a Chairman.

2.1.5 Rights and restrictions on shares

DOUBLE VOTING RIGHTS

Each ORPEA share entitles its holder to one vote at the Company's General Meetings of Shareholders, with the exception of shares with double voting rights pursuant to and within the limits of article L. 225-123 of the French Commercial Code.

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.

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.

PREFERENTIAL SUBSCRIPTION RIGHTS

Shareholders have, in proportion to the amount of their shares, a preferential right to subscribe to shares issued for cash as part of a capital increase.

The General Meeting of Shareholders that approves the capital increase may cancel the preferential subscription right, on the basis of a report from the Board of Directors or a report from the Statutory Auditor(s).

CROSSING OF THRESHOLDS

The Company has not established any statutory threshold crossing.

Only legal threshold crossings shall apply:

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.

2.2 INFORMATION ON THE SHARE CAPITAL

2.2.1 Share capital and voting rights

At 31 December 2015, the share capital of the Company stood at €75,342,113.75, divided into 60,273,691 shares with a par value of €1.25, fully paid up and of the same class.

At 31 December 2015, the number of gross voting rights was 67,431,436 and the number of exercisable voting rights was 67,419,994.

Shares are either in registered or bearer form, at the choice of the shareholder.

Pursuant to article 223-11 of the AMF General Regulation, voting rights are presented according to their "theoretical" calculation, based on the total number of shares to which a voting right is attached, including shares stripped of their voting rights (treasury shares). These theoretical voting rights are used to calculate the crossing of investment thresholds.

2.2.2 Changes in the share capital (over the past 3 financial years)

(in euros)	Financial year 2015	Financial year 2014	Financial year 2013
Share capital at the beginning of the year	€69,459,866.25	€69,346,238.75	€66,247,577.50
Capital increase	€5,882,247.50	€113,627.50	€3,098,661.25
Capital at year-end	€75,342,113.75	€69,459,866.25	€69,346,238.75

On 11 December 2013, the Company completed a capital increase with a par value of €3,098,661.25, through the issue of 2,478,929 new shares each with a par value of €1.25, without preferential subscription rights and to be paid up in cash for a subscription price of €40.34 per new share, representing a gross total amount, including issue premiums, of €99,999,995.86. The share capital of the Company was thereby increased from €66,247,557.50 to €69,346,238.75.

In 2014, the Company performed a capital increase with a total par value of €113,627.50, through the issue of 90,902 new shares each with a par value of €1.25, and an issue premium of €3,079,370, following the exercise of bonds convertible into new or existing shares (OCEANE) that were the subject of the prospectus approved by the AMF under no. 10-429 on 7 December 2010 and warrants exercised as part of the OBSAAR transaction that was the subject of the prospectus approved by the AMF under no. 09-225 on 15 July 2009.

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.

On 4 February 2015, the Company finalised the early redemption of all outstanding convertible bonds maturing in 2016, i.e. 4,068,186 OCEANE convertible bonds. The repayment was completed by means of:

* the delivery of 4,536,588 new shares, in consideration of 4,043,284 OCEANE convertible bonds tendered for conversion; as such, the share capital was increased by €5,670,735, i.e. from €69,459,866.25 to €75,130,601.25;
* the cash payment of €1,105,399.78 (i.e. €44.39 per convertible bond) for the 24,902 convertible bonds not tendered for conversion.

Following the exercise of OBSAAR redeemable share warrants in 2015, the share capital was increased by €211,512.50 to €75,342,113.75, through the creation of 169,210 new shares.

2.2.3 Delegations of authority granted to the Board of Directors by the General Meeting of Shareholders

The table below summarises the authorities granted, by **the Combined General Meetings of Shareholders on 25 June 2014 and 23 June 2015, and by the Extraordinary General Meeting of Shareholders on 6 November 2015**, to the Board of Directors in relation to capital increases, and the use made thereof during 2015.

The full text of these resolutions can be found on the website of the French Legal Announcements Bulletin (*Bulletin des Annonces Légales Obligatoires* - BALO) of 19 May 2014, 15 May 2015 and 2 October 2015 as well as on the Company website (www.orpea-corp.com, section "Shareholders/Shareholder meeting").

OVERALL CEILING

The 26th resolution of the Combined General Meeting of Shareholders of 25 June 2014 set out the following overall ceiling for the authorities granted by resolutions 15 to 25:

* €30,000,000 (thirty million euros), the maximum par value of immediate or future capital increases, on the understanding that to this nominal amount may be added 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.

Combined General Meeting of Shareholders of 25 June 2014

Type of authority/Maximum global par value	Term	Use during the year
15th resolution - Issues, **with preferential subscription rights**, 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.*** **Authority cancelled following the Combined General Meeting of Shareholders of 23 June 2016.**	26 months	None
16th resolution - Issue, **without preferential subscription rights**, of shares and/or securities carrying rights to Company shares, **by public offering**: ● *Total par value of capital increases: **€6,900,000***; ● *Maximum par value of debt securities: **€500,000,000**.* **Authority cancelled following the Combined General Meeting of Shareholders of 23 June 2016.**	26 months	None
17th resolution – Issue, **without preferential subscription rights**, of shares in the Company and/or securities carrying rights to shares in the Company **through private placements** as specified in paragraph II 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.*** **Authority cancelled following the Combined General Meeting of Shareholders of 23 June 2016.**	26 months	None
18th resolution - Issue, **without preferential subscription rights**, of securities under the 15th and 16th resolutions, the issue price of which shall be set as determined by the General Meeting of Shareholders. *Within the limit of 10% of the share capital per year.* **Authority cancelled following the Combined General Meeting of Shareholders of 23 June 2016.**	26 months	None
19th resolution – Share capital increase, up to a maximum of 10%, **to pay for contributions in kind** made to the Company in the form of equity instruments or other transferable securities, **without preferential subscription rights.** *Within the limit of 10% of the capital.* *Maximum par value of debt securities: **€500,000,000**.* **Authority cancelled following the Combined General Meeting of Shareholders of 23 June 2016.**	26 months	None
20th resolution - Issue, **without preferential subscription rights**, of financial securities and/or transferable securities carrying rights to Company shares **through a public exchange offer initiated by the Company**. *Within the limit of 10% of the capital.* **Authority cancelled following the Combined General Meeting of Shareholders of 23 June 2016.**	26 months	None
21st resolution – Increase in the amount of an issue, **with or without preferential subscription rights** (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.* **Authority cancelled following the Combined General Meeting of Shareholders of 23 June 2016.**	26 months	None
22nd resolution - Issue of ordinary shares, without preferential subscription rights and by Company subsidiaries, following the issue of securities carrying rights to the Company's ordinary shares. *Maximum total par value of capital increases: **€6,900,000**.* **Authority cancelled following the Combined General Meeting of Shareholders of 23 June 2016.**	26 months	None
23rd resolution – Issue of equity securities reserved for members of an employee share scheme, **without preferential subscription rights**. *Maximum par value: **€400,000**.* **Authority cancelled following the Combined General Meeting of Shareholders of 23 June 2016.**	26 months	None
24th resolution – Allocation of existing or future bonus shares to corporate officers and employees, **without preferential subscription rights**. *Total number of shares that can be granted: 0.5% of the Company's share capital on the day of the Board's decision.* **Authority cancelled following the Combined General Meeting of Shareholders of 23 June 2015.**	26 months	None
25th resolution - Award of share subscription and/or purchase options to corporate officers and employees, **without preferential subscription rights in the event that they are subscribed**. *Total number of shares that can be acquired: 300,000 shares.* **Authority cancelled following the Combined General Meeting of Shareholders of 23 June 2015.**	26 months	None
26th resolution – Overall ceiling on capital increases carried out under resolutions 15 to 25: ● *Maximum par value: **€30,000,000*** ● *Maximum par value of debt securities: **€650,000,000*** **Authority cancelled following the Combined General Meeting of Shareholders of 23 June 2016.**	26 months	
27th resolution – Capital increase through the capitalisation of premiums, reserves, profit or other (article L. 225-130 of the French Commercial Code). *Maximum par value: **€30 million**.* **Authority cancelled following the Combined General Meeting of Shareholders of 23 June 2016.**	26 months	None
28th resolution - Issue of securities carrying rights to the allotment of debt securities and not giving rise to a capital increase. *Maximum par value: **€500 million**.* **Authority cancelled following the Combined General Meeting of Shareholders of 23 June 2016.**	26 months	None

Combined General Meeting of Shareholders of 23 June 2015

Type of authority/Maximum global par value	Term	Use during the year
16th resolution – Allocation of existing or future bonus shares to corporate officers and employees, **without preferential subscription rights**. *Total number of shares that can be allocated: 0.5% of the Company's share capital on the day of the Board's decision, sub-capped at 0.2% for corporate officers.* **Authority cancelled following the Combined General Meeting of Shareholders of 23 June 2016.**	26 months	None
17th resolution - Award of share subscription and/or purchase options to corporate officers and employees, **without preferential subscription rights in the event that they are subscribed**. *Total number of shares that can be acquired: 460,000 shares, sub-capped at 0.2% of the Company's share capital on the day of the Board's decision for corporate officers.* **Authority cancelled following the Extraordinary General Meeting of Shareholders of 6 November 2015.**	26 months	None

Extraordinary General Meeting of Shareholders of 6 November 2015

Type of authority/Maximum global par value	Term	Use during the year
1st resolution – Allocation of existing or future bonus shares to corporate officers and employees, **without preferential subscription rights**. *Total number of shares that can be allocated: 0.5% of the Company's share capital on the day of the Board's decision, sub-capped at 0.2% for corporate officers.* **Authority cancelled following the Combined General Meeting of Shareholders of 23 June 2016.**	26 months	None

2.2.4 Financial instruments giving access to the share capital

WARRANTS FOR SUBSCRIPTION AND/OR ACQUISITION OF REDEEMABLE SHARES ("SHARE WARRANTS")

1,190,787 share 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.

The share warrants were valid until 14 August 2015: the holders of these warrants had until this date to exercise them. As at this date, 159,308 warrants had given rise to the creation of 169,210 new shares and 2,248 warrants had expired.

BONDS CONVERTIBLE AND/OR EXCHANGEABLE FOR NEW OR EXISTING SHARES (OCEANES)

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

BONDS REDEEMABLE IN CASH AND/OR CONVERTIBLE INTO 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 €0.80 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.

Following the distribution of a dividend of €0.80 per share on 8 July 2015, by decision of the General Meeting of Shareholders on 23 June 2015, the share exchange ratio was adjusted pursuant to the ORNANE terms to 1.044 shares (€1.25 par value each) for one ORNANE.

At 31 December 2015, there were 4,260,629 ORNANES outstanding, two ORNANES having been exercised during the 2015 financial year.

On the basis of the share capital at 31 December 2015 and given the new share allocation ratio, the potential dilutive effect of ORNANES still outstanding at that date was 2.72% in the event of a redemption with the forced conversion premium (i.e. a soft call by the Company) or 7.38% 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 DURING THE 2015 FINANCIAL YEAR

No allocation of free new shares took place during 2015.

ALLOCATION OF FREE NEW SHARES SINCE THE BEGINNING OF THE 2016 FINANCIAL YEAR

As part of the first (1st) resolution of the Extraordinary General Meeting of Shareholders of 6 November 2015, the Board of Directors was given the authority to proceed with the allocation of free new or existing Company shares to employees and corporate officers of the Company or of companies related to it under the conditions set out in articles L. 225-197-1 and L. 225-197-2 of the French Commercial Code.

The General Meeting of Shareholders granted this authority for a period of 26 months during which time it may be used more than once.

The number of free shares that may be allocated may not exceed 0.5% of the share capital of the Company on the day of the decision by the Board of Directors (maximum of 0.2% to corporate officers).

The General Meeting of Shareholders decided that the allocation of Company shares to Beneficiaries shall become final either (i) at the end of a vesting period of at least one year and a retention period of at least one year, or (ii) at the end of a vesting period of at least two years, in which case the beneficiaries shall not be subject to any retention period.

As the share capital of the Company on 10 February 2016 was made up of 60,273,691 shares, the maximum number of shares that may be allocated by the Board of Directors is 301,368.

On 10 February 2016, the Board of Directors, following a favourable decision from the Appointments and Compensation Committee on 2 February 2016, decided to proceed with the allocation of free shares as part of the authority given by the General Meeting of Shareholders on 6 November 2015, granting 118,350 shares to 32 beneficiaries, including 13,000 shares to Mr Yves Le Masne, Chief Executive Officer, and 13,000 shares to Mr Jean-Claude Brdenk, Chief Operating Officer.

The final allocation of these shares is subject to two conditions:

* continuing employment: the ORPEA shares will only be effectively and definitively allocated after a period of either 14 or 26 months as appropriate, during which time the beneficiary must remain an employee or corporate officer of the Group (except as permitted by law or in the Plan Rules, particularly those applicable to corporate officers – see section 8.2.1 "Resolutions submitted to the Ordinary General Meeting", in chapter II Approval of Regulated related-party agreements and commitments);
* performance: the allocation of free shares is conditional upon the attainment of the revenues and EBITDA targets set in the 2015 and 2016 budgets as they are presented to the Company's Board of Directors.

Once the shares have been definitively allocated following the vesting period, the beneficiaries must keep these shares for a further 2-year period.

2.2.5 Shareholders

DISTRIBUTION OF THE SHARE CAPITAL AND VOTING RIGHTS OVER 3 YEARS

	At 31 December 2015				At 31 December 2014				At 31 December 2013			
Shareholders	Number of shares	% of the share capital	Number of voting rights	% of voting rights	Number of shares	% of the share capital	Number of voting rights	% of voting rights	Number of shares	% of the share capital	Number of voting rights	% of voting rights
J.-C. Marian	*4,133,109*	*6.86%*	*7,881,819*	*11.69%*	*4,133,069*	*7.44%*	*7,881,819*	*12.38%*	*4,133,069*	*7.45%*	*7,881,819*	*12.32%*
CPPIB	8,792,854	14.59%	8,792,854	13.04%	8,792,854	15.82%	8,792,854	13.81%	8,792,854	15.85%	8,792,854	13.75%
SOFINA	3,180,000	5.28%	3,180,000	4.72%	3,180,000	5.72%	3,180,000	4.99%	3,180,000	5.73%	3,180,000	4.97%
FFP Invest	3,811,353	6.32%	7,622,706	11.30%	3,811,353	6.86%	7,622,706	11.97%	3,811,353	6.87%	7,622,706	11.92%
Treasury shares	11,442	0.02%	/	/	19,500	0.04%	/	/	11,865	0.02%	/	/
Public sector	40,344,933	66.94%	39,954,057	59.25%	35,540,117	63.96%	36,009,298	56.56%	35,456,850	63.91%	35,306,971	56.76%
TOTAL	**60,273,691**	**100.00%**	**67,431,436**	**100.00%**	**55,567,893**	**100.00%**	**63,668,677**	**100.00%**	**55,476,991**	**100.00%**	**63,966,350**	**100.00%**

On 10 February 2015, the company CPPIB declared that it had fallen below the threshold of 15% of the share capital of ORPEA and held 8,792,854 ORPEA shares representing 8,792,854 voting rights i.e. 14.63% of the share capital and 12.89% of the voting rights of the Company. This threshold crossing was due to the creation of 4,558,433 ORPEA shares following the conversion of bonds convertible and/or exchangeable for new or existing shares (OCEANE) issued by ORPEA and the exercise of warrants for subscription and/or purchase of redeemable shares (BSAAR) issued by ORPEA.

ORPEA SHAREHOLDERS AT 29 FEBRUARY 2016

	At 29 February 2016			
Shareholders	Number of shares	% of the share capital	Number of voting rights	% of voting rights
JC Marian	*4,133,109*	*6.86%*	*8,266,218*	*10.22%*
CPPIB	8,870,854	14.72%	17,663,707	21.84%
SOFINA	3,180,000	5.28%	6,360,000	7.86%
FFP	3,811,353	6.32%	7,622,706	9.42%
Standard Life Investments	3,431,869	5.69%	3,431,869	4.24%
Treasury shares	6,219	0.01%		
Public sector	36,840,287	61.12%	37,550,339	46.42%
TOTAL	**60,273,691**	**100.00%**	**80,894,839**	**100.00%**

On 18 January 2016, SOFINA SA declared that it had exceeded the threshold of 5% of the voting rights of ORPEA and held 3,180,000 ORPEA shares representing 6,360,000 voting rights, i.e. 5.28% of the share capital and 8.98% of the voting rights of the Company. This threshold crossing is the result of the allocation of double voting rights.

On 17 January 2016, Mr Jean-Claude Marian declared that he had fallen below the threshold of 10% of the voting rights of ORPEA and held 4,133,109 ORPEA shares representing 7,042,824 voting rights, i.e. 6.86% of the share capital and 9.95% of the voting rights of the Company. This threshold crossing is the result of the allocation of double voting rights to certain shareholders.

On 27 January 2016, the company CPPIB declared that it had exceeded the thresholds of 15% and 20% of the voting rights of ORPEA and held 8,870,854 ORPEA shares representing 17,663,707 voting rights, i.e. 14.72% of the share capital and 22.19% of the voting rights of the Company. This threshold crossing is the result of the allocation of double voting rights.

On 27 January 2016, the company FFP Invest declared that it had fallen below the threshold of 10% of the voting rights of ORPEA and held 3,811,353 ORPEA shares representing 7,622,706 voting rights, i.e. 6.32% of the share capital and 9.58% of the voting rights of the Company. This threshold crossing is the result of the acquisition of double voting rights by certain shareholders.

On 10 February 2016, Mr Jean-Claude Marian declared that following an incorrect calculation of his voting rights, he had mistakenly declared, on 17 January 2016, that he had fallen below the threshold of 10% of the voting rights of ORPEA. Taking account of the voting rights that he actually holds, it appears that this threshold was not crossed.

On 15 February 2016, the company Standard Life Investments (Holdings) Limited (1 George Street, EH2 2LL, Edinburgh, UK), acting on behalf of its clients under a management mandate declared, for regularisation purposes, that it had exceeded, on 9 November 2015, the threshold of 5% of the share capital of ORPEA and that it held, on this date and on behalf of the aforementioned clients, 3,318,753 ORPEA shares representing the same number of voting rights, i.e. 5.51% of the share capital and 4.94% of the voting rights of the Company. This threshold crossing is the result of the purchase of ORPEA shares on the market. The declarant specified that, on 15 February 2016 and on behalf of the aforementioned clients, it held 3,431,869 ORPEA shares representing the same number of voting rights, i.e. 5.69% of the share capital and 4.24% of the voting rights of this Company.

2.2.6 Shareholders' agreement

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

2.2.7 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 2012, as well as the applicable tax regime:

Financial year	Net dividend received *(in euros)*	Distributed income giving entitlement to 40% reduction *(in euros)*	Distributed income not giving entitlement to 40% reduction *(in euros)*	Total *(in euros)*
2012	0.60	0.60	None	0.60
2013	0.70	0.70	None	0.70
2014	0.80	0.80	None	0.80

2.2.8 Employee shareholders

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

It should nevertheless be recalled that the Board of Directors, on 10 February 2016, allocated 118,350 free shares to Group employees and corporate officers (representing on that date 0.2% of the share capital). See chapter 2.2.4 hereinabove.

2.2.9 Information liable to have an impact in the event of a public offering

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 2015 was €2.101 million.

2.2.10 Share buyback programme

2015 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 23 June 2015, 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 this liquidity contract, the Company has, during the 2015:

- bought 868,619 shares for a total of €55,544,054.66, representing a weighted average value of €63.9452 per share;
- sold 876,673 shares for a total of €56,036,817.69, representing a weighted average value of €63.9199 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 2015, the Company held 11,442 shares directly, with a par value of €1.25, representing 0.01% of its share capital, with a market value of €844,190.76 (based on the share price at 31 December 2015 of €73.78).

These shares were allocated as follows:

- 8,731 bearer shares allocated for the purpose of ensuring liquidity;
- 2,711 registered shares allocated to cover stock option plans or other employee shareholding schemes, as well as subscription warrants.

RENEWAL OF BUYBACK PROGRAMME

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

This paragraph contains information about the share buyback programme to be presented to the General Meeting of Shareholders on 23 June 2016.

RELATED SECURITIES: ORDINARY SHARES

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 making up the share capital of the Company.

  This percentage applies, when appropriate, to a number adjusted for transactions that may impact the share capital subsequently to the Shareholders Meeting of 23 June 2016;
- Maximum purchase price: €100;
- Maximum amount of the programme: €602,736,900;
- 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 General Meeting of Shareholders of 23 June 2016.

3

CORPORATE GOVERNANCE AND INTERNAL CONTROL

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This chapter includes, for the period ended 31 December 2015, 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 is prepared and organised". This part also states the "limitations that the Board of Directors places on the authority of the Chief Executive Officer". It "also presents 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 those relating to 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 2 of the Registration Document can be found:

* information relating to shareholders' participation in the Annual General Meeting is provided in section 2.1.4 - "General Meetings of Shareholders";
* factors likely to have an impact in the event of a public offering are provided in section 2.2.9 – "Factors likely to have an impact in the event of a public offering";
* the breakdown of ORPEA's share capital as at 31 December 2015, in section 2.2.5 "Shareholders".

The Statutory Auditors' reports on the Chairman's report and on the regulated agreements and regulated commitments are included in this chapter.

Pursuant to article L. 225-37 of the French Commercial Code, the Company's Board of Directors approved this chapter at its meeting on 20 April 2016.

3.1 REPORT ON CORPORATE GOVERNANCE

3.1.1 Corporate governance code

The Company follows the AFEP-MEDEF Corporate Governance Code for stock 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 French 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.

3.1.2 Composition of the Board of Directors

GENERAL RULES CONCERNING THE COMPOSITION OF THE BOARD OF DIRECTORS AND THE APPOINTMENT OF ITS MEMBERS

The Company's articles of association provide that the Board of Directors must 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 on the proposal of the Board of Directors after consulting the Appointments and Compensation 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 articles of association concerning this matter, a director representing the employees has sat on the Board of Directors since January 2015, following their 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.

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.

JEAN-CLAUDE MARIAN

Born on 24 March 1939 (French nationality).

Co-founder of the ORPEA Group, Jean-Claude Marian, a neuropsychiatrist, 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.

His term of office as Chairman of the Board of Directors will expire following the General Meeting of Shareholders called in 2019 to approve the financial statements for the year ending 31 December 2018.

Director of ORPEA since 1996.

Last renewal: 23 June 2015, up to the General Meeting of Shareholders called in 2019 to approve the financial statements for the year ending 31 December 2018.

Owns: 4,133,109 shares.

Positions held within the Group:

* Chairman of the ORPEA Board of Directors.
* Chairman of the ORPEA BELGIUM Board of Directors (Belgium).
* Chairman of the CASAMIA IMMOBILIARE Board of Directors (Italy).
* Member of the ORPEA ITALIA and CLINEA HOLDING Board of Directors (Italy).
* Director of ORPEA IBERICA, SENIOR 2000, CM EXTRAMADURA DO 2002, ARTEVIDA CENTROS RESIDENCIALES, CENTROS RESIDENCIALES ESTREMERA, EXPLOTACION DE REAL SITIO DE SAN FERNADO (Spanish law companies).
* Managing Partner of CLINIQUE PRIVÉE LA METAIRIE (Switzerland).
* Chairman and Manager of CLINIQUE BOIS BOUGY (Switzerland).

Positions held outside of the Group:

* NONE

YVES LE MASNE

Born on 4 October 1962 (French nationality).

Yves Le Masne, a member of the Group for over 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 thorough knowledge of its activities and organisation.

His term of office as ORPEA's CEO will expire following the General Meeting of Shareholders called in 2019 to approve the financial statements for the year ending 31 December 2018.

Director of ORPEA since 2006.

Last renewal: 23 June 2015, up to the General Meeting of Shareholders called in 2019 to approve the financial statements for the year ending 31 December 2018.

Owns: 10,779 shares.

Positions held within the Group:

✶ **France**

Director and CEO	ORPEA SA
Chairman and CEO SA	Maison de Convalescence du Domaine de Longuève
Chairman of SAS	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 et de Réadaptation du bois Guillaume, 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, Holding Mieux Vivre, Les Grands Pins, Château de Champlatreux, Emcejidey, Le Clos Saint Grégoire, Clinique Marigny, Sud Ouest Santé, Maison de Santé Marigny, Clinique du Parc, Clinique Gallieni, Château de Goussonville, Résidence du Port, Clinique Médicale de Goussonville, Archimède le Village, Alunorm, Clinique Castelviel, Clinique Montevideo – SAS La Tourelle, Clinique du Docteur Becq, TCP DEV, Age Partenaires, Ap Bretigny, L'Oasis Palmeraie, Bon Air, La Cheneraie, Le Cercle des Aines, Alice Anatole & Cie, Actiretraite Montgeron, Clinique du Cabirol, Clinique du Pont du Gard, Clinique du Château de Préville, Maison de Régime Saint Jean
Chairman of SPPICAV	Amundi Immobilier Novation Santé OPCI
ORPEA Permanent Representative (Director)	Résidence du Moulin, Le Vieux Château, Les Charmilles, Immobilière de Santé
Permanent representative of CLINEA	Sancellemoz (Director), Société civile des Praticiens du Grand Pré (Chairman)
NIORT 94 Permanent Representative	SCS Bordes & Cie (Legal Manager)
Chairman and Director of the Association	Association Maisons de Retraite de la Picardie
Legal manager of SARL	Les Matines, Bel Air, SARL 95, SARL 96, La Maison de Louise, Gessimo, La Maison de Lucile, La Maison de Salomé, La Maison de Mathis, La Bretagne, L'Atrium, 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, Le Village de Boissise le Roi, Maison de Retraite la Madone
Legal manager of SNC	Les Jardins d'Escudié, Margaux Pony, Than.Co, De la Maison Rose, Brechet, SNC Des Parrans, Les Acanthes
Legal manager of SCI	Route des Ecluses, les Rives d'Or, du Château, la Talaudière, ORPEA de St Priest, Balbigny, ORPEA St Just, ORPEA Decaux, La Tour Pujols, Les Rives de la Cerisaie, Val de Seine, le Clisclouet, Age d'Or, Gambetta, Croix Rousse, Les Dornets, Château d'Angleterre, Montchenot, 115 rue de la Santé, L'Abbaye, Les Tamaris, 3 Passage Victor Marchand, Fauriel, Port Thureau, ORPEA de l'Abbaye, Rue des Maraichers, Le Bosguerard, Le Vallon, Bel Air, Brest le Lys Blanc, Les Magnolias, Courbevoie de l'Arche, Sainte Brigitte, Les Treilles, Les Favières, IBO, SCI du 12 rue Fauvet, Douarnenez ORPEA, Kods, Slim, Saintes BA, Le Barbaras, La Sélika, JEM2, Château de la Chardonnière, SCI des Anes, ORPEA de L'Île, 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, Officéa Santé

✶ **In Luxembourg**

Legal Manager of CENTRAL & EASTERN EUROPE CARE SERVICES HOLDING and of GERMAN CARE SERVICES ENTERPRISE.

✶ **In Poland**

Chairman of the Supervisory Board of MEDI-SYSTEM.

✶ **In Czech Republic**

Member of the Board of Directors of SENIOR HOLDING.

Positions held outside of the Group:

- Legal Manager of SCI VILLA DE LA MAYE.

ALEXANDRE MALBASA

Born on 21 December 1958 (French nationality).

Alexandre Malbasa holds a Doctorate in Law and works as a lawyer; he provides his expertise in legal and judicial matters and understands the Group and its business.

Director of ORPEA since 1996.

Last renewal: 20 June 2013, up to the General Meeting of Shareholders called in 2017 to approve the financial statements for the year ending 31 December 2016.

Owns: 42 shares.

Positions held within the Group:

- Director of ORPEA.

Positions held outside of the Group:

- NONE

JEAN-PATRICK FORTLACROIX

Born on 14 September 1957 (French nationality).

Independent Director.

Jean-Patrick Fortlacroix is a certified accountant with a graduate degree in banking and finance and a master's degree in accounting and financial science and techniques. As an accountant and Statutory Auditor, he has solid expertise in real estate, tax and consolidation, particularly in the health and medico-social sectors.

Director of ORPEA since 2011.

Last renewal: 25 June 2014, up to the General Meeting of Shareholders called in 2018 to approve the financial statements for the year ending 31 December 2017.

Owns: 153 shares.

Positions held within the Group:

* Director of ORPEA.

Positions held outside of the Group:

* Chairman of SA ADD EQUATION.
* Legal Manager of SARL CADECO.

FFP Invest, represented by Thierry MABILLE de PONCHEVILLE

Independent Director.

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.

Director of ORPEA since 2012.

Last renewal: 23 June 2015, up to the General Meeting of Shareholders called in 2019 to approve the financial statements for the year ending 31 December 2018.

Owns: 3,811,353 shares.

Positions held within the Group:

* Director of ORPEA.

Positions held outside of the Group:

Supervisory Boards	Vice-Chairman & Member of the Supervisory Board of IDI. Member of the Supervisory Board of ONET. Member of the Supervisory Board of ZODIAC Aerospace. Member of the Supervisory Board of IDI Emerging Markets (Luxembourg).
Chairman of SAS	Chairman of the financial company GUIRAUD SAS.
Board of Directors	Director de LT Participations. Director of IPSOS. Director of SEB SA. Director of SANEF. Director of Gran Via 2008.
Other positions held	Legal Manager of FFP-Les Grésillons. Member of the Executive Committee of LDAP.

THIERRY MABILLE DE PONCHEVILLE

Born on 6 October 1955 (French nationality).

Thierry Mabille de Poncheville, permanent representative of FFP INVEST on the ORPEA Board of Directors, holds a DEA (post-graduate) degree in Private International Law (University of Bordeaux) and a Master's in International Affairs (Pittsburgh University).

He is currently Chief Operating Officer of the Établissements Peugeot Frères, the holding company for the Peugeot family group and the Group Legal Director.

He brings his expertise from his very broad professional experience both in France and abroad, as well as sound knowledge of the rules of governance.

Positions held within the Group:

* Permanent representative of FFP Invest on the ORPEA Board of Directors.

Positions held outside of the Group:

* Chief Operating Officer of Établissements Peugeot Frères.
* Chief Operating Officer of the PSP SA Group.
* Director of Sicav MO Select.
* Deputy Legal Manager of the Société Civile du Bannot.

SOPHIE MALARME-LECLOUX

Born on 6 October 1970 (Belgian nationality).

Independent Director.

Sophie Malarme-Lecloux has over 20 years' professional experience. With an MBA from Solvay Brussels School (ULB), she began her career with IBM before joining the Corporate Banking team of ING Brussels. In 2002, she joined the SOFINA Group, where for 14 years, she held various management positions both in the finance department and the investment team. In 2015, she created the FreeBe Sprl Company for management consulting, entrepreneur support and personal and organisational development. She has over 10 years' experience in being a director.

Director of ORPEA since 2013.

Next renewal: General Meeting of Shareholders called in 2017 to approve the financial statements for the year ending 31 December 2016.

Owns: 50 shares.

Positions held within the Group:

* Director of ORPEA.

Positions held outside of the Group:

* Director of Befimmo SA, Founder and Manager of FreeBe Sprl.

ALAIN CARRIER

Born on 17 August 1967 (Canadian nationality).

Independent Director.

Alain CARRIER has a bachelor's degree in law from Laval University in Québec, a DESS (post-graduate degree) in law from the Sorbonne in Paris and a Master's in Law from Columbia University.

Alain Carrier has over 22 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 Sullivan & Cromwell. As CEO and Head of European Investments, he currently directs and coordinates all CPPIB's operations in Europe, the Middle East and Africa.

Director since 2013.

Last renewal: 23 June 2015, up to the General Meeting of Shareholders called in 2019 to approve the financial statements for the year ending 31 December 2018.

Owns: 1 share.

Positions held within the Group:

- Director of ORPEA.

Positions held outside of the Group:

- Director of INTERPARKING.
- Legal Manager of CPP INVESTMENT BOARD EUROPE and CPPIB CREDIT EUROPE.

BERNADETTE CHEVALLIER-DANET

Born on 5 December 1958 (French nationality).

Independent Director.

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, revenuess and marketing at Club Méditerranée, then in the Accor Group and later in senior management in the independent lodging industry.

Director since 2014.

Next renewal: General Meeting of Shareholders called in 2017 to approve the financial statements for the year ending 31 December 2016.

Owns: 42 shares.

Positions held within the Group:

- Director of ORPEA.

Positions held outside of the Group:

- Chairman of ODOS SAS.

SOPHIE KALAIDJIAN, DIRECTOR REPRESENTING THE EMPLOYEES

Born on 8 December 1977 (French nationality).

Elected representative of the ORPEA Works Council, Sophie Kalaidjian has attended the Board of Directors' meetings since January 2015.

A lawyer by training, Ms. Kalaidjian has been an employee in the Group for nearly 12 years. She currently has the duties of CLINEA Legal Director and in that capacity is 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.

Director of ORPEA representing the employees since 2015.

Next renewal: General Meeting of Shareholders called in 2018 to approve the financial statements for the year ending 31 December 2017.

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

As at 31 December 2015, out of a total of eight directors (besides the directors representing the employees), two women sit on the Board of Directors, i.e. a proportion of 25%.

According to the AFEP-MEDEF Code, with regard to the representation of men and women, the proportion of women within Boards should be "at least 20% of women within three years and at least 40% of women within six years, from the 2010 General Meeting of Shareholders".

The Law of 27 January 2011 concerning the balanced representation of men and women sets 20% as the target to be reached by the 2014 General Meeting of Shareholders and 40% by the 2017 General Meeting of Shareholders.

The Board of Directors is continuing its discussions to ensure a balanced representation of men and women with the aim of reaching the target of at least 40%.

Summary of directorships renewed in 2015

The Combined General Meeting of 23 June 2015 reappointed for an additional four-year term, expiring at the end of the General Meeting of Shareholders called to approve the financial statements for the 2018 financial year, the following directors:

- Jean-Claude Marian;
- Yves Le Masne;
- the FFP Invest Company, represented by Thierry Mabille de Poncheville;
- Alain Carrier.

Ratification of the appointment of Bernadette CHEVALLIER-DANET

The Board of Directors of 16 September 2014 was informed of Brigitte Michel's resignation from her role as director, and on the proposal by the Appointments and Compensation Committee, co-opted Bernadette Chevallier-Danet, as Director for the remainder of the term of her predecessor, i.e. until the Ordinary General Meeting of Shareholders called in 2017 to approve the financial statements for the year ending 31 December 2016.

The Combined General Meeting of 23 June 2015 approved this ratification.

Directorships expiring in 2016

No Director positions expire in 2016.

Increased membership of the Board of Directors – Proposal for the appointment of a new Director

Following the favourable opinion from the Appointments and Compensation Committee, the Board of Directors of 20 April 2016, proposed the appointment of Christian Hensley as a new Director, for a four year term expiring after the General Meeting of Shareholders called in 2020 to approve the financial statements for the year ending 31 December 2019.

Mr Hensley was put forward by the shareholder, CPPIB, whose holding now represents over 16% of voting rights, which gives it the option to be represented by a second Director under the terms of the Investment Agreement signed with the Company when it acquired its stake in the Company.

He began his career in the investment services division of Salomon Brothers, New York. He then worked for eleven years in the investment capital and growth capital sector at Charterhouse Group and Planier Capital, before joining the Relational Investments Group of the Canada Pension Plan Investment Board – CPPIB.

Mr Hensley is a graduate from the University of Pennsylvania and has an MBA from Harvard Business School.

He is a member of the Board of Directors of 21st Century Oncology. In addition, he was previously a member of the Board of Directors of five companies in the business services, healthcare, communications and education sectors.

In view of his academic and professional profile, the appointment of Mr Hensley reinforces the expertise represented on the Board of Directors and will enrich the debates with regard to the Company's development and strategy.

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 Compensation 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.

The Board of Directors considers that 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:

- 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,
  - 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.

The Board of Directors has noted that all the directors have shown that they are objective. The directors consider that Board Meetings leave sufficient room for debate and exchange of opinions.

The Board of Directors of 10 February 2016 following the report by the Appointments and Compensation Committee, notes, however, that:

- Mr Marian, Director and Chairman of the Board of Directors, and Mr Le Masne, Director and CEO, were executive officers under the meaning of the said Code and cannot be considered as independent;
- the over 12 years seniority acquired by Mr Malbasa does not allow him to be considered as independent. Mr Malbasa is also remunerated by the Group for his legal services.

Having examined and reviewed all the other criteria indicated previously, the Board of Directors confirmed that out of the eight members of the Board of Directors (apart from the Director representing the employees), five Directors can be considered as Independent Directors, i.e.:

- Jean-Patrick Fortlacroix;
- FFP Invest, whose interest is below 10%;
- Sophie Malarme-Lecloux, who was appointed following the proposal by the shareholder, SOFINA, whose interest is also below 10%;
- Alain Carrier, who represents the shareholder, CPPIB. Although CPPIB holds over 10% of the Company's share capital, the Company's shareholder structure and the fact that ORPEA represents a very minority interest in the investment portfolio managed by CPPIB mean that Alain Carrier is considered as independent;
- Bernadette Chevallier-Danet.

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

DIRECTORS' FEES

The Combined General Meeting of 23 June 2015 capped the maximum overall fees allocated to directors at €400,000.

The amount of directors' fees distributed among the directors is predominately variable to reflect their attendance at meetings, in accordance with the provisions of the AFEP-MEDEF Code.

Directors' fees are distributed according to the following conditions:

- for attendance at Board of Directors meetings (for non-salaried directors): a flat-rate annual maximum amount of €25,000 of which €11,500 is a fixed amount and €13,500 is a variable amount; an amount of €1,500 is deducted per absence from the second missed meeting;
- for attendance at Study Committee meetings (Audit Committee and the Appointments and Compensation Committee): €2,000 per session, with this fee doubled for the Committee Chairman;
- for salaried Directors: €800 per session.

On the basis of these conditions, a total gross amount of €265,000 was distributed to directors at the beginning of 2016 with regard to the 2015 financial year, for a total of nine Board of Directors' meetings and eight Committee meetings:

Directors	Gross Amount Paid for 2015	Gross Amount Paid for 2014
Jean-Claude Marian	€25,000	€23,500
Yves Le Masne	€25,000	€23,500
Brigitte Michel	NONE	€27,500 including €4,000 with respect to the Appointments and Compensation Committee
Alexandre Malbasa	€31,000 including €6,000 with respect to the Audit Committee	€29,500 including €6,000 with respect to the Audit Committee
Jean-Patrick Fortlacroix	€37,000 including €12,000 with respect to the Audit Committee	€34,000 including €12,000 with respect to the Audit Committee
FFP Invest Permanent representative: Thierry de Poncheville	€43,000 including €6,000 with respect to the Audit Committee + €12,000 for the Appointments and Compensation Committee	€49,500 including €6,000 with respect to the Audit Committee + €20,000 for the Appointments and Compensation Committee
Alain Carrier	€35,000 including €6,000 with respect to the Audit Committee + €4,000 for the Appointments and Compensation Committee	€34,000 including €4,000 with respect to the Audit Committee + €8,000 for the Appointments and Compensation Committee
Sophie Malarme	€31,000 including €6,000 with respect to the Appointments and Compensation Committee	€33,500 including €10,000 with respect to the Appointments and Compensation Committee
Bernadette Chevallier-Danet	€31,000 including €6,000 with respect to the Appointments and Compensation Committee	€13,834 including €6,000 with respect to the Appointments and Compensation Committee
Sophie Kalaidjian	€7,200	NONE
TOTAL	**€265,200**	**€268,834**

ADDITIONAL INFORMATION ABOUT THE MEMBERS OF THE BOARD OF DIRECTORS (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 offices 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 2015. 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 (Annex).

REGULATED RELATED-PARTY AGREEMENTS AND COMMITMENTS

See Section 3.5 "Statutory auditors' special report on regulated related-party agreements and commitments".

3.1.3 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.

At the meeting of 25 March 2013 the Board voted, upon the recommendation of the Appointments and Compensation 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.

The Board of Directors on 23 June 2015 renewed the term of office of the Chairman of the Board of Directors, Jean-Claude Marian, for the duration of his term of office as director, i.e. a duration of four years expiring following the General Meeting called in 2019 to approve the financial statements for the year ending 31 December 2018.

During the meeting of 23 June 2015, the Board of Directors thus decided that the positions of Chairman of the Board of Directors and CEO remain separate.

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 operate 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 corporate purpose and subject to those that the law expressly allocates to General Meeting 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 shall not entail dilution without the express authorisation of the Board of Directors (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;
* compensation of the Company's corporate officers;
* any significant recruitment (gross annual salary exceeding €200,000);
* 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.

3.1.4 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 when 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 is in Annex 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 General 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 Shareholders;
* setting the compensation policy for corporate officers upon recommendation of the Appointments and Compensation 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 2015

A provisional schedule for Board of Directors' meetings is drafted with the directors at the beginning of the year.

Based on this schedule, the meeting agenda is sent to Directors by email during the week preceding the meeting. To the extent possible, any documents that the directors need to review before making any decisions are attached to the meeting agenda.

The minutes for each meeting are approved at the next Board meeting.

The Board met nine times during 2015 (and nine times during the previous year). The average attendance rate was 96.3% (93% the previous year).

Operational and financial strategy of the Group

During the 2015 financial year, the Board continued to pay special attention to the Group's strategy and, in particular, to its international expansion.

In order to implement the approved strategy, the Board of Directors authorised in 2015 the acquisition of the following Groups:

* CELENUS KLINIKEN (a Group of clinics in Germany);
* Residenz Gruppe (a Group of retirement homes in Germany);
* VITALIS (a Group of retirement homes in Germany);
* SENECURA (a Group of retirement homes and post-acute and rehabilitation clinics in Austria);
* MEDI-SYSTEM (a group of retirement homes and post-acute and rehabilitation clinics in Poland).

In addition, the Board voted on the Group's financing policy by authorising:

* the signing of "Schuldschein"-type loans for a maximum value of €360 million from July 2015; and
* a bond issue for a maximum amount of €100 million.

Approval of the statutory and consolidated financial statements

The Board of Directors examined and approved the statutory and consolidated financial statements as at 31 December 2014, the consolidated half year statements as at 30 June 2015 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.

Governance

The Board of Directors determined, acting on a proposal by the Appointments and Compensation Committee, the amounts of variable compensation for 2014 earned by Yves Le Masne, CEO, and Jean-Claude Brdenk, COO, in light of the 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 corporate officers for the 2015 financial year.

In addition, at the beginning of 2016, the Board of Directors, acting on a proposal by the Appointments and Compensation Committee, approved the 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.

The Board of Directors also:

- approved the resolutions and the legally required documents with respect to the General Meeting of Shareholders;
- renewed the financial delegation of authority given to the Chief Executive Officer in respect of conducting financing transactions 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 Company 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.

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 Company 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 using a questionnaire and interviewing each Director.

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 with regard to the operation of the Board and to broadening the top management team to support the expansion of the Group.

The Board of Directors continued its annual self-assessment; this was carried out during the first quarter of 2016, where the directors were invited to express themselves on a variety of topics with regard to the operation of the Board and the Committees, through a questionnaire drawn up by the Appointments and Compensation 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 with the way the Board and Committees operate. They were also very satisfied with the frequency and running of meetings, and the level of information. They noted that the areas of improvement noted by the Directors during the last assessment had been addressed for the most part. As a result, the directors expressed their satisfaction with a Board of Directors' meeting held in Germany, with the management team of this foreign subsidiary taking part in it. One of the new suggestions from directors on how to continually improve the way the Board operates is to expand their knowledge of the Group's day to day operations (via presentations from department heads in the HQ and subsidiaries as well as on site-visits of the facilities). The Board of Directors is also working on how expanding its membership, particularly by having more women on it.

THE BOARD'S STUDY COMMITTEES

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

These Committees carry out this work within the strict limits of the duties conferred by the Board and within a scope 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 2015 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, Committee Chairman, 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 (i) the accounting methods and asset measurements used by the Group, (ii) the preliminary statutory and consolidated financial statements before their presentation to the Board, (iii) the proposed re-appointments of the Statutory Auditors, (iv) regulated agreements, (v) the transparency of the information that will be provided to the shareholders and to the market. It also examines the amount of risk, the risk prevention procedures, as well as the significant off-balance sheet commitments.

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, without General Management being in attendance.

ACTIVITY OF THE AUDIT COMMITTEE IN 2015

The Audit Committee met three times in 2015.

At these meetings, the Audit Committee:

- examined the statutory and consolidated financial statements as at 31 December 2014 and the consolidated half year statements as at 30 June 2015;
- heard about the interim work of the Statutory Auditors concerning the effectiveness of ORPEA's internal controls, particularly with regard to the facilities and the information systems.

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 Compensation Committee

MEMBERS OF THE APPOINTMENTS AND COMPENSATION COMMITTEE

The Appointments and Compensation 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 Compensation 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 COMPENSATION COMMITTEE

The Appointments and Compensation 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 executive 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 compensation of the Chairman and any other benefit received,
  - the fixed and variable compensation of the Chief Executive Officer and the Chief Operating Officer and any other benefit received (retirement, severance pay, etc.),
  - the total amount of 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 COMPENSATION COMMITTEE

The Appointments and Compensation 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 Compensation Committee, in conjunction with the Board if the latter called the meeting. The agenda is circulated to the members of the Appointments and Compensation Committee prior to their meeting, along with any information relevant to their discussions.

The Appointments and Compensation 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 COMPENSATION COMMITTEE IN 2015

The Appointments and Compensation Committee met three times in 2015.

REVIEW OF THE INDEPENDENCE OF DIRECTORS

The Appointments and Compensation 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 2015

The Appointments and Compensation Committee issued its recommendations with regard to:

- the renewal of the terms of office of Jean-Claude Marian, Yves Le Masne, Alain Carrier, and the FFP Invest company, which expired in 2015;
- the ratification of the co-optation of Bernadette Chevallier-Danet.

BALANCED REPRESENTATION OF MEN AND WOMEN

The Appointments and Compensation 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. It continued its discussions on the enlargement of the Board of Directors to ensure greater involvement of women within the Board of Directors.

ASSESSMENT PROCESS OF THE OPERATION OF THE BOARD OF DIRECTORS

As part of the yearly self-assessment, the Appointments and Compensation 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 20 April 2016.

COMPENSATION OF CORPORATE OFFICERS

The Appointments and Compensation Committee made proposals to the Board of Directors on 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 2015.

PROFIT-SHARING INCENTIVES FOR CORPORATE OFFICERS AND MANAGEMENT

The Appointments and Compensation Committee reviewed the proposal on the performance-based profit-sharing plan for corporate officers and Group management, and issued its recommendations to the Board of Directors. The Board approved this plan on 10 February 2016.

3.1.5 Compensation of Executive Corporate Officers

The Appointments and Compensation 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 Compensation Committee and by the Board of Directors, particularly with respect to setting the criteria for the variable compensation of the CEO and the COO.

COMPENSATION OF THE CHAIRMAN OF THE BOARD OF DIRECTORS - JEAN-CLAUDE MARIAN (WITH RESPECT TO FINANCIAL YEAR 2015)

Upon a proposal by the Appointments and Compensation Committee, the Board of Directors' meeting on 29 April 2014 awarded the Chairman of the Board of Directors gross annual compensation of €550,000. During 2015, the Board of Directors, upon a proposal by the Appointments and Compensation Committee, decided to maintain this compensation 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)

(in thousands of euros)	Financial year 2015	Financial year 2014
Compensation due for the year (*details in table 2*)	575	573.5
Value of options granted during the reporting period	0	0
Value of stock incentives awarded during the reporting period	0	0
TOTAL	**575**	**573.5**

0: 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 2015		Financial year 2014	
(in thousands of euros)	Amount due	Amounts paid (1)	Amount due	Amount paid
Fixed compensation	550	550	550	450.5
Variable compensation	0	0	0	0
Extraordinary compensation	0	0	0	0
Directors' fees	25	23.5	23.5	25
Benefits in kind	0	0	0	0
TOTAL	**575**	**573.5**	**573.5**	**475.5**

(1) Excluding adjustments with regard to the previous financial years for a total amount of €53,000.

Subscription or purchase options granted during the year to Jean-Claude Marian by the Company 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
-	0	0	0	0	0

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
-	0	0

Performance shares granted during the year to Jean-Claude 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	Value of shares according to the method adopted for the consolidated financial statements	Date of acquisition	Date of availability	Performance conditions
-	0	0	0	0	0

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
-	0	0

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 Compensation 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.

Compensation of the Chief Executive Officer - Yves Le Masne (with respect to financial year 2015)

FIXED COMPENSATION

At its meeting of 25 March 2013, the Board of Directors, acting on a proposal by the Appointments and Compensation Committee, set the gross annual fixed compensation at €720,000. During 2015, the Board of Directors, upon a proposal by the Appointments and Compensation Committee, decided to maintain this compensation at €720,000.

VARIABLE COMPENSATION

During the financial year 2015, the Board of Directors, acting on a proposal of the Appointments and Compensation Committee, also approved the quantitative and qualitative criteria for the financial year 2015. 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 Group's quality system.

Based on these criteria, and upon a proposal by the Appointments and Compensation Committee, the Board of Directors on 20 April 2016 fixed the gross variable compensation, with regard to the 2015 financial year, to an overall amount of €479,000.

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 compensation (a multiple of average monthly compensation 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, at 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 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 compensation with respect to the two years preceding departure is between 74% and 50% of said target regular variable compensation, 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 fall under 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 2015, no severance payment was made to Mr Le Masne.

OTHER BENEFITS

Mr Le Masne is covered by an unemployment insurance policy, the premiums for which have been paid by the Company. The premiums in 2015 amounted to €60,597.72.

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 they apply to the employee grade in which he has been placed.

Mr Le Masne receives no stock options.

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)

(in thousands of euros)	**Financial year 2015** *(in thousands of euros)*	**Financial year 2014** *(in thousands of euros)*
Compensation due for the year (*details in table 2*)	1,227.5	1,235
Value of options granted during the reporting period	0	0
Value of stock incentives awarded during the reporting period	0	0
TOTAL	**1,227.5**	**1,235**

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)

	Financial year 2015 *(in thousands of euros)*		**Financial year 2014** *(in thousands of euros)*	
(in thousands of euros)	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	720	720	720	720
Variable compensation	335	288	288	288
Extraordinary compensation	144	200	200	200
Directors' fees	25	23.5	23.5	25
Benefits in kind	3.5	3.5	3.5	3.5
TOTAL	**1,227.5**	**1,235**	**1,235**	**1,236.5**

Subscription or purchase options granted during the year to Yves Le Masne by the Company 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
-	0	0	0	0	0

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
-	0	0

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	Date of acquisition	Date of availability	Performance conditions
-	0	0	0	0	0

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
-	0	0

Compensation of the Chief Operating Officer – Jean-Claude Brdenk (with respect to the financial year 2015)

FIXED COMPENSATION

At its meeting of 17 November 2015, the Board of Directors, acting on a proposal by the Appointments and Compensation Committee, set his gross annual fixed compensation at €640,000.

VARIABLE COMPENSATION

During the financial year 2015, the Board of Directors, acting on a proposal of the Appointments and Compensation Committee, also approved the quantitative and qualitative criteria for the financial year 2015. 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 Group's quality system.

Based on these criteria, and upon a proposal by the Appointments and Compensation Committee, the Board of Directors' meeting on 20 April 2016 fixed the gross variable compensation, with regard to the 2015 financial year, to an overall amount of €425,600.

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 compensation (a multiple of average monthly compensation 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 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 compensation with respect to the two years preceding departure is between 74% and 50% of said target regular variable compensation, 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 Jean-Claude Brdenk is entitled to basic retirement benefits in the six months following termination of his office.

The foregoing provisions fall under 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 2015, no severance payment was made to Mr Jean-Claude 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 2015 amounted to €60,597.72.

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 they apply to the employee grade in which he has been placed.

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

(in thousands of euros)	Financial year 2015 *(in thousands of euros)*	Financial year 2014 *(in thousands of euros)*
Compensation due for the year (*details in table 2*)	1,070.1	929.5
Value of options granted during the reporting period	0	0
Value of stock incentives awarded during the reporting period	0	0
TOTAL	**1,070.1**	**929.5**

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 2015 *(in thousands of euros)*		Financial year 2014 *(in thousands of euros)*	
(in thousands of euros)	Amount due	Amount paid	Amount due	Amount paid
Fixed compensation	640	640	565	565
Variable compensation	297.6	260	260	260
Extraordinary compensation	128	100	100	100
Directors' fees	-	-	-	-
Benefits in kind	4.5	4.5	4.5	4.5
TOTAL	**1,070.1**	**1,004.5**	**929.5**	**929.5**

Subscription or purchase options granted during the year to Jean-Claude Brdenk by the Company 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
-	0	0	0	0	0

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
-	0	0

Performance shares granted during the year to Mr 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	Date of acquisition	Date of availability	Performance conditions
-	0	0	0	0	0

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
-	0	0

SUMMARY FOR FINANCIAL YEAR 2015 OF THE SITUATION OF THE EXECUTIVE CORPORATE OFFICERS

Directors Corporate officers	Employment contract		Supplementary pension scheme		Compensation or benefits payable on transfer or on changes of duties		Non-compete benefits	
	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Claude Marian *Chairman of the Board of Directors* Date appointed: 2015 AGM Term ends: 2019 AGM		X		X		X		X
Yves Le Masne *Executive Management* Date appointed: 2015 AGM Term ends: 2019 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 €153,369 excluding tax in 2015 in fees for his assistance with pre-litigation and litigation.

3.1.6 Summary table of Company compliance with the recommendations of the 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)	Separation of Ch/CEO	Complies
Reasons for choice - limitation of powers	Limitation by B of D of CEO authority	
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	Four years	Complies
Staggering of terms must be arranged so as to avoid a block of renewals	Staggered renewals	
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 Alain Carrier owns one share.	Believed to be non-compliant
Appointment of independent directors: ● 1/3 in controlled companies	3 independents out of 8, or **37.5%**	Complies
Existence of an Accounting Committee	Yes	Complies
Consisting 2/3 of independent directors	Existence of an Audit Committee 4 members non-executive directors of which 3 are considered independent	
Not to include any executive directors	Yes	
Existence of an Appointments and Compensation Committee	Yes	Complies
Composed of a majority of independent directors	Existence of an Appointments and Compensation Committee Four members, four of whom independent	
Chaired by an independent director	Yes	
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 employee ownership rises above the 3% threshold	No ORPEA does not know the exact number of shares held by its employees since it has no Group savings plan.	Complies
● designation no later than end 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: mainly variable portion 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 Mr Le Masne (CEO) and Mr 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

Rules of Governance	Application of the rule by ORPEA	Compliance
Precise criteria to determine the variable component for executive corporate officers	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 compensation other than salary and directors' fees	**With respect to Mr Marian (Chairman):** no special supplemental pension scheme, no options, no granted shares, no performance shares, no pension or retirement benefit	Complies
	With respect to the CEO and COO: no special supplementary pension scheme	Complies
	With respect to the CEO and COO: Severance benefits and free allocation of shares as follows:	
	● Severance benefits in the event that they cease their functions as executive directors 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 (complies 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.	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
	● Free allocation to the CEO and COO of 13,000 ORPEA shares each, subject to continuing-employment and performance conditions related to revenues and EBITDA, with the obligation to retain at least 25% of the allocated shares until the end of their term of office. The Board of Director considers that, given their major contribution to the Group's development, the continuing employment condition in the Company or Group applicable for the granting of this bonus share allocation plan will be deemed to be fulfilled in the event of forced departure or departure following a change in control.	Complies with the AFEP-MEDEF code as the free allocation of shares stipulates performance conditions and the obligation to retain a significant number of shares until the end of their term of office; the said allocation having not occurred at the time of their departure as they are remain in service
Limit of five directorships in listed companies including foreign companies	See list of terms of office in Section 3.1.1 "Members of the Board of Directors" in this Report	Complies
Consultation of shareholders in relation to the compensation of executive corporate officers.	Consultation since the 2014 OGM	Complies

3.1.7 Summary of transactions performed in 2015 by ORPEA's corporate officers in ORPEA shares (article 223-26 of the AMF's General Regulation)

On 28 October 2015, Yves Le Masne sold 2,000 ORPEA shares at a unit price of €73.09, representing a total of €146,180.

3.2 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 2015 Registration Document filed with the *Autorité des Marchés Financiers* (AMF).

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;
- 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.

3.2.1 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). With regard to the recent acquisitions made by the Group in Germany, Switzerland and Austria, the process of disseminating and adapting these procedures is now under way. In China, ORPEA translated and adapted its corpus of internal procedures in order to have them ready for implementation when its facility opened at the beginning of 2016.

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 labour unrest 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 within 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 department 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 staff member (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 ensuring 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 "shadow" an experienced manager in the facility as on-the-job training.

Generally speaking, the Group's General Management believes that by 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.

MONITORING 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 provisions 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.

3.2.2 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 transmitted in France 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;
* upwards reporting 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.

3.2.3 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 requires 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 causes of the undesirable event in order to fashion the preventive measures necessary and to identify the corrective actions to be immediately taken so that such an abnormal event is not 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).

In addition to 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.

3.2.4 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 "COMEX") 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 and future plans of action, budgets, quality and the training plan. They also review the Group's commercial performance and main expenses.

Decisions made within the operating 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 achievement of the targets set can be monitored on a monthly basis. Reports on the achievement of these targets 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 Management 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 in obtaining certification and conducting internal and external assessments. 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 monitors the identification and management of legal risks and ensures 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 Estate" Section, which interfaces with the Group departments responsible for managing real estate property and construction; and
* the "Corporate" section, responsible for monitoring acquisitions and 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 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, teamed primarily by the Chief Operating Officer, the Legal Director, the Quality Director, the Group Medical Director, the Communications Manager and the Head of Supervision, has the task of assisting 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 clearly identified and defined by an initial investigation.

WORKS AND SAFETY AND APPROVALS COMMITTEES

The Works and Safety Committee meets monthly, with General Management, the Works Department and the Business Development Manager in order to review all on-going construction sites (buildings and renewals). The architects in charge of on-going projects 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: acquisitions, authorisations obtained, mergers, etc. Each project is reviewed in detail with its benefits and drawbacks and the committee decides whether to continue the project.

3.2.5 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 Group Finance Department is also divided up into dedicated units which - under the leadership of the Chief Financial Officer - deal with 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 responsible for 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

ORPEA Group's significant growth in recent years requires 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 Harmonie software, currently being migrated to Navision, along with continuous monitoring software developed in-house. Internationally, most countries use 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, Austria and Germany local teams draft a first set of sub-group consolidated accounts (2 consolidated sub-groups in Germany);
3. Once all financial statements have been 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 revenues 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, revenues 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 HQ engineering managers (medical, corporate 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 “Organisation of the Board” of this Report.

INVESTOR RELATIONS

Investor relations is the direct responsibility of Executive Management.

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

A timetable for the dissemination of the Group’s financial information is therefore drawn up each year and made available to the public (in particular 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.

3.3. ANNEXES

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 articles of association, 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 THE NECESSARY TIME AND ATTENTION TO HIS OR HER RESPONSIBILITIES.

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 Regulation 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, revenuess, 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 CHAIRMAN, 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 AFEPMEDEF -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 CORPORATE PURPOSE 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 (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;
- compensation of the Company's corporate officers;
- any significant recruitment (gross annual salary exceeding €200,000);
- 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 CHAIRMAN, 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 ARTICLES OF ASSOCIATION, 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 Compensation 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:

- the process by which financial information is compiled;
- the effectiveness of internal control and risk management procedures;
- 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.

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, without General Management being in attendance.

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 inform the Audit Committee of:

- the overall work programme they undertook as well as the various samplings they performed;
- 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;
- any irregularities or inaccuracies they may have discovered;
- 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;
- 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 COMPENSATION 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 Compensation 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 executive 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 compensation of the Chairman and any other benefit received,
  - the fixed and variable compensation of the Chief Executive Officer and Chief Operating 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.

4.2.2 Organisation of work

The Appointments and Compensation 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 Compensation 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.

3.4 STATUTORY AUDITORS' REPORT DRAFTED IN COMPLIANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ON THE CHAIRMAN OF THE BOARD OF DIRECTORS' 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.

Financial year ended 31 December 2015

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 2015 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 of the French Commercial Code, 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, 6 May 2016
The Statutory Auditors

Saint-Honoré BK&A
Emmanuel KLINGER

Deloitte & Associés
Joël ASSAYAH

3.5 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED RELATED-PARTY AGREEMENTS AND COMMITMENTS

This is a free translation into English of the Statutory Auditors' special report on regulated 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.

General Meeting to approve the financial statements of the year ending 31 December 2015

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 as well as the reasons justifying the Company's interest, 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 you have already approved.

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

Agreements and commitments subject to Shareholder approval

AGREEMENTS AND COMMITMENTS AUTHORISED DURING THE FINANCIAL YEAR

We inform you that we have not been advised of any agreements or commitments authorised during the prior financial year that require shareholder approval, in accordance with the provisions of article L. 225-38 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS AUTHORISED SINCE THE END OF THE FINANCIAL YEAR

We have been informed of the following agreement authorised since the end of the financial year, which received your Board of Directors' prior approval.

Exception to the continuing employment condition with regard to executive corporate officers under the bonus share allocation plan

(Authorised on 10 February 2016)

COMPANY OFFICERS CONCERNED:

Yves LE MASNE, Chief Executive Officer

Jean-Claude BRDENK, Chief Operating Officer

NATURE AND PURPOSE:

Exception to the continuing employment condition with regard to executive corporate officers under the bonus share allocation plan implemented for the benefit of certain salaried employees and executive corporate officers of ORPEA and related companies under the conditions stipulated in articles L. 225-197-1 and L. 225-197-2 of the French Commercial Code.

TERMS AND CONDITIONS:

The Board of Directors has decided that the condition of the continuing employment in the Company or the Group of Yves LE MASNE and Jean-Claude BRDENK, which applies for the allocation of this first bonus share scheme, would be deemed to be fulfilled in accordance with the same conditions as those set for their severance benefits, namely:

* 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

* 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.

Reasons justifying its interest for the Company:

The Board of Directors, on the recommendation of the Appointments and Compensation Committee, considered that it is in the Company's and Group's interest to recognise the major contribution made by Mr Le Masne and Mr Brdenk to the development of the ORPEA Group over several years and to continue to retain them by enabling them to benefit from the creation of value within the Group to which they are making a significant contribution through their expertise, motivation and performance.

Agreements and commitments already approved by the Shareholders

AGREEMENTS AND COMMITMENTS AUTHORISED IN PRIOR YEARS

1) Performed during the year past year

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

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 2015 were €60,598 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 2015 were €60,598 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 €153,369 not 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 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

* 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 2013 and 25 April 2013, following the end of Mr Jean-Claude BRDENK's employment contract, and in view of his major contribution to the Group's growth for several years, agreed that Mr 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 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

* 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 in conjunction with the capital increase by private placement 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 Compensation 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.

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 was amended to inform the Board of Directors of the Company of all requests for assistance from CPPIB for all significant revenuess 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.

Terms and Conditions:
This agreement did not have any financial impact in the period.

E. 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 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 revenuess 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 revenuess transactions.

Terms and Conditions:

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

F. INVESTMENT AGREEMENT WITH SOFINA

(Authorised on 11 December 2014)

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 revenuess 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 revenuess transactions.

Terms and Conditions:

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

G. INVESTMENT AGREEMENT WITH JEAN-CLAUDE MARIAN

(Authorised on 11 December 2014)

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 revenuess 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 revenuess transactions.

Terms and Conditions:

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

Paris and Neuilly-sur-Seine, 6 May 2016
The Statutory Auditors

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

4

CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT

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This chapter is an integral part of the management report in accordance with articles L. 225-102-1 and R. 225-104 to R. 225-105-2 of the French Commercial Code regarding the corporate, environmental and social responsibilities of firms.

ORPEA complies with the “Grenelle II” Act in terms of CSR reporting.

The information provided in this chapter is structured according to the guidelines of implementing decree no. 2012-557 of 24 April 2012 regarding the corporate and environmental responsibilities of firms.

4.1 EMPLOYEE INFORMATION

The Group has established a wide international presence in just a few years. Its human resources policy is designed to maximize efficiency and adapt to new challenges. As such, priority is given to constantly improving and upgrading facilities to meet the demands and challenges of social and technological changes. The Human Resources department accordingly works closely with the Business Units.

The ORPEA Group’s human resources policy revolves around four strategic linchpins:

* develop the core skills of employees to support the Group’s business development;
* improve structural efficiency in a changing and increasingly constrained environment;
* enable employees to thrive in a professional environment suited to them;
* promote a common culture based on exchange and dialogue so as to practise the values the Group preaches.

4.1.1 Employment: an active recruitment policy

Employees are at the heart of the quality care advocated by the Group. ORPEA thus places great importance on designing an HR policy founded on values and on hiring, training and working with employees firmly committed to them.

The Group had a total of 43,753 employees in its care facilities and clinics in France and internationally at the end of 2015, compared with 35,795 at the end of 2014, an increase of 20% 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 2015, especially internationally where the number of employees grew by nearly 60%, from 12,391 in 2014 to 19,798 in 2015.

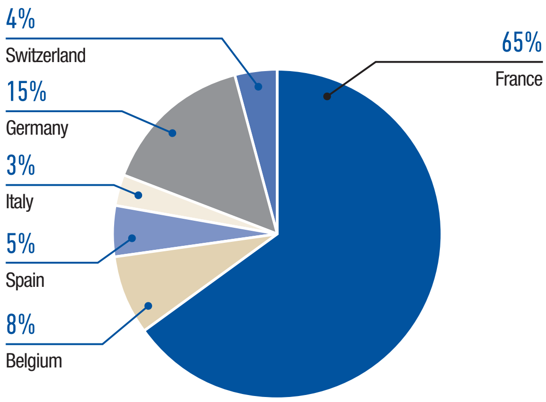
BREAKDOWN OF EMPLOYEES AND JOB STABILITY

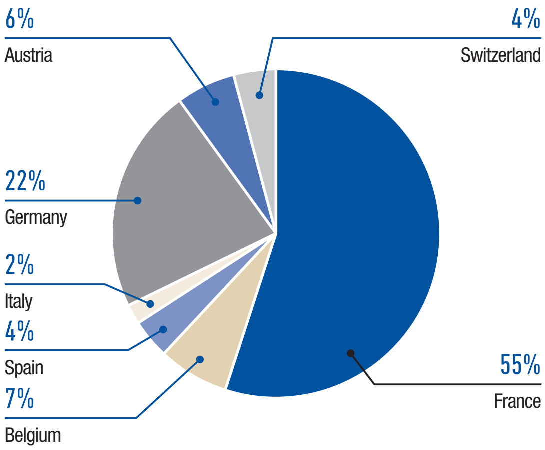
Breakdown of employees by region, gender and type of employment contract

	Group	France	International	Belgium	Spain	Italy	Germany	Austria	Switzerland
Employees*	43,753	23,955	19,798	3,264	1,772	835	9,717	2,674	1,536
% permanent contracts	74%	85%	N/A	81%	76%	72%	71%	N/A	N/A
% temporary contracts	17%	15%	N/A	19%	24%	28%	29%	N/A	N/A
% full-time	64%	78%	47%	46%	89%	82%	37%	46%	36%
% part-time	36%	22%	53%	54%	11%	18%	63%	54%	64%
% Men	18%	17%	18%	22%	16%	22%	17%	15%	23%
% Women	82%	83%	82%	78%	84%	78%	83%	85%	77%
% managers	N/A	11%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
% non-managers	N/A	89%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* *Individuals present on all types of contracts at 31/12/2015.*

CHANGES IN THE BREAKDOWN OF EMPLOYEES BY REGION BETWEEN 2014 AND 2015





ORPEA has maintained a coherent employment policy that aims to give all its staff job stability and security in every country in which it is active.

This policy encourages full-time (generally permanent) contracts in countries where this is the norm (Switzerland, Germany and Austria have different systems). The percentage of full-time and permanent employees in France held steady in 2015 compared to 2014 (78% vs 77% for full-time and 85% vs 84% for permanent employees).

The percentage of full-time international employees fell from 62% in 2014 to 47% in 2015. This is entirely due to the consolidation in 2015 of entities in Germany where working hours are less regulated.

Sector-level collective agreements set a maximum of 48 working hours per week. Employment contracts set individual working hours and conditions as well as employer and employee responsibilities. In general, working hours are between 35 and 40 hours per week.

Fixed-term and other types of employment contracts exist but are limited by law to specific cases. When fixed-term contracts are sometimes necessary, as the case may be in any sector, they are strictly governed by national legislation, permanent contracts being the rule. Fixed-term contracts are often used to fill temporarily vacated positions due to leave of absence, in particular maternity leave (82% of the Group's employees are women), or make up for unexpected absences so as to maintain the high quality of care provided to residents and patients.

Although the IT system does not currently have the capacity 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.

Employees of all age groups are represented in virtually every country in which the Group is active; this ensures a diversity of profiles and promotes the sharing of experiences, two aspects dear to the Group.

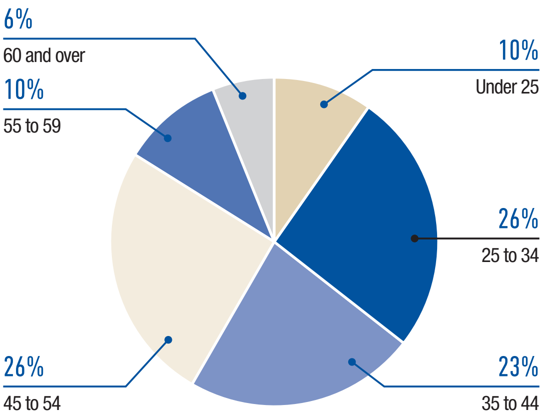
In 2015 compared to 2014, the percentage of employees aged under 25 stayed at 10%, the percentage of employees aged 25 to 44 dipped from 51% to 49% while that of those aged 45 to 59 rose from 34% to 36%, and the percentage of employees aged 60 and over went up from 5% to 6%.

Women make up a large majority of employees in the dependency care sector; accordingly, 82% of the Group's employees in 2015 were women compared to 83% in 2014.

Breakdown of employees by age bracket

	Group	France	International	Belgium	Spain	Italy	Germany	Austria	Switzerland
Under 25	10%	9%	10%	11%	7%	3%	11%	8%	14%
25 to 34	26%	28%	23%	31%	24%	18%	21%	23%	25%
35 to 44	23%	23%	23%	27%	25%	31%	19%	26%	20%
45 to 54	26%	25%	28%	21%	29%	32%	28%	33%	23%
55 to 59	10%	10%	11%	6%	10%	12%	12%	9%	11%
60 and over	6%	5%	6%	3%	5%	4%	9%	1%	7%

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 7,098 permanent staff in 2015 (excluding Austria and Switzerland) compared to 6,035 in 2014.

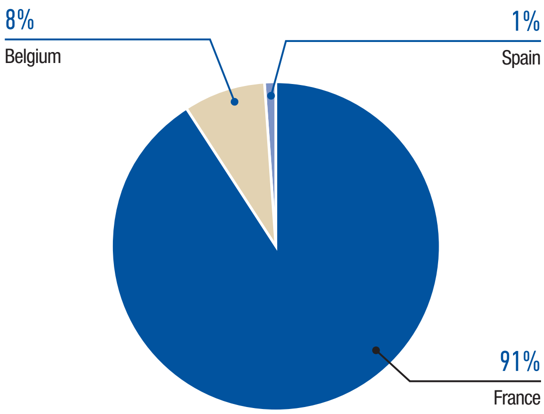
	Group	France	International	Germany	Belgium	Spain	Italy
Recruitment of permanent employees*	7,098	4,697	2,401	1,597	563	205	36

* *New employees hired on permanent contracts in the year. Changes from fixed-term to permanent contracts are not traceable in France, Belgium and Spain.*

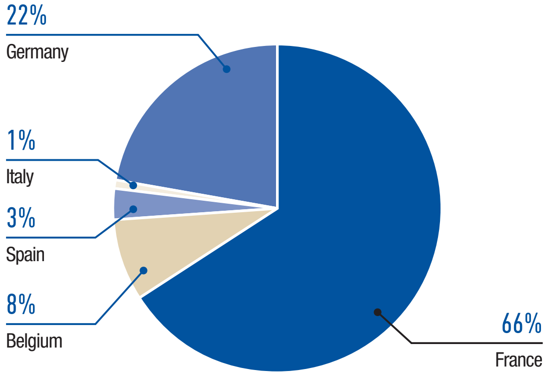
From 2014 to 2015, the share of employees hired outside France went from 9% (545 new employees) to 33.8% (2,401 new employees).

CHANGES IN RECRUITMENT BY REGION, 2014-2015

2014



2015



With a little over 9,000 beds under construction or being redeveloped, ORPEA also contributes to maintaining thousands of construction jobs.

The vast majority of vacant positions in the 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.

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.

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 number of employees and held more or less steady compared with 2014 (about 3% of all staff).

Dismissals are essentially of an individual nature, and stem from professional misconduct, notably suspicion of mistreatment.

	Group	France	International	Germany	Belgium	Spain	Italy
Dismissal of permanent employees*	1,429	1,004	425	303	53	56	13

* *Termination of permanent contracts due to dismissals in the year.*
Figures for Austria and Switzerland are not included due to the lack of a distinction between permanent and fixed-term contracts.

WAGE POLICY

ORPEA has always had a fair wage policy. In addition to pay scales, it offers many benefits in line with local needs. This policy also aims to foster a culture of high performance and nurture the skills needed for the Group's development.

In 2015, the Group paid in respect of gross compensation:

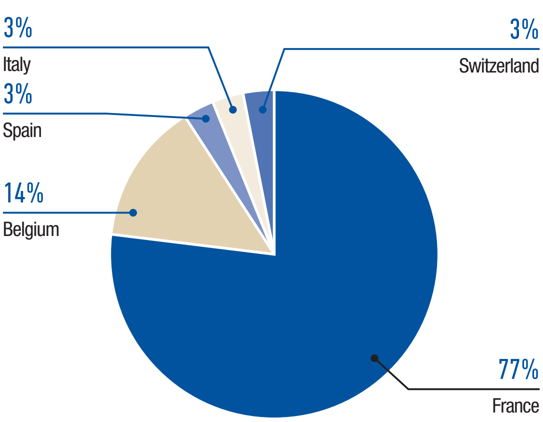
Group	€1,095,818,930
France	€591,124,558
International	€504,694,372
Belgium	€107,575,845
Spain	€27,842,863
Italy	€14,471,325
Switzerland*	€73,961,204
Austria	€92,007,135
Germany	€188,836,000

* *Based on an exchange rate of 1 CHF = 0.922065 EUR.*

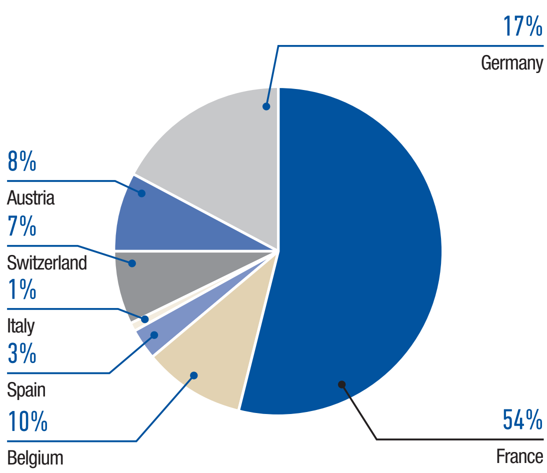
Given the Group's strong growth, gross compensation increased from €717,581,826 in 2014 to €1,095,818,930 in 2015.

CHANGES IN COMPENSATION BY REGION, 2014-2015

2014



2015



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 proactive 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 managers 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.

Managers are the key role players in the facilities. Along with their teams, they create the conditions for trust and work that are necessary for collective success. As Group ambassadors, they can rely on the support and expertise of the Head Office.

ORPEA is committed to bringing out individual strengths and energising the careers of each employee to improve the quality of patient and resident care and boost staff motivation and qualifications.

The Group's motto "Build your career with us" meets the standards ORPEA 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.

At any time, or by means of the regular appraisals, employees have the opportunity to express their expectations and ambitions in terms of training, development or geographical relocation.

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

4.1.2 Organisation of working time

The specific nature of the Group's business requires staff to be available around the clock every day of the year, with due consideration of local regulatory constraints.

Accordingly, apart from conforming to legal and contractual obligations, shift work is the norm across the Group as it better caters to the family lives of employees and spreads individual workloads in a more balanced way while ensuring equal working hours.

Working time is organised with the following priorities in mind:

- To ensure 24/7 care of residents and patients;
- To structure duties logically in the course of a day around the daily needs of residents;
- To link together all the services and specialisations of the facilities (accommodation, cleaning, catering, care);
- To allocate working hours in a balanced manner;
- To ensure a balanced workload for employees and quality care for patients and residents.

Absenteeism remains a factor to be taken into account when ensuring that daily care is not interrupted; regional figures for 2015 were as follows:

- France: 2,704,065 hours (excl. DOMIDOM);
- Belgium: 138,029 hours;
- Italy: 62,722 hours;
- Spain: 47,882 days;
- Austria: 37,344 days;
- Switzerland*: 12,993 days.

* *Excluding clinics.*

With respect to staff turnover, absenteeism held steady across regions (for example in France 2,630,943 hours were lost in 2014 compared with 2,704,065 hours in 2015).

Employees are at the heart of how work is organised and social partners are part of this approach; ORPEA's priority is to convey the benefits of and thereby implement shift work, taking into account the normal length of a working day and rest periods set by regulations. Shift work contributes to the well-being of employees and thus helps to reduce absenteeism.

4.1.3 A regular and constructive social dialogue to prepare for the future

THE FRAMEWORK: EMPLOYEE REPRESENTATIVE INSTITUTIONS

The Group fully involves existing local employee representative bodies in its development.

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. Meetings take place on a monthly and quarterly basis or at the request of the employer or social partners.

Social dialogue takes place within the Group mainly through the following employee representative bodies in France: Union delegates also meet during company negotiations. These negotiations cover matters such as pay, working hours, incentive plans, employee savings, disability employment and gender equality.

In Belgium and Spain, social dialogue is legally structured around similar bodies. As such, in these countries, 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 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, Austria and Switzerland, close dialogue is the rule.

In all cases, the rules governing the renewal of employee representative bodies are scrupulously followed, the Group being committed to strengthening the quality of social dialogue and balancing employee interests and career progression with the company's financial constraints. The Group operates according to the principle that a sound running of the company depends in large part on effective and constructive employee relations for all.

Employee representative bodies were thus renewed in France in 2015 and will be in Belgium in 2016.

COMPANY AGREEMENTS

Region-specific collective agreements, based on social dialogue and local regulations, apply to the following areas:

* work-life balance;
* leave and making time up;
* incentives, bonuses and profit-sharing;
* healthcare and disability;
* reducing difficult working conditions;
* integrating people with disabilities and senior workers.

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 in a proactive manner. Spain places greater priority 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.

4.1.4 Preventing risk and protecting the health of employees

Employee representative bodies are consulted with regard to drawing up policies to reduce workplace risks and accidents in order to help improve the conditions in which employees work.

Priority is given to reducing workplace accidents and work-related musculoskeletal disorders on the one hand and spreading the workload evenly on the other.

For the Group, taking steps to foster good working conditions helps to prevent health problems, reduce the risk of accidents and increase the quality of care provided to residents and patients.

Thus, either on its own initiative or with employee representative bodies, the Group has begun to take action by:

* identifying risks in order to lay the groundwork for an overall risk prevention plan and an action plan;
* analysing the causes of workplace accidents and occupational diseases;
* making teams aware of the need to take in and train workers.

In keeping with its values, the Group also reaffirms its commitment to preventing harassment and violence in the workplace by keeping employees constantly aware of these issues.

As part of its continuous efforts to reduce risks in the workplace, on 1 October 2015 the Group decided to create in France the position of Head of Prevention of Occupational Hazards in charge of leading comprehensive initiatives to prevent risks in the workplace, especially with regard to ergonomics, handling & lifting, noises and vibrations. In this way, the Group coordinates all preventive measures falling under the expertise of Health and Safety at Work at the national level.

This new mechanism will guarantee the technical relevance of training and will increase the awareness of all employees of these matters, which are of primary importance to the Group.

It complements the occupational risk-prevention service and the internal occupational risk-prevention and protection service established in Spain and Belgium, respectively, several years ago. Established in accordance with local rules and conditions, these services are staffed by specialists in preventing occupational hazards.

The common objective is to monitor workplace accidents and occupational diseases in line with local laws in order to anticipate and reduce the hazards to which employees are exposed in their work.

Risk detection and analysis, and resulting action plans, aim to bring facilities, tools (protective equipment, training) and work processes into line so as to reduce occupational hazards while meeting regulatory health and safety requirements.

The Group is also committed to maintaining and improving the working conditions of its employees by optimising the architecture and materials of its buildings.

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 held many training sessions on handling & lifting and preventing back pain; these issues are a priority in all countries.

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.

The severity rate is defined by the INRS as the number of days lost due to temporary incapacity per 1,000 hours worked.

In 2015 in France, ORPEA recorded a frequency rate of 52 (excluding DOMIDOM) and a severity rate of 0.95. Thanks to the Group's policies, these rates were down compared with 2014 (59.1 frequency rate and 1.14 severity rate).

Though frequency and severity rates as defined by the INRS could not be equally monitored across all countries in 2015, the number of workplace accidents and occupational diseases is monitored closely as an HR indicator that must be kept as low as possible.

The Group is continuing its efforts to improve the working conditions of its employees and is constantly on the lookout for best practices to support its commitment to reduce the risks inherent in its sector.

ESTABLISHMENT OF A PSYCHOLOGICAL UNIT

With a view to supporting employees subjected to emotional distress attributable to the sector, in 2009 the Group established a psychological unit known as the "Institutional Urgent Situation Intervention Unit" consisting of qualified psychologists with specific training in institutional trauma. The unit began operating in France before expanding into Belgium in 2014 and Switzerland in 2015. In 2015 it was composed of 26 psychologists (compared with 24 in 2014), of which 18 were active and eight undergoing 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.

The main objectives of this unit (achieved by means of working groups and/or discussion groups) are:

* to support and help a facility in an emergency situation linked to a violent and potentially traumatic event that disrupts institutional life and threatens the emotional and/or physical integrity of members of the facility;
* 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 2015, 25 interventions took place, restoring a feeling of security or serenity among teams. Since its inception, 101 interventions have taken place, demonstrating the initiative's success.

In 2015, 232 people in France, Belgium and Switzerland 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.

Since 2014, the psychological unit has expanded its scope of intervention by offering institutional mediation to teams facing a potentially disrupting event. The aim of these interventions is to:

* take time to talk and share about the situation employees are going through;
* take time to reflect on employees' work, on the meaning of "working together" and on possible new opportunities for greater well-being at work.

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.

4.1.5 Employee training: commitment to quality and professionalism

Employee training is an essential value of the Group and is meant to ensure the daily well-being of residents and patients.

Developing, acquiring and consolidating professional skills guarantee the company's success. The training offered at the facilities continues to expand so as to meet the various challenges in the sector.

Beyond fulfilling legal requirements, the Group implements an ambitious staff development policy enabling all employees to always be in the forefront of improving care and develop their skills while spreading core values and best practices. The policy seeks to raise awareness and involve employees in key matters and collective goals.

It finds expression in drawing up annual schedules that define objectives in chronological order and/or by staff categories and by monitoring their application in detail.

Developing skills through training lies at the heart of the Group's HR management. Jobs maintained or created are accompanied with prospects of training, improvement and promotion with the aim of nurturing talent within the Group.

The widest possible range of training is therefore offered in order to meet current and future needs (for example, training programmes for older employees, on preventing psychosocial risk, or on integrating employees with disabilities).

In addition, in order to spot motivated 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 business and career prospects within the Group. 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, various events are held to encourage vocations and attract young people to health and sociomedical careers (for example career forums and business open days).

Partnerships with educational institutions are also pursued but take various shapes in response to local needs and realities.

In 2015, employees completed the following number of hours of training:

2015	Group	France	International	Belgium	Italy	Spain	Austria
Number of hours of training	368,839	249,632	119,207	40,018	11,069	25,620	42,500

In 2015, 368,839 hours of training were provided to Group employees in 73% of its regions (France, Belgium, Italy, Spain and Austria) compared with 274,324 hours of training in 2014 in 80.9% of the Group's regions (France, Belgium, Spain and Italy).

Training in 2015 thus progressed at a steady rate and supported the Group's growth, especially outside France where the share of hours of training spent accounted for 32.3% of the total compared with 19.2% in 2014.

GENERAL TRAINING POLICY

For ORPEA, training must not only be of high quality; it must also and especially be of operational use.

Developing, acquiring and consolidating professional skills are essential to success in the healthcare sector.

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.

Apart from regular training programmes, the Group attaches great importance to short training sessions (offered in all countries). These 30-45 minute sessions form one of the pillars of the Group's Quality Process and seek to maintain and develop the skills of employees in a regular and convenient manner by slotting into their daily routine in a simple and pragmatic way. Some of these short training sessions have been professionally produced in DVD format usable in all countries. In this way, training material is becoming cross-border and is helping to create a common culture of care.

SPECIFIC TRAINING TO DEVELOP KNOWLEDGE

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 2015, the pooling of expertise within 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). The training requirements of care workers having to deal with ageing and increasingly frequent psychiatric illnesses in patients have increased. Training meets these requirements by drawing on in-house resources so that everyone can benefit from the diversity of skills within the ORPEA Group.

In 2015, ORPEA Germany launched an ambitious training initiative aimed at employees with managerial responsibilities. The Business Unit put specific programmes in place for employees based on their duties in the Group (management, care, catering/accommodation, cleaning and administration). Apart from developing skills, these programmes play an important part in the current streamlining and integration process in Germany (in the past, clusters sometimes followed their own practices). They enable inter-regional exchanges and are seen as being very enriching and important for establishing a common culture and a sense of belonging to the Group. This initiative will continue in 2016 and will focus on regulatory changes brought about by new legislation. A head of training was hired to manage this development and enhance the professionalism of training. Over 400 people have already received training in these sessions lasting six days on average.

As part of the "Pain-free Nursing Home" project managed in partnership with Paracelsus Medical University in Austria, in 2015 SENECURA (Austria) trained over 190 nurses to become "Pain Nurses".

In Switzerland, SENEVITA continued its training programme for care managers. This initiative aims to gather managers traditionally and essentially oriented towards care and to develop their management skills with the help of external trainers.

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.

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 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.

The ORPEA Group has developed the following University Diplomas (DU) in partnership with French universities to enrich the competencies of its employees:

- University Diploma in Management of Post-Acute and Psychiatric Care and Medico-Social Facilities with the University of Nice to reinforce the management training of facility directors;
- DU in Psychiatric Care with Lille University School of Medicine to provide in-depth training to nurses on caring for psychiatric patients;
- DU in Geriatric Post-Acute Care with Lille University to improve the ability of employee to care for elderly patients at the Group's Geriatric Post-Acute and Rehabilitation Care clinics.

In Germany and Switzerland, apprenticeship is well established. Business Units in those countries make use of it to train future healthcare professionals. In a labour market characterized by a lack of qualified workers, taking in apprentices offers a real opportunity to attract young people to the dependency care sector and secure their loyalty over and above training.

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.

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 *École des Mines de Paris* and with the care worker and nurse training institutes of the French Red Cross.

The partnership with the *École des Mines* involves subsidies for the teaching and research activities of the Risk and Crisis research centre (CRC) at the *École 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.

In 2015 ESCP EUROPE, which hosts the classes of the *CADRELAN Stratégique* programme, saw its third class complete the programme, with 11 employees, of which two from ORPEA Belgium.

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. An additional theme on intercultural management was included with respect to the Group's cross-border development.

In Austria in 2015, SENECURA worked on a training programme in partnership with Danube University Krems. SENECURA Academy was officially opened in May 2016 and will enable the Group to offer its employees training courses recognised by the Austrian government. Each employee will thus be able to benefit from individual lifelong learning and will have a means of obtaining a degree from the university. Beyond seeking to motivate employees and develop their skills, this initiative aims to streamline and standardise teaching while ensuring a high level of quality. It thus not only forms part of the Business Unit's Quality Process but also reflects its continuous search for distinction – in respect of current and prospective patients as much as the labour market.

TRAINING: A WAY TO IMPROVE WORKING CONDITIONS

ORPEA is involved in continuing professional development by promoting training courses through the Personal Training Account (CPF) presented in a specific in-house catalogue in place for years.

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 as well as training on the prevention of psychosocial risks is given every year. One of the objectives is to give managers the tools they need for the proper management of their teams (for example appraisal interviews, stress management, delegation of skills, leading meetings, risk prevention, and conflict management). 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 (for example team management, time management, and being an effective facility ambassador).

At the same time, and in order to raise awareness among teams of the hazards of handling and lifting, each Group facility has "Handling Trainer-Facilitators" to run "Gestures and Handling" short training courses for all staff.

4.1.6 Equal opportunities policy

Ensuring gender equality is a major concern within the Company, in a sector where women represent the majority of the workforce.

The goal of achieving gender equality is monitored as needed by the social partners.

Likewise, ORPEA remains committed to hiring people with disabilities in pursuit of the following objectives:

* the implementation of qualitative measures to facilitate the integration of disabled workers;
* access to all professional training solutions;
* priority monitoring of disabled employees to keep them in employment and adapt their working environment accordingly.

Employees with disabilities are always identified as such in accordance with how disability is defined in local regulations (when these exist). For example in France in 2015, the ORPEA Group had 552 employees with disabilities.

4.1.7 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 the Company of the contribution they could make.

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.

4.2. ENVIRONMENTAL INFORMATION

4.2.1 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, and so on.

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.

For several years 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 in France after the carbon assessment conducted at the end of 2012, and a structure was set up to harmonise environmental practices within facilities and coordinate initiatives. The carbon assessment was conducted once more in 2015 and indicated a 7% fall in greenhouse gas emissions on a like-for-like basis, higher than the 5% target the Group had set itself three years ago.

The Austrian, German and Swiss facilities are currently not subject to legislation requiring greenhouse gas emissions assessments to be carried out.

In addition, and in accordance with French regulations (Decree no. 2013-1121 of 24 November 2014, adaptation of European Directive 2012/27/EU of 25 October 2012 on energy efficiency), between June and July 2015 the ORPEA Group carried out an energy audit of its activities in France.

Energy audits were also carried out by the facilities in Germany (in accordance with DIN EN 16247-1, EDL-G).

Switzerland has no legislation requiring energy audits to be carried out, but all new buildings must take into account the criteria linked to the MINERGIE building standard which seeks to minimize energy consumption and make wider use of renewable sources of energy while ensuring improved quality of life, more competitiveness and less damage to the environment.

In accordance with regulations, the Group's Austrian subsidiary sent its energy data to the Austrian Energy Agency (*Energieagentur Österreich*) in late 2015 and will conduct an energy audit in 2016.

A Steering Committee made up of the Purchasing, Works-Construction, Quality and Communication departments was set up to oversee these initiatives; it meets every two months and monitors the four main aims that guide the ORPEA Group's environmental protection actions in Europe:

* reducing energy use (essentially gas and electricity) and water consumption;
* managing healthcare 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.

For example in France, communication kits were produced to complement the actions already implemented in some facilities as part of their quality certifications. These kits are available on all sites.

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.

4.2.2 Climate change

GREENHOUSE GAS EMISSIONS

At the end of 2015, ORPEA performed a carbon review on greenhouse gas emissions generated by its facilities in France, 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.

CO_2 EMISSIONS FROM ENERGY CONSUMPTION IN 2015

Emissions of CO_2 from electricity consumption vary between countries depending on how electricity is produced (for example via hydroelectric, nuclear or thermal power stations).

	Unit	Total	France	Italy	Spain	Belgium	Switzerland	Germany	Austria
Scope 1*	Tonnes of CO_2	54,106	30,996	2,103	3,005	7,042	2,127	4,852	3,981
Scope 2**	Tonnes of CO_2	38,722	12,786	3,696	6,180	3,855	315	9,536	2,354
TOTAL	**TONNES OF CO_2**	**92,828**	**43,782**	**5,799**	**9,185**	**10,897**	**2,442**	**14,388**	**6,335**

* *Scope 1: direct emissions (fuels).*
** *Scope 2: indirect emissions (electricity, heat or steam production).*

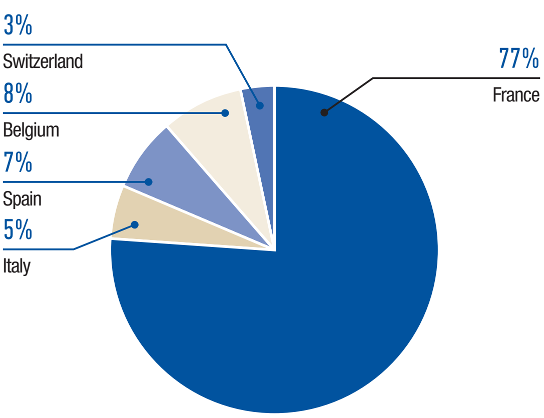
CHANGE IN CO_2 EMISSIONS

	Unit	Total 2015*	Total 2014**	Change 2014-2015
Scope 1	Tonnes of CO_2	54,106	35,422	52.75%
Scope 2	Tonnes of CO_2	38,722	18,142	113.44%
TOTAL	**TONNES OF CO_2**	**92,828**	**53,564**	**73.30%**

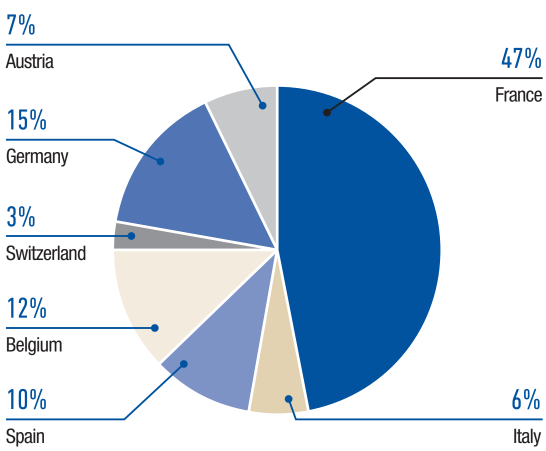
* *2015 scope: France, Italy, Spain, Belgium, Switzerland, Germany and Austria.*
** *2014 scope: France, Italy, Spain, Belgium and Switzerland.*

CHANGE IN BREAKDOWN OF TOTAL ENERGY CONSUMPTION BY REGION:

2014



2015



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 2015, video conferencing facilities have been operational in France and in all the other countries where ORPEA is active.

The vehicle fleet was optimised by referencing models on the basis of their CO_2 label.

ADAPTING TO CLIMATE CHANGE

The ORPEA group's facilities, wherever they are located, 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.

All countries respect national and regional regulations in force.

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 every facility; cooled rooms have been installed (and are regularly serviced) in all of the Group's facilities in France, Italy, Spain 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.

Moreover, preventive measures have been put in place at facilities at risk of other climate events such as flooding.

Each of the Group's facilities has drafted a Plan Bleu/Blanc, or Crisis Management Plan, which is activated to reduce the health consequences of a risk event as soon as weather alerts are issued.

4.2.3 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.

In 2015, 596 tonnes of infectious clinical waste was produced in France, compared to 523 tonnes in 2014 (figures could not be calculated for the other countries as none used a single service provider). 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.

All of the Group's facilities comply with local 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. This company is also committed to providing caregivers with training at each facility.

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 (for example cardboard boxes and bottles) and sorting rubbish, as well as to combat waste.

4.2.4 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.

This procedure entails monthly checks and analyses of energy use to identify problems (for example leaks, excessively high consumption, and benchmarking of sites) and facilities with a high level of energy consumption. Training initiatives are arranged to give the facilities all the tools they need to manage the energy efficiency of their buildings (centralised technical management, etc.).

For example in France, 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.

This platform will be extended to all countries in 2016.

GAS, ELECTRICITY, FUEL OIL AND DISTRICT HEATING USE AND MANAGEMENT

	Total	France	Italy	Spain	Belgium	Switzerland	Germany	Austria
2015 data	**Consumption**	**Consumption**	**Consumption**	**Consumption**	**Consumption**	**Consumption**	**Consumption**	**Consumption**
Electricity in MWh	212,669	142,067	6,264	12,875	13,294	10,502	15,894	11,773
Gas in MWh	232,543	147,004	10,410	13,335	28,090	5,208	20,334	8,162
Fuel oil in MWh	12,108	4,516	/	1,183	5,200	/	1,209	/
District heating	16,793	/	/	/	/	2,637	2,197	11,959
TOTAL	**474,113**	**293,587**	**16,674**	**27,393**	**46,584**	**18,347**	**39,634**	**31,894**

ORPEA wants to reduce its buildings' energy use as much as possible, by implementing energy saving equipment:

- fitting of low-consumption lighting (all new buildings are equipped with LED lighting) as and when existing light bulbs and lamps are replaced;
- optimisation of procurement contracts with energy suppliers for the entire European network;
- fitting of sensors to reduce electricity consumption.

In 2014, energy consumption amounted to 339,421 MWh* across France, Italy, Spain, Belgium and Switzerland.

WATER USE AND MANAGEMENT

	Total	France	Italy	Spain	Belgium	Switzerland	Germany	Austria
2015 data	Consumption	Consumption	Consumption	Consumption	Consumption	Consumption	Consumption	Consumption
Water *(in cubic m)*	2,974,811	1,856,640	95,887	236,216	215,459	155,922	244,881	169,806

In 2014, total water consumption amounted to 2,818,466 m^3 across France, Italy, Spain, Belgium and Switzerland.

To reduce its water consumption, the ORPEA Group installed aerators on all of its French sites in 2014 and Belgian sites in 2015; it plans to similarly equip its facilities in the other countries. Water consumption in these two countries fell by about 10% between 2014 and 2015.

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

The teams and the residents/patients are made aware of the need to use water wisely, and regular training sessions or information/awareness meetings are held.

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. Whether for all facilities or 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.

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 attentive and innovative when it comes to designing living spaces centred on the autonomy and well-being of residents by making use of materials, colours and light.

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 (for example number of storeys, green roofs, and tree-covered areas);
- 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 the heating and cooling of the premises.

4.2.5 Protecting biodiversity

ORPEA's activity has little effect on biodiversity.

In terms of land use, open spaces are planted as much as possible.

4.3 INFORMATION ON SOCIETAL COMMITMENTS

4.3.1 A strong commitment to promoting regional life

SUPPORTING LOCAL ECONOMIC DYNAMISM

With regard to the regular opening of new facilities in Europe, every year ORPEA creates many permanent jobs that cannot be relocated (on average over 50 employees for a long-term care facility and 100 employees for a clinic).

The vast majority of vacant positions in the ORPEA Group are under permanent contracts, in the fields of medicine, care, hospitality-catering, social activities organisation and administrative services.

The Group has always pursued a local recruitment policy to become more involved in local economic life and fosters close relationships with employment agencies and educational institutions (in France, the Group supports over 370 educational institutions that receive the apprenticeship tax).

To attract new talent to the Group and enhance its image and that of its sector among future graduates, ORPEA has established strong local partnerships with paramedical schools (care workers, nurses, etc.), business schools and universities. These partnerships result in:

* intakes of many trainees and employees on combined work-study contracts with the aim of promoting the Group's facilities among students and thus incubate candidates for future recruitment; for example in France in 2015, ORPEA continued its policy of partnering with several training institutions;
* 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.

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 more than 8,500 beds under construction or being redeveloped, ORPEA indirectly contributes to keeping thousands of construction workers in employment.

In addition, through its construction and renovation projects, the Group is contributing to urban development, by helping to develop new urban areas and renovate old districts, and even to the preservation of the nation's cultural heritage by restoring old buildings.

With a network of over 700 facilities in Europe, ORPEA is an important regional economic player, in no small measure by paying local taxes.

HELPING TO BUILD A REGIONAL CARE NETWORK

All ORPEA Group facilities in all countries establish cooperation agreements with hospitals, clinics and home care services so as to ensure the continuity of care and offer coordinated care at every stage of dependency.

INVOLVEMENT IN LOCAL AND COMMUNITY LIFE

Every facility, region and subsidiary of the ORPEA Group undertakes numerous charitable initiatives for the benefit of local organisations to help play a role in community 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 undertaken in all countries 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, and medical research, in view of the Group's core business;
* solidarity and togetherness to help people who are isolated or in social or financial difficulties.

But solidarity 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

To promote solidarity and togetherness

In Germany, all the facilities of the Haus Edelberg cluster donated equipment and furniture to help welcome and integrate Syrian refugees into Germany.

In Austria, the SENECURA facilities supported the Konferenz St Vinzenz community in its efforts to assist families in need.

In Italy, ORPEA facilities took part in a programme to take people in social difficulty and reinsert them into the workplace by offering training courses and apprenticeships.

In France and Spain, ORPEA employees took part in outreach sporting initiatives that also served as opportunities to strengthen team spirit. In France, 200 employees took part in the French Riviera Marathon and raised €1 for every kilometre run for victims of storms and flooding in the region last October.

In Spain, employees took part in the BBVA Benefit Race on behalf of Caritas, an organisation that raises funds to provide food and hygiene products to families in need.

In favour of children and intergenerational links

In France, ORPEA facilities in Normandy and Brittany provided financial assistance of €10,000 to the *Avec Nous* (With Us) organisation which aims to foster intergenerational relationships by arranging activities with children at long-term care facilities.

In the Provence-Alpes-Côte d'Azur region in France, ORPEA residences join forces every year to support a charity working for the well-being of sick or hospitalised children.

In 2015, facilities in Provence came together to support the "*Je cours pour Lilian*" (I run for Lilian) association which pays for sick children to stay at a specialised centre in Barcelona. The facilities held various events and together raised €16,937 for the association.

As for the residences in Côte d'Azur, they contributed to the development of the Adrien Association in Cannes which works to provide educational support to hospitalised children as well as outings and trips. In 2015, they raised €8,000 at various events and organised a ski trip for children and residents.

In Spain, the facilities in Madrid participated in a solidarity march to support the work of the NGO Nuevo Futuro and to help finance the maintenance of homes for minors and young people protected by the association; they also support an unaccompanied children's village.

In favour of the environment and the protection of local heritage

In France, ORPEA residences in the Languedoc-Roussillon-Midi-Pyrénées region and the former regions of Aquitaine and Limousin renewed their original partnership with the foundation of the renowned navigator Maud Fontenoy to protect the oceans. This partnership was an opportunity to take part in promoting the educational, scientific and cultural initiatives of the Maud Fontenoy Foundation by organising awareness days with young children on the need to protect the oceans.

Throughout 2015, the ORPEA residences in these regions organised numerous events to raise donations for the Foundation, including garage sales, raffles, flower markets, themed meals, educational activities and concerts. The amount raised for the Foundation came to €100,000.

In favour of medical research or care programmes

ORPEA supports a number of associations acknowledged in the field of geriatrics such as France Alzheimer in France.

ORPEA also contributes to the development of associations involved in medical research: in Austria, it supports a programme to combat neurodegenerative diseases and dementia led by the Karl Landsteiner Society; in Spain, it supports the national association against Parkinson's disease; and in Belgium, it works with the Ligue Braille to combat partial sight.

In France, ORPEA is a committed player in the Telethon. Involvement was once again strong last year: walks, sales of objects, theme dinners, exhibitions, shows and raffles were held in facilities to raise money. Close to €25,000 was collected for the AFM Telethon and research.

4.3.2 A commitment to promoting healthcare education

AWARENESS, INFORMATION AND PREVENTION

All of the Group's facilities regularly hold open days to give the public information, raise awareness, advise on prevention and help as many people as possible to 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 often an opportunity to form or strengthen partnerships with local associations (especially on World Alzheimer's Day in which most Group facilities take part), establish constructive exchanges with local authorities, and 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, in 2015 ORPEA cemented a partnership with the French Association of Carers which campaigns for recognition of the role and place of carers in society. It guides and supports carers on a local level, for example by heading up the national carers' cafés network, running health workshops, and providing training on matters relating to support.

In this context, ORPEA and the French Association of Carers conduct joint regional initiatives with the support of the carers' cafés network, and some ORPEA facilities have undertaken to start and run a carers' café according to the instructions and using the tools provided by the French Association of Carers.

ORPEA also provides financial support to the association.

Another example of the Group's commitment to those caring for their relatives is the initiative of the Bois-Bougy clinic in Switzerland which, along with two other care facilities, has joined the programme to assist carers in the canton of Vaud to set up a "Charter of relatives caring at home for a person of any age with a disability or an illness or at the end of their life". The aim of this initiative is to define the status, role and integration of carers in the hospital care of patients. It received the "Clinical Ethics" prize at the first ORPEA Excellence Awards for Clinical Ethics, Research and Caring Innovation held on 1 December 2015.

A similar initiative is being set up in Italy with a training and family carer support programme at Richelmy (in Turin).

In addition, many 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/or to extend the gains of hospitalisation after returning home (for example on preventing falls). These awareness-raising and prevention programmes contribute to improving the health and quality of life of patients and relatives.

Some facilities have even had their prevention programmes accredited by the Regional Health Agency as therapeutic patient education programmes; these include La Rochelle, where *Clinique Cardiocéan* teaches heart failure patients how to live with their condition, Pau, where classes are given on fall prevention, 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.

In Germany, CELENUS KLINIKEN regularly organises conferences on health-related topics at its facilities. These events are open not only to patients and their loved ones but also to the public. CELENUS KLINIKEN is also committed to promoting healthcare education for its employees. Apart from courses on posture and handling & lifting, employees are encouraged to take up a sport and can use the clinics' equipment free of charge.

Austria also actively promotes health through physical activity. SENECURA installs fitness centres adapted to the elderly in its facilities. Under its *Fit & Beweglich 77+* (Fit & Flexible 77+) programme, not only nursing home residents but also all locals over 70 years of age have free access to its fitness centres and specially trained instructors.

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.

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).

4.3.3 A commitment to enrich and transmit knowledge

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; in 2015 the main ones were:

- 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. The following were of particular significance:
  - in Austria, a programme to improve the safety of medication taken by the elderly by strengthening cooperation between professionals led jointly by Paracelsus Medical University in Salzburg and SENECURA facilities,
  - in France, a research programme on the benefits of light therapy;
- Contribution and funding for doctorates:
  - in Italy, a doctoral thesis on the "Effects of a cognitive training programme on elderly persons suffering from dementia institutionalised in northern Italy" defended by Valentina Accattino (the doctoral school of the human and social sciences at the University of Turin),
  - in France, a doctoral thesis on the "Interests, limits and workings of an internal psychological unit – description of group psychological activity and the modes of attitude at work in this unit" led by Prof. Philippe Robert of Paris Descartes University;
- Developing the APSPI (Association for the Promotion of Psychiatric Care in Facilities) created in 2014 to promote a better understanding and improved psychiatric treatment mechanisms in care facilities. The association conducts theoretical and clinical research and may be led to write and publish journals, cooperate in publications, and provide training. In 2015 it organised its first scientific symposium open to the public on therapeutic mediation in institutional practice. Over 400 professionals from all backgrounds (public, private, non-profit, from France and abroad) attended.

Moreover, with a view to ensuring the transmission of knowledge, ORPEA either takes part in or initiates vocational training programmes. Examples include:

* the creation of a joint diploma from ORPEA and Peking Union Medical College Hospital (PUMCH) for training in geriatric care, the "PUMCH-ORPEA Joint Training Program In Elderly Care";
* the establishment of the first class for the University Diploma in "Management of Post-Acute and Psychiatric Care and Medico-Social Facilities" created with the University of Nice in 2014;
* 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 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 2010, the Group set up a Research & Publications unit to support all of these projects and respond to ongoing demand from its 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/CLINEA 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.

In 2015 these efforts were reinforced by the creation of the Group's Scientific and Ethics Council. It is made up of eminent experts in geriatrics in Europe: Prof. Alain Franco (Council Chairman), Prof. Jean-Pierre Baeyens (Europe President of the International Association of Gerontology and Geriatrics and treasurer of the Belgian Association for Gerontology and Geriatrics since 1982), Prof. Thomas Frühwald (member of the Austrian Bioethics Commission), and Prof. José Manuel Ribera Casado (Spanish Royal Academy of Medicine).

The purpose of the Scientific and Ethics Council includes analysing and evaluating clinical research and caring innovation opportunities to be developed within the Group, and ensuring the consistency of initiatives in education and training.

As such, in 2015 the Scientific and Ethics Council arranged the first ORPEA Ethics Excellence Awards to reward the most deserving clinical ethics approach, scientific research project, and caring innovation project put forward by teams within the Group.

Out of 12 proposals from five countries, the following three projects won a prize:

* in the "Clinical Ethics" category, the SSR Bois-Bougy Clinic (Switzerland) along with two other Swiss healthcare facilities won for the "Charter of relatives caring at home for a person of any age with a disability or an illness or at the end of their life";
* in the "Research" category, the Lyon-Champvert Psychiatric Clinic won for the programme "Discovery of a biobehavioural marker in states of chronic stress";
* in the "Caring Innovation" category, the SENECURA residences won for the "Pain-free residence" programme developed in Austria.

SHARING OF BEST PRACTICES

ORPEA has always sought to facilitate the sharing of best practices so as to benefit its network of facilities, original or innovative approaches to care, and initiatives successfully implemented at a facility that promote the well-being of residents and patients or improve the quality of institutional life.

In this spirit, the subsidiary in each country where the Group is active publishes an internal magazine for its teams to convey and share these initiatives. In France, Ensemble (Together) is published every quarter; in Switzerland, SENEVITA Post; in Belgium, ORPEA Magazine; and in Austria, SENECURA Inform.

The Quality Process and Group structures are involved in this initiative. The regional quality advisers also convey the best practices and interesting initiatives to be considered.

In the same spirit, internal competitions, whether the Quality Award (given in France, Belgium and Spain) or the Cooking Contest, also contribute to this virtuous exchange by creating healthy competition and stimulating creativity.

Moreover, several years ago ORPEA established scientific panels to review best professional practices.

These panels enable professionals in different fields to meet, exchange ideas, compare practices, inspire one another and occasionally pool their resources. The ultimate aim of these panels is to improve the care given to residents and patients at facilities within the Group:

* the panel of psychologists: for 12 years its practitioners in the fields of psychiatry, post-acute and rehabilitation care, and long-term care have met several times a year and number over 180. For a number of years, the panel has worked on developing original care tools ("Sensimage", self-play, treatment journals for adolescents and patients suffering from addiction, etc.), 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 11th issue of the journal "Clinics, practitioners' words in institutions" was published in March 2016 on the theme of "Mediation and Symbolisation". The panel of psychologists also put together an emergency unit composed of 20 practitioners trained to intervene immediately to assist institutions in the event of trauma such as suicide or assault;
* the panel of private clinic heads 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 (CLINEA 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 facilities on a regular basis in order to audit documentation, propose training for care workers, lead supervision meetings and conduct role plays;

- the 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;
- the panel of long-term care physiotherapists: the panel arranges meetings of psychomotor and occupational therapists to pool best practices, enhance physiotherapy programmes, and discover new therapeutic approaches.

These panels promote a sense of belonging and foster loyalty to the Group.

4.3.4 A responsible purchasing policy

ORPEA has a Group Purchasing Department and country-specific purchasing departments; as part of its purchasing policy, ORPEA is particularly concerned with social and environmental matters in its supplier relations.

In its national and international listing, the Group favours companies with an environment charter or which are developing environmentally friendly procedures or solutions.

The ORPEA Group 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 the Group selects its partners.

Because the ORPEA Group wants to involve its partners and suppliers in its environmental strategy, in 2016 it will further strengthen its environmentally responsible purchasing policy through an ORPEA Environmental Responsibility Charter which will form part of environmental criteria in its calls for tender and thus ensure that the Group's purchasing lists are composed of environmentally responsible products.

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.

Paper and printing

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.

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 (for example limiting the number of balconies, using specific balcony treatments where they exist, and using exterior thermal insulation);
- 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 (for example water law, solar water heating systems if the yield is favourable).

Also, for sites in densely populated urban areas, ORPEA implements neighbourhood respect charters.

4.3.5 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 the Group feels 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.

As part of its desire to help foster a pragmatic culture of clinical ethics, ORPEA strengthened its thinking on the ethical dimension of care practices with the creation of its Scientific and Ethics Council which provides expert advice on clinical ethics issues submitted to it by the Group's facilities and brings its perspective, experience and expertise in the quality and safety of care – not to mention quality of life – to bear for residents, patients and employees.

In order to support the development of ethical practices in all of the Group's facilities, the Council relies on a network of regional ethics advisers and good treatment advisers who have been present in every facility since 2011.

Lastly, 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 were conducted at the German and Swiss facilities and all the independent facilities that joined the ORPEA Group during the year; in 2016, they will be carried out in Austria and Poland.

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 lists and verifications) 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 as a means of giving residents and patients personalised care, customised treatments and solutions adapted to their specific needs.

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, to the handling of those complaints, and to their follow-up;
- 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.

4.4 SUMMARY OF THE METHODOLOGY USED FOR REPORTING DATA

Scope of consolidation

Unless otherwise stated (see chapter below):

* employee data are consolidated for all fully consolidated entities regardless of their activity;
* the environmental scope covers 95% of open beds. The environmental impact of head offices is not included in the scope of consolidation;
* social data are consolidated for all of the Group's entities.

Reporting guidelines

In order to ensure the uniformity and reliability of the indicators used in all of its entities, the Group applied a common set of social, environmental and societal reporting guidelines.

These documents specify the methodologies to be followed when carrying out the reporting of the various indicators across the Group (definition, method of calculation and unit of calculation).

In order to ensure that the social and environmental indicators used in various countries are properly understood, the Corporate Human Resources and Maintenance/Safety departments are in charge of sending all required information to their country correspondents.

Methodological details and limitations

The methods relating to certain social and/or environmental indicators may have limitations due in large part to the absence of internationally accepted definitions of different types of employment contracts or the practical means by which information is collected and entered.

This is why, for certain indicators, the methodologies used or, failing that, the related margins of uncertainty are detailed whenever possible.

Social indicators

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 before being reported to the country head offices and then to the ORPEA Group 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 2015;
* for all countries, permanent employees are those whose employment contracts have an indefinite term (neither defined nor undefined);
* 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.

In Germany, due to the lack of a common payroll system across all facilities, only data relating to employees could be consolidated.

HIRING AND DEPARTURES

Switzerland:

* new permanent contracts are not recorded as the French definition does not exist there and thus cannot be reported;
* reasons for terminations of permanent contracts are not recorded but are listed only as "in" or "out".

In Austria, the percentages of new/terminated permanent and fixed-term contracts are not consolidated due to the lack of a distinction between the two types of contracts.

TRAINING

The calculation of hours of training excludes short training courses except in Belgium.

ABSENTEESIM

In Belgium, the payroll administration agency provides two types of data only: paid sick leave or unpaid leave/extended absence due to workplace accidents (absence of more than 30 days); the former is used.

In Spain, absences are recorded in days only which cannot be converted into hours (an absence of any number of hours in a day equals a day's absence).

In Italy, absenteeism amounts to the sum of hours of absence for sick leave and workplace accidents.

In Switzerland, data for the entire country could not be consolidated because nursing homes and clinics declare them in different units; only the data for nursing homes were reported.

WORKPLACE ACCIDENTS

Workplace accident data could be calculated for France only.

The Group undertakes to expand its reporting scope of workplace accident data in 2016.

Environmental indicators

Environmental indicators are either calculated on an annual basis (for example CO_2 emissions) or reported monthly (for example water consumption). As with social indicators, data entries are made in each facility before being reported to the country head offices and then consolidated by the ORPEA Group Head Office.

CO_2 EMISSIONS FROM ENERGY CONSUMPTION IN 2015

Annual energy consumption was calculated in kWh in all countries. The ratios used in calculations come from the ADEME.

For electricity consumption the following ratios were applied:

- Switzerland: 0.03 kg of CO_2 per kWh;
- France: 0.09 kg of CO_2 per kWh;
- Belgium: 0.29 kg of CO_2 per kWh;
- Spain: 0.48 kg of CO_2 per kWh;
- Italy: 0.59 kg of CO_2 per kWh;
- Germany: 0.60 kg of CO_2 per kWh;
- Austria: 0.20 kg of CO_2 per kWh.

For fuel oil a ratio of 0.263 kg of CO_2 per kWh was applied to all countries.

For propane gas (only in France) a ratio of 0.223 kg of CO_2 per kWh was applied.

For natural gas a ratio of 0.202 kg of CO_2 per kWh was applied to all countries.

GAS, ELECTRICITY, FUEL OIL, DISTRICT HEATING AND WATER USE AND MANAGEMENT

The following sites were excluded from the reporting scope due a lack of data on the use of water and/or electricity:

- France: Peronne, Rueil, Paris Chaillot, Tournan en Brie, Crosne Résidence, Livry Gargan, Brasles les Fables, Ustaritz, Salies de Bearn, Bagneux Villa Garlande, Taussat;
- Germany: Norden – Medicenter, Emden – Am Deich, Südbrookmerland, Haste;
- Austria: Villlach-Warmbad, Krems – Ringstraße, Graz – Ais, Graz-Lend, Graz-Lend Betreutes, Schwaz, Hard, Dornbirn, Traiskirchen, Kitsee-Pflegeheim;
- Belgium: Bruxelles Churchill, Loverval, Bruxelles Souverain, Waterloo Bonaparte, Bruxelles Paul Delva, Deurne T Bisschoppen, Deurne Home de Famil, Knokke-Heist, Louvain, Ostende.

CLINICAL WASTE MANAGEMENT

In 2015, only data relating to France could be consolidated.

The Group undertakes to gradually expand its reporting scope of clinical waste management in the future, starting with Belgium in 2016.

CONSOLIDATION AND INTERNAL CONTROL

All data sent by the various countries are consolidated by the Corporate Human Resources and Maintenance/Safety departments.

Consistency checks are also carried out during consolidation and all figures are then checked by the Group Management Control department.

These controls include comparing data from the previous reporting period and differences deemed significant are analysed in detail.

EXTERNAL CONTROL

In accordance with the Grenelle II Decree of 24 April 2012 and the Decree of 13 May 2013 on verifying CSR data, ORPEA has designated one of its Statutory Auditors as an independent third party tasked with checking the presentation and fairness of the CSR information.

The certification of presentation and fairness by the independent third party found in Section 5 details the work, comments and conclusions of said party.

4.5 REPORT OF ONE OF THE STATUTORY AUDITORS DESIGNATED AS AN INDEPENDENT THIRD PARTY 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.

Financial year ended 31 December 2015

To the Shareholders,

In our capacity as Statutory Auditors of ORPEA designated as an independent body, accredited by COFRAC under the number 3-1048[1], we hereby report on the consolidated social, environmental and societal information for the year ended 31 December 2015, 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 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.

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 Framework (Reasoned opinion on the fairness of the CSR Information).

Our work was performed by six people and took place between February and May 2016 for a period of about five 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 assignment and, as regards the reasoned opinion on the fairness of the CSR Information, international standard ISAE 3000[2].

(1) *The scope of which is available on the website at www.cofrac.fr.*
(2) *ISAE 3000 Assurance engagements other than audits or reviews of historical information.*

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 summary of the methodology used presented in section 4.4 of the management report.

CONCLUSION

Based on our work, and taking into account the restrictions mentioned above, in particular with regard to the frequency and severity rates of workplace accidents and the quantities of infectious clinical waste, we attest to the inclusion of the required CSR 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[(3)]:

* 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 selected by us[(4)] 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 identify potential omissions 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 69% of the workforce, and between 17% and 27% of the environmental data presented.

(3) **Quantitative information:** *permanent employees at 31/12; breakdown of employees by age group; % average permanent contract; % average temporary contract; % average full-time; % average part-time; % average male; % average female; Recruitment on permanent contracts; Dismissals of permanent contracts; average gross monthly salary; % average full-time; % average part-time; number of hours of absence per country; frequency rate of workplace accidents in France; severity rate of workplace accidents in France; Number of hours of training; quantities of infectious clinical waste in France; water consumption; electricity consumption; natural gas consumption; Scope 1 CO_2 emissions; Scope 2 CO_2 emissions.*
Qualitative information: *Health and safety of residents and patients.*

(4) *France (for social information), Belgium, Switzerland, Spain.*

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.

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.

Neuilly-sur-Seine, 6 May 2016
One of the Statutory Auditors,
Deloitte & Associés

Joël ASSAYAH
Partner

Julien RIVALS
Partner

5

2015 MANAGEMENT REPORT

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5.1 OVERVIEW OF 2015

ORPEA continued its expansion outside France in 2015, notably through the acquisition of three groups: SENECURA in Austria CELENUS KLINIKEN and Residenz Gruppe Bremen in Germany. The Group also continued its selective expansion through targeted acquisitions and authorizations in its European host countries, notably Spain, Germany, and Belgium. 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 2015, the Group also experienced a year of strong and profitable growth in line with its past achievements.

5.1.1 Three strategic acquisitions internationally

In line with its international expansion strategy, ORPEA made three significant acquisitions in 2015. Together, they represent a total of 9,844 beds, and approximately €350 million in additional revenues on a full-year basis at maturity. The Group also announced the acquisition of VITALIS in Germany, with 2,487 beds, which will only be consolidated from 2016.

ACQUISITION OF SENECURA IN AUSTRIA

In March 2015, ORPEA acquired SENECURA, Austria's leading private care provider in the field of dependency.

Established in 1998, SENECURA is a family-owned group that has experienced strong growth over the past 10 years. It offers a comprehensive range of services and care for the elderly.

As of end-2014, SENECURA boasted a unique network of 55 facilities, representing 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 revenues of €125 million. Consolidated as of 1 April 2015, SENECURA contributed €110 million to the Group's revenues in 2015. Benefitting from a growth pipeline of 780 beds, the Group has already secured revenues 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: SENECURA 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.

The acquisition was paid for entirely in cash, in compliance with ORPEA's financial criteria. The acquired company has been consolidated by ORPEA as of 1 April 2015.

SENECURA also gives ORPEA a leading platform to expand in in Austria, where there is great demand for care.

ACQUISITION OF CELENUS KLINIKEN IN GERMANY

In May 2015, ORPEA rounded out its offer in Germany through the acquisition of CELENUS KLINIKEN, the third-largest private operator in Germany, specializing in post-acute and rehabilitation care and psychiatry (somatic and psychosomatic disorders), from AUCTUS, a private equity fund.

With the SILVER CARE network, acquired in 2014, CELENUS KLINIKEN perfectly founds out ORPEA's offer in the same sector in Germany, as in all countries: the treatment of dependency in its all its forms, physical and psychiatric, medium and long term.

Founded in 2010, CELENUS KLINIKEN has a network of 15 facilities (plus an outpatient clinic), representing 2,602 open beds.

CELENUS KLINIKEN's network and care offer dovetail perfectly with ORPEA's criteria:

- an offer recognised for its expertise and quality: three facilities rank in the Top 10 of German post-acute and rehabilitation care facilities according to the German pension insurance scheme;
- location in areas with high purchasing power: 80% of facilities are located in Saxony or Baden-Württemberg;
- a very high private room ratio of 90%;
- large facilities, with more than 160 beds on average;
- expert and acknowledged management in the healthcare sector in Germany, both in terms of mergers and acquisitions, and for the operational management of healthcare facilities.

The acquisition was paid for entirely in cash, in compliance with ORPEA's financial criteria. The acquisition was consolidated in ORPEA's financial statements as of 1 July 2015, and contributed €52 million to the Group's revenues in 2015.

ACQUISITION OF RESIDENZ GRUPPE BREMEN IN GERMANY

In July 2015, ORPEA strengthened its German network by acquiring Residenz Gruppe Bremen (RGB), a family-owned retirement home operator. This network, which is a perfect fit with that of SILVER CARE in terms of geographical footprint, consists of 3,006 beds in 38 facilities.

Residenz Gruppe Bremen represents an attractive opportunity to strengthen ORPEA's operations in northwest Germany, in line with its strategic acquisition criteria.

The company generated revenues of €67 million in 2014. It was consolidated in ORPEA's financial statements as of 1 October 2015, and contributed €20 million to the Group's revenues in 2015.

5.1.2 Continued selective expansion in long-standing markets

In addition to these strategic and bolt-on acquisitions, ORPEA continued its long-standing development strategy in 2015:

* organic growth, with the opening of roughly 20 facilities representing approximately 1,900 beds in Europe, either new builds or redevelopments;
* receipt of permits or expansion in the Group's various host countries, particularly in Germany;
* selective external growth, with the acquisition of several independent facilities in Germany, Belgium, Spain and Austria.

5.1.2.1 ROBUST ORGANIC GROWTH: NEW FACILITIES AND REDEVELOPMENTS

21 new facilities opened

In 2015, ORPEA opened 21 new facilities and extended existing facilities, adding a total of roughly 1,900 beds, comprising facilities created from scratch and major redevelopments.

In France, ORPEA opened nine facilities during the year, with average capacity of 84 beds, private rooms, highly attractive residential services and good locations in Île-de-France (including the 16th arrondissement of Paris and Joinville Le Pont), Andernos and Saint Raphael.

In Belgium, the Group opened five facilities resulting from new builds or redevelopments in areas with high purchasing power, such as Brussels and Flanders (Ostend, Schoten, De Haan).

In Germany, SILVER CARE opened three facilities in Oetigheim, Schweindorf and Moordorf, as well as extensions of existing facilities, which were under construction at the time of the acquisition.

In Austria, SENECURA opened two new facilities in 2015.

New licences acquired during the year

ORPEA also continued its organic growth strategy by initiating the creation of new facilities.

In Germany, for instance, ORPEA launched the construction of 1,607 beds, representing 14 facilities and extensions. These projects, which will open in the coming years, are expected to create significant value: strategic locations in urban areas, 100% of private rooms, modern facilities and high quality standard, a real estate format designed by ORPEA's German teams.

5.1.2.2 FURTHER SELECTIVE EXTERNAL GROWTH

In all countries, ORPEA pursued its policy of targeted acquisitions of facilities in operation. These activities concerned the entire dependency care sector and provide strong growth and profitability leverage opportunities for the coming years.

France

The Group continued its selective acquisition policy, focusing on projects with high value creation.

ACQUISITION OF GOODWILL

CHÂTEAUNEUF-VILLEVIEILLE (06): 41-bed long-term care facility

ACQUISITIONS OF EQUITY INTERESTS AND CONTROLLING INTERESTS

VIA SUBSIDIARY CLINEA SAS (WHOLLY-OWNED BY ORPEA)		
SAS CLINIQUE DU PONT DU GARD	100% of share capital	Psychiatric clinic in REMOULINS (30)
SAS CLINIQUE DU CHATEAU DE PREVILLE	100% of share capital	Psychiatric clinic in ORTHEZ (64)
SA MAISON DE CONVALESCENCE DU DOMAINE DE LONGUEVE	99.46% of share capital	Post-acute and rehabilitation care clinic in FLEURY-LES-AUBRAIS (45)
SAS MAISON DE REGIME SAINT JEAN	100% of share capital	Post-acute and rehabilitation care clinics in CARQUEIRANNE (13) and MARSEILLE (13)
SAS PR 12	100% of share capital (acquisition of residual securities)	Psychiatric clinic in CÂTEAU CAMBRÉSIS (59)

VIA SUBSIDIARY DOMIDOM (WHOLLY-OWNED BY ORPEA)

SAS ADHAP PERFORMANCES	100% of share capital	HOLDING COMPANY, CENTRES AND FRANCHISOR
SARL APAD 26	100% of share capital	Centre in VALENCE (26)
SARL APAD 42	100% of share capital	Centre in SAINT-ÉTIENNE (42)
SARL APAD 59	100% of share capital	Centre in DUNKIRK (59) and VALENCIENNES
SARL APAD 63	100% of share capital	Centre in CLERMONT-FERRAND (63)
AIDADOMICILE 59	100% of share capital	Centre in DUNKIRK (59)
AIDADOMICILE 37	100% of share capital	Centre in TOURS (37)
SARL GAPAD – GRENOBLE ASSISTANCE PERSONNALISÉE À DOMICILE	100% of share capital	Centre in GRENOBLE (38)
SARL ÉTAPE ENTREPRISE DE TRAVAUX D'AIDE AUX PERSONNES	100% of share capital	Centre in PARIS (75)
SARL SÉNIORS COMTOIS SERVICE	100% of share capital	Centre in BESANCON (25)
SARL DOMIDOM FRANCHISES	100% of share capital	Centre in PARIS (75)
SARL LP SOLUTIONS	100% of share capital	Centre in CLERMONT-FERRAND (63)
SARL PARTEN'AIDE	26% of share capital	Centre in BÉGLES (33)

International

The Group also acquired several independent facilities outside France, notably in Germany, Austria, Spain and Belgium.

5.1.2.3 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. Nanjing 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.

ORPEA was responsible for all of the building's finishing work. Work continued in 2015, as did hiring and training of personnel, in conjunction with the establishment of a marketing plan for the facility and partnerships with various local hospitals.

The upscale medical facility, consisting of 140 beds, opened in 2016.

5.1.3 A European network of 67,781 beds as of end-2015

At end-2015, the network consisted of 67,781 beds across 683 facilities in eight countries. These figures do not include the acquisition of VITALIS in Germany (2,487 beds in 25 facilities) or the acquisition of MEDI-SYSTEM in Poland (704 beds in 7 facilities), which were consolidated in January 2016.

As of December 2015, the international network accounted for 52% of the total, with 35,093 beds, doubling since early 2014.

The growth pipeline consists of 8,746 beds in redevelopment and under construction, of which two-thirds outside France, with many facilities in locations with high potential such as Berlin, Zurich and Prague.

	Total number of sites	Total number of beds	Beds in operation	Of which beds under redevelopment	Beds under construction
France	352	32,688	30,835	1,140	1,853
Belgium	61	7,387	5,860	322	1,527
Spain	25	4,034	4,034	-	-
Italy	16	1,728	1,196	60	532
Switzerland	27	2,705	2,243	-	462
Germany	141	14,323	11,804	82	2,519
Austria	58	4,591	4,462	-	129
Czech Republic	3	325	205	-	120
TOTAL	**683**	**67,781**	**60,639**	**1,604**	**7,142**

5.1.4 Further optimisation of the financial structure

The policy of diversifying financing sources and optimising the financial structure, introduced in 2012, was continued in 2015 with further disintermediated issues, bonds through private placement and a Schuldschein issue, in a total amount of approximately €450 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.

5.1.5 Expansion of the property portfolio

As announced, ORPEA expanded its property portfolio in 2015. Its long-standing real estate strategy entails maintaining ownership of a significant share (about half) of its property portfolio. However, the groups acquired in 2014 and 2015 overwhelmingly occupy premises under long-term leases, which effectively lowered the consolidated property ownership rate.

In 2015, ORPEA expanded its property portfolio by a net amount of €663 million, an increase of 24%, notably through asset purchases in Germany, Austria and Spain on advantageous terms, and via the construction of new facilities.

The Group made fewer disposals than in 2014, namely a volume €210 million (resale value), compared with €285 million in 2014.

Numerous investors (individuals, insurers, particularly life insurers, family offices, etc.) showed keen interest in the Group's assets. Indeed, these players are seeking investments offering both security and visibility over the long term and are faced with investment constraints on equity and government bond markets. The interest in property assets operated by ORPEA is in line with this approach.

5.2 OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 DECEMBER 2015

5.2.1 Consolidated results

(in thousands of euros)	31/12/2015	31/12/2014
REVENUES	**2,391,604**	**1,948,580**
Cost of materials consumed and other external charges	(698,551)	(548,910)
Staff costs	(1,216,688)	(968,591)
Taxes other than on profit	(90,731)	(81,235)
Depreciation, amortisation and provisions	(96,893)	(78,886)
Other recurring operating income	22,784	7,363
Other recurring operating expense	(8,008)	(7,080)
Recurring operating profit	**303,517**	**271,242**
Other non-recurring operating income	177,042	285,406
Other non-recurring operating expense	(155,572)	(247,716)
OPERATING PROFIT	**322,988**	**308,931**
Financial income	15,264	15,705
Financial expenses	(112,081)	(114,877)
Net financial cost	**(96,817)**	**(99,172)**
Change in JVO*	(43,000)	(25,100)
PRE-TAX PROFIT	**183,171**	**184,659**
Income tax expense	(60,015)	(65,755)
Share in profit (loss) of associates and joint ventures	3,429	1,788
NET PROFIT	**126,586**	**120,692**
Attributable to minority interests	(48)	(85)
Attributable to owners of the Company	126,634	120,777
NET PROFIT (GROUP SHARE) excluding change in net JVO (€26.7 million)	**153,294**	**136,339**
Number of shares	60,273,691	55,567,893
Basic earnings per share *(in euros)*	2.12	2.18
Diluted earnings per share *(in euros)*	2.12	2.08

* *JVO: Fair Value of the entitlement to the allotment of shares in ORNANE bonds.*

THE ORPEA GROUP'S CONSOLIDATED REVENUES IN 2015

In 2015, ORPEA once again recorded accelerated growth in revenues of 22.7% to €2,391.6 million, exceeding the target of €2.310 million announced early in the year.

This performance demonstrates the great resilience of ORPEA's activity to the economic, financial and geopolitical environment, insofar as the management of dependent care responds to a structural need that cannot be deferred. Indeed, ORPEA's activity is relatively immune to macroeconomic factors such as commodity prices, currency fluctuations or economic growth. As a matter of fact, the business has a stronger correlation with demographic trends, and reliable, easily predictable statistics.

The growth in activity resulted from the successful execution of the Group's strategy combining:

* sound organic growth of 5.4%, representing more than €100 million. Mature facilities continue to post high occupancy rates, first because of the sector's structural needs, and second thanks to the location, attractiveness and reputation of ORPEA facilities. As every year, organic growth was also fuelled by the ramp-up of facilities opened in 2014 and the opening in 2015 of approximately 1,900 beds (new builds or redevelopments), 60% in international markets;
* significant external growth outside France, with the full-year contribution of acquisitions made in 2014 (SILVER CARE in Germany and SENEVITA in Switzerland) and the contribution of acquisitions made in 2015, namely SenCura in Austria over nine months, CELENUS KLINIKEN in Germany over six months, and Residenz Gruppe Bremen in Germany over three months.

Driven by these various acquisitions, international business grew by 77.2%, bringing revenues to €795 million, and the share of the Group's international business to 33% of consolidated revenues.

(in millions of euros) (IFRS)	2015	2014	Δ 2015/2014	2013
France	**1,596.6**	**1,499.8**	*+6.5%*	**1,342.3**
% of total revenues	*67%*	*77%*		*83%*
International	**795.0**	**448.8**	*77.2%*	**265.7**
% of total revenues	*33%*	*23%*		*17%*
including:				
Belgium	157.8	164.9		158.1
Spain	63.9	55.6		49.6
Italy	45.9	41.6		38.5
Switzerland	130.1	84.4		19.5
Germany	287.5	102.2		0.0
Austria	109.8	0.0		0.0
Total revenues	**2,391.6**	**1,948.6**	*22.7%*	**1,607.9**
*O/w organic growth**			*+5.4%*	

* *Organic growth in revenues reflects the following factors: 1. The year-on-year change in the revenues of existing facilities as a result of changes in their occupancy rates and daily rates, 2. The year-on-year change in the revenues of redeveloped facilities or those where capacity has been increased in the current or year-earlier period, 3. The revenues of facilities created in the current year or the previous year, and the change in revenues at recently acquired facilities by comparison with the previous equivalent period.*

In **France**, 2015 revenues grew by 6.5% to €1,596.6 million, thanks to the strength of mature facilities and the ramp-up of facilities opened or redeveloped over the prior two years.

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 2014 and the opening of nine facilities in 2015, both new builds or redevelopments, also contributed to the good performance. All of these new facilities boast a high-quality residential environment and strategic locations in thriving population centres (Paris, Loos, Andernos, Saint Raphael, etc.), as well as modern equipment. The Group also made a number of targeted acquisitions, representing six facilities, some which need to be redeveloped.

Lastly, ORPEA strengthened its home care offering by acquiring the network of ADHAP Services, a specialist in home-care solutions. This acquisition, which dovetails perfectly with the DOMIDOM network, will facilitate continuity of care for people with loss of autonomy, from hospital to home and nursing homes, as encouraged by public authorities and expected by families.

In **Belgium**, full-year revenues totalled €157.8 million, down 4.4% compared with 2014. This temporary decline resulted from a large number of redevelopment projects on existing facilities.

In 2015 and 2016, the Belgian network is undergoing a profound overhaul, with the end of many redevelopments and the opening of new facilities built to the highest quality standards in areas with high purchasing power, such as Brussels and Flanders.

While they will create significant value in the medium to long term, such operations impact the Group's short-term performance.

In 2015, ORPEA opened five facilities in Belgium, either from new builds or redevelopments, in Leuven, Ostend and Brussels.

In **Spain**, revenues were up 14.9% to €63.9 million. This performance resulted from:

- the good performance of established facilities, three-quarters of which are located in Madrid, which enjoy a stellar reputation in dependency care for the elderly;
- the ramp-up of the five facilities consolidated from 1 July 2014.

In **Italy**, ORPEA's revenues stood at €45.9 million, up by 10.4%. This increase resulted from the ramp-up of the 180-bed geriatric complex opened in Turin in 2014.

The performance backs up the long-term strategy implemented by ORPEA in Italy: grant of licences and construction or redevelopment of high-quality facilities in Northern Italy, with a high ratio of single rooms.

In **Switzerland**, revenues totalled €130.1 million, up 54.1% compared with 2014. This very steep increase in activity resulted chiefly from:

- the contribution of SENEVITA, an operator of retirement homes and personal care facilities, consolidated from 1 April 2014. SENEVITA's activity was particularly healthy, with the ramp-up of facilities opened in 2014;
- the continuation of strong activity of the Group's two legacy facilities in Nyon: the Bois Bougy post-acute and rehabilitation care clinic and the La Metairie psychiatry clinic.

In **Germany**, revenues totalled €287.5 million, up 181.3% compared with 2014. This made Germany the Group's second-biggest country in terms of business volume in 2015.

The increase resulted notably from the contribution of various acquisitions: SILVER CARE, consolidated from 1 July 2014, CELENUS KLINIKEN, consolidated from 1 July 2015, and Residenz Gruppe Bremen, consolidated from 1 October 2015. VITALIS will be consolidated from 1 January 2016.

In addition, the SILVER CARE retirement homes platform, acquired in 2014, performed well, with occupancy rates remaining high and two facilities opening in Oetigheim and Moordorf, in addition to extensions.

PROFITABILITY AND NET PROFIT

(in millions of euros) (IFRS)	2015	% of revenues	2014	% of revenues	▲%
Revenues	2,391.6	*100%*	1,948.6	*100%*	***22.7%***
EBITDAR (recurring EBITDA before rents)	652.5	*27.3%*	537.8	*27.6%*	***21.3%***
Recurring EBITDA	400.5	*16.7%*	350.1	*18.0%*	***14.4%***
Recurring operating profit	303.6	*12.7%*	271.2	*13.9%*	***11.9%***
Operating profit	323.0	*13.5%*	308.9	*15.9%*	***4.6%***
Net financial cost	(96.8)	*n.m.*	(99.2)	*n.m.*	***-2.4%***
Change in JVO*	(43.0)	*n.m.*	(25.1)	*n.m.*	***n.m.***
NET PROFIT (GROUP SHARE) EXCLUDING CHANGE IN JVO*	**153.3**	*6.4%*	**136.3**	*7.0%*	**12.5%**
NET PROFIT	**126.6**		**120.8**		**N.M.**

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

All performance indicators showed improvement, driven by acquisitions and the ramp-up of mature facilities.

Recurring EBITDAR (recurring EBITDA before rents, including provisions relating to "external costs" and "staff costs") rose by 21.3% to €652.5 million, representing 27.3% of revenues, compared with 27.6% in 2014. This limited decline resulted from acquisitions made in 2015 (SENECURA, CELENUS KLINIKEN and Residenz Gruppe).

The EBITDAR margin on activities in France was 28.3%, stable compared with 2014, demonstrating the resilience of the ORPEA model in a context of lower rates for post-acute and rehabilitation care clinics and psychiatric facilities. The EBITDAR margin on international activities was stable at 25.3% of revenues, resulting from the combination of increased profitability in Spain and Switzerland, and the consolidation of operations in Austria, which temporarily recorded below-average profitability.

Recurring EBITDA (recurring operating profit before depreciation, amortisation and provisions, including provisions relating to "external costs" and "staff costs") grew by +14.4% to €400.5 million.

Lease payments amounted to €252.0 million, compared with €187.7 million in 2014. Three-quarters of this 34.3% increase were attributable to acquisitions made in Switzerland, Germany and Austria, where properties are almost exclusively leased. At constant scope, the increase in rental expense was confined to 1.1%.

Recurring operating profit increased by 11.9% to €303.6 million, representing 12.7% of revenues.

Operating profit amounted to €323.0 million, up 4.6%. It includes non-recurring net income of €19.5 million, compared with €37.7 million in 2014, attributable chiefly to a lower level of property disposals in line with the Group's real estate strategy.

The **net finance cost** was €96.8 million, down 2.4% on 2014, 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 in the amount of €43 million. This control of finance costs in a context of sustained investment resulted notably from the optimisation of the Group's financial structure, with the introduction of new financing and new hedges at very attractive terms.

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 €226.2 million, up 7.8%.

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 €76.3 million compared with €75.3 million the previous year, an increase of 1.3%.

2015 **net profit (Group share)** (excluding the change in the fair value of the entitlement to the allocation of shares in ORNANE bonds) amounted to €153.3 million, compared with €136.3 million in 2014, an increase of 12.4%.

2015 net profit (Group share) including the change in the fair value of the entitlement to the allocation of shares in ORNANE bonds amounted to €126.6 million, compared with €120.8 million in 2015.

5.2.2 Consolidated balance sheet

Assets

(in thousands of euros)	31/12/2015	31/12/2014
Goodwill	841,532	677,270
Net intangible assets	1,751,217	1,543,579
Net property, plant & equipment	3,008,814	2,197,996
Properties under construction	436,301	584,532
Investments in associates and joint ventures	58,184	51,371
Non-current financial assets	36,934	46,227
Deferred tax assets	36,389	28,100
Non-current assets	**6,169,371**	**5,129,075**
Inventories	8,076	6,625
Trade receivables	127,409	104,558
Other assets, accruals and prepayments	347,542	224,024
Cash and cash equivalents	518,925	621,906
Current Assets	**1,001,952**	**957,112**
Assets held for sale	**200,000**	**200,000**
TOTAL ASSETS	**7,371,324**	**6,286,187**

The notes are an integral part of the consolidated financial statements.

Liabilities

(in thousands of euros)	31/12/2015	31/12/2014
Share capital	75,342	69,460
Consolidated reserves	1,356,321	1,081,919
Revaluation reserve	251,223	225,812
Net profit for the year	126,634	120,777
Equity attributable to owners of the Company	**1,809,520**	**1,497,968**
Minority interest	190	379
Total equity	**1,809,710**	**1,498,346**
Non-current financial liabilities	3,218,989	2,479,025
Change in the fair value of the entitlement to the allotment in ORNANE bonds	72,993	29,993
Provisions	86,243	50,645
Post-employment and other employee benefits obligation	51,215	46,136
Deferred tax liabilities	851,714	790,096
Non-current liabilities	**4,281,153**	**3,395,894**
Current financial liabilities	314,218	321,669
Provisions	23,241	19,177
Trade payables	254,137	234,217
Tax and payroll liabilities.	215,141	244,490
Current income tax liability		3,579
Other liabilities, accruals and prepayments	273,724	368,816
Current liabilities	**1,080,460**	**1,191,947**
Liabilities associated with assets held for sale	**200,000**	**200,000**
TOTAL LIABILITIES	**7,371,324**	**6,286,187**

OPERATING ASSETS

At 31 December 2015, on the asset side of the balance sheet, goodwill amounted to €842 million, compared with €677 million at 31 December 2014. This increase resulted primarily from the acquisition of Residenz Gruppe Bremen and CELENUS KLINIKEN in Germany. Operating procedures in that country do not result in the recognition of intangible assets in respect of operating licences. Intangible assets (mainly comprising operating licences) totalled €1.751 million[(1)] compared with €1.544 million at end-2014. The increase resulted chiefly from acquisitions in 2015, including SENECURA in Austria for €106 million.

Impairment testing of goodwill and intangible and property assets has not revealed any impairment losses.

PROPERTY PORTFOLIO

The total value of the portfolio is €3.445 million[(2)], of which €436 million in land and properties under construction or redevelopment.

In line with its strategic commitment, ORPEA strengthened its property portfolio in a net amount of €663 million in 2015, an increase of 23.8%, notably through the acquisition of assets in Germany, Austria and Spain.

All real estate assets in operation are carried at fair value.

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, European or American real estate investment trusts, etc.) seeking a secure, long-term investment.

In line with its commitment to increase the proportion of directly owned assets in its property portfolio, ORPEA began to reduce the amount of its disposals of real estate assets in 2015, selling assets in the amount of €210 million (resale value), compared with €285 million in 2014.

As a whole, property charges - including rent and depreciation of property assets wholly or partially owned - represented €346.0 million in 2015 (€94.0 million for depreciation and €252 million in rent), versus €256.2 million in 2014 (€68.5 million in depreciation and €187.7 million in rent).

FINANCIAL STRUCTURE AND DEBT

At 31 December 2015, shareholders' equity (Group share) stood at €1,809.5 million, versus €1,498.0 million at 31 December 2014. This increase in equity resulted notably from the contribution of 2015 net income, but above all from the conversion of the 2016 OCEANE bond in the amount of €179 million on 4 February 2015.

At end-2015 the Group had net cash of €518.9 million, compared with €621.9 million at end-2014, due notably to the proceeds of the financing transactions the second half of 2015, including the Schuldschein bonds.

Net current financial liabilities stood at €3,014.3 million[(3)], versus €2,178.8 million at 31 December 2014. The increase resulted from the strong pace of real estate and operating investments in 2015. At the end of 2015, net financial liabilities comprised:

* Gross current financial liabilities: €314.2 million[(3)];
* Gross non-current financial liabilities: €3,219.0 million;
* Cash and cash equivalents: €(518.9) million.

Net financial liabilities break down into:

* Net operating debt in the amount of €655 million[(1)], putting ORPEA's operating debt ratio at a low 2.8x EBITDA, bearing in mind that the Company's revenues have increased by 50% over the last two years;
* Net real estate debt in the amount of €2.360 million[(2)] on secured property assets in the amount of €3.445 million.

ORPEA thus benefits from considerable financial flexibility to pursue the development of its property portfolio and its operations alike.

Gross current financial liabilities stood at €314.2 million[(3)] at 31 December 2015. 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 2015 they were:

* restated financial leverage of property = 2.9 against 2.8 at end-2014 (authorised level 5.5);
* restated debt-to-equity ratio = 1.4 against 1.2 at end-2014 (authorised level 2.0).

In 2015, the Group continued the optimisation of its financial structure begun in 2015 by means of new hedging transactions and diversified financing sources. As a result:

* at 31 December 2015, 43% of net debt is non-banking;
* the average maturity of net debt was 5.0 years at the end of 2015;
* roughly 90% of the debt over the 2015-2018 period is at fixed rates or hedged, either naturally or through interest rate hedging instruments.

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.

(1) Minus the intangible assets held for sale for €73 million.
(2) Minus available-for-sale real estate assets worth €127 million.
(3) Excluding liabilities associated with assets held for sale, €200 million.

5.2.3 Cash flows

(in millions of euros)	2015	2014	2013
Cash flow	+301	+260	+226
Cash flow from operating activities	+314	+290	+247
Cash flow from investing activities	(1,014)	(587)	(235)
Cash flow from financing activities	+597	+450	+93
Change in cash and cash equivalents	(103)	+154	+106

Cash flow from operating activities increased by 8.3% in 2015.

Cash flow from investing activities rose sharply, partly due to the acquisition of operating assets (SENECURA, CELENUS KLINIKEN, Residenz Gruppe Bremen) and real estate investments: further construction work and acquisitions of property operated by the Group, notably in Germany and Austria, to secure long-term profitability. Over the year, the Group made €736 million in net real estate investments, compared with €119 million in 2014.

Cash flow from financing activities was positive at €597 million, in line with the different transactions completed during the year.

5.2.4 Dividend proposed at the Annual General Meeting

The Board of Directors has decided to propose a dividend of €0.90 per share (up 12.5% on the previous year) to shareholders at the Annual General Meeting on 23 June 2016 called to approve the 2015 financial statements. The overall distribution would stand at €55 million, equal to a distribution rate of the net profit (Group share) (excluding the change in the fair value of the entitlement to the allotment of shares in ORNANE bonds) of 35%.

5.2.5 Research and development

The Company did not incur any significant research and development expenses during the year.

5.3 REVIEW OF STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2015

5.3.1 Statutory income statement

(in euros)	31/12/2015	31/12/2014
REVENUES	**687,048,320**	**625,094,135**
Inventory change	(25,084,224)	(22,300,245)
Other operating income	28,712,323	25,366,417
Purchases and other external charges	251,155,413	227,619,877
Taxes other than on profit	36,773,221	31,954,538
Staff costs	323,580,191	297,091,500
Depreciation, amortisation and provisions	23,915,430	23,103,120
Other operating expenses	1,331,444	913,075
OPERATING PROFIT	**53,920,720**	**47,478,199**
Financial income	78,961,651	68,553,048
Financial expenses	106,412,146	101,313,144
NET FINANCE COST	**(27,450,495)**	**(32,760,096)**
PRE-TAX PROFIT ON ORDINARY ACTIVITIES	**26,470,225**	**14,718,103**
Exceptional items	(10,118,919)	(2,438,903)
Employee profit-sharing		
Income tax	5,112,712	4,767,843
NET PROFIT	**11,238,594**	**7,511,357**

REVENUES

2015 revenues came to €687.0 million, up 9.9% on 2014.

ORPEA's core business line of operating long-term care facilities generated revenues of €663.2 million, up 9.0% compared with €608.1 million in 2014. This growth reflects ORPEA's expansion policy, as described above, which combines organic growth and acquisitions.

Revenues from the sale of property assets came to €23.8 million compared with €17.0 million in 2014.

OPERATING PROFIT

Operating expenses rose in line with business activity:

* "Purchases and other external charges" increased by 10.3% to €251.2 million;
* staff costs remained under control, rising 8.9% to €323.6 million.

Taxes other than on profit were up 15.1% to €36.8 million.

Depreciation, amortisation and provisions increased by 3.5% to €23.9 million, versus €23.1 million in 2014.

Finally, operating profit rose 13.6% year-on-year to €53.9 million in 2015.

NET FINANCE COST

The net finance cost was €(27.5) million, compared with €(32.8) million in 2014, comprising mainly an expense net of interest relating to the Company's net debt in the amount of €(40.6) million, compared with €(43.8) million in 2014. The 16% improvement in financial income stemmed primarily from the dividend payment of €20 million from CLINEA SAS in 2015, compared with €13 million in 2014.

EXCEPTIONAL ITEMS

Exceptional items amounted to €(10.1) million, compared with €(2.4) million in 2014. This deterioration was attributable notably to an increase in provisions for sundry debtors.

NET PROFIT

After a tax expense of €(5.1) million, net profit was €11.2 million, compared with €7.5 million in 2014, an increase of 49.6%.

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 €75,439 in 2015.

5.3.2 Statutory balance sheet

Asset

(in euros)	31/12/2015 Gross	31/12/2015 Amort. and provisions	31/12/2015 Net	31/12/2014 Net
Non-current assets				
Intangible assets	285,176,619	1,825,744	283,350,875	273,317,595
Property, plant and equipment	306,532,057	125,415,427	181,116,630	171,921,279
Financial assets	1,119,390,261	15,371,627	1,104,018,634	885,429,355
TOTAL NON-CURRENT ASSETS	**1,711,098,937**	**142,612,798**	**1,568,486,140**	**1,330,668,229**
Current assets				
Inventories and work-in-progress	59,710,901	1,188,655	58,522,245	69,320,725
Advances and downpayments made	4,389,475		4,389,475	3,381,043
Clients and linked accounts	19,201,252	5,668,795	13,532,457	12,905,876
Other receivables	1,726,312,581	5,477,739	1,720,834,842	1,389,882,646
Short-term investments	11,232,763		11,232,763	128,353,127
Cash	265,272,241		265,272,241	342,753,072
Prepaid expenses	9,254,733		9,254,733	6,100,607
TOTAL CURRENT ASSETS	**2,095,373,946**	**12,335,190**	**2,083,038,756**	**1,952,697,097**
Deferred charges		-	-	-
TOTAL ASSETS	**3,806,472,883**	**154,947,987**	**3,651,524,896**	**3,283,365,326**

Liabilities

(in euros)	31/12/2015	31/12/2014
Equity		
Share capital	75,342,114	69,459,866
Share premiums and reserves	569,526,433	425,097,055
Retained earnings	901,676	3,220,202
Net profit for the year	11,238,594	7,511,357
Regulated provisions	6,391,832	4,815,761
TOTAL EQUITY	**663,400,650**	**510,104,241**
Provisions for liabilities and charges	34,907,689	27,966,432
Liabilities		
Borrowings and financial liabilities	2,278,936,390	2,146,181,615
Advances and downpayments received	5,143,947	4,471,298
Trade payables	45,385,852	59,289,919
Tax and payroll liabilities.	79,636,509	89,932,198
Other liabilities	518,146,888	406,816,502
Prepaid income	25,966,970	38,603,119
TOTAL LIABILITIES	**2,953,216,557**	**2,745,294,652**
Unrealised currency gains		
TOTAL LIABILITIES	**3,651,524,896**	**3,283,365,326**

ORPEA SA's net non-current assets totalled €1,568.5 million at 31 December 2015 compared with €1,330.7 million a year earlier. This increase stemmed chiefly from financial assets, due to the capital increase of the NIORT 94 real estate subsidiary in the amount of €231 million, carried out in 2015.

Net current assets totalled €2,083.0 million, versus €1,952.7 million at 31 December 2014, an increase of 6.7%.

Equity stood at €663.4 million at 31 December 2015, against €510.1 million at end-2014. This increase resulted primarily from the conversion of OCEANE bonds in February 2015 in the amount of €178.9 million.

Borrowings and financial liabilities - the Company's main debt item - came to €2,278.9 million at 31 December 2015, versus €2,146.2 million at 31 December 2014, in particular following the bond issuances.

Total assets amounted to €3,651.5 million at 31 December 2015 compared with €3,283.4 million at 31 December 2014.

5.3.3 Information on supplier payment terms

In accordance with articles L. 441-6441 and D. 441-4 of the French Commercial Code, we inform you that at the end of the last two financial years, amounts owed to suppliers broke down as follows by due date (the payment times for trade payables at the end of the year were determined by comparing the date of each invoice with the effective date of payment):

	31/12/2015	31/12/2014
Trade payables	**27,550,166**	**44,403,834**
Less than 30 days	3,498,538	8,622,566
30-60 days	7,253,668	15,305,371
60-90 days	15,272,278	16,464,694
More than 90 days	615,559	4,011,202

5.3.4 Subsidiaries and other equity interests

5.3.4.1 CLINEA: PERFORMANCE AND RESULTS

Revenues

Revenues for the operation of care facilities amounted to €521.9 million, up 9.5% compared with €476.5 million in 2014. This growth reflects the Group's expansion policy, as described above, combining organic growth and acquisitions.

Operating profit

Operating expenses remained under tight control, with growth slightly below that of revenues:

* "Purchases and other external charges" rose by 6.6% to €167.5 million, versus €157.1 million in 2014;
* staff costs were up 6.5% at €244.9 million.

Taxes other than on profit were up 12.2% to €41.5 million.

Operating profit came to €65.7 million, up by 24.5% over 2014.

Net finance cost

The net finance cost was €(14.6) million against €(8.7) million in 2014, comprising mainly an expense net of interest relating to the Company's net debt.

Exceptional items

Exceptional expenses amounted to €(0.7) million, compared with €(2.0) million in 2014, due to the impact of redevelopment and development costs.

Net profit

After a tax expense of €(16.4) million, an increase of 32.3%, net profit was €31.0 million, compared with €27.6 million in 2014.

Balance sheet

Net non-current assets for CLINEA SAS totalled €719 million at 31 December 2015 compared with €674 million at 31 December 2014, illustrating the Company's brisk rate of expansion.

Net current assets totalled €239 million versus €151 million at 31 December 2014.

Equity stood at €307 million at 31 December 2015, against €296 million at end-2014.

Borrowings and financial liabilities fell to €29 million at 31 December 2015, against €56 million at 31 December 2014.

Total assets amounted to €959 million at 31 December 2015 compared with €825 million at 31 December 2014.

5.3.4.2 PERFORMANCE AND RESULTS OF OTHER MAIN SUBSIDIARIES

Revenues from **Belgian subsidiaries** totalled €157.8 million, compared with €164.9 million in 2014, a decline of 4.4% attributable to ongoing redevelopments. Recurring EBITDAR (recurring EBITDA before rents including provisions relating to "external charges" and "staff costs") came to €31.2 million versus €35.5 million in 2014. The decline resulted from the numerous ongoing developments and openings of new facilities in Belgium.

Spanish subsidiaries generated revenues of €63.9 million in 2015, versus €55.6 million in 2014, an increase of 14.9% attributable chiefly to acquisitions made in 2014. Recurring EBITDAR (recurring EBITDA before rents, including provisions relating to "external costs" and "staff costs") totalled €15.2 million, compared with €13.2 million in 2014, an increase in line with revenues.

Italian subsidiaries generated revenues of €45.9 million in 2015, an increase of 10.3% (€41.6 million in 2014) attributable to the ramp-up of the facility of Turin. Recurring EBITDAR (recurring EBITDA before rents including provisions relating to "external charges" and "staff costs") came to €5.5 million versus €5.4 million in 2014. This stability reflects the ramp-up of newly opened facilities, which temporarily impact profitability.

Swiss subsidiaries, including the acquisition of SENEVITA on 1 April 2014, generated revenues of €130.1 million in 2014 versus €84.4 million in 2014. Recurring EBITDAR (recurring EBITDA before rents including provisions relating to “external charges” and “staff costs”) came to €49.1 million versus €31.3 million in 2014.

German subsidiaries, notably including the acquisition of CELENUS KLINIKEN, consolidated from 1 July 2015, and that of Residenz Gruppe Bremen, consolidated from 1 October 2015, and the full-year impact in 2015 of SILVER CARE, consolidated since 1 July 2014, generated revenues of €287.5 million, compared with €102.2 million in 2014. Recurring EBITDAR (recurring EBITDA before rents including provisions relating to “external charges” and “staff costs”) came to €76.6 million versus €28.0 million in 2014.

Austrian subsidiaries, which entered the scope of consolidation on 1 April 2015 following the acquisition of SENECURA, generated revenues of €109.8 million in 2015 and recurring EBITDAR (recurring EBITDA before rents including provisions relating to “external charges” and “staff costs”) of €23.6 million.

5.3.4.3 DETAILS OF MAIN EQUITY INTERESTS

See Annexe 1: Main equity interests.

5.4 OUTLOOK AND SUBSEQUENT EVENTS SINCE 1 JANUARY 2016

5.4.1 Outlook

Buoyed by a sector where needs in terms of dependency care are very significant, regardless of the economic, financial and geopolitical context, ORPEA has a unique model to deploy its profitable growth strategy in 2016, combining:

* organic growth transactions, through new licences and the construction of new facilities, particularly in Germany, Switzerland, Austria and Eastern Europe, consistently focused on areas with high purchasing power;
* targeted acquisitions in European countries where the Group operates, where the private sector is still very fragmented or poorly developed;
* reinforcement of the property portfolio, retaining ownership of new buildings in the best locations and acquiring buildings operated by ORPEA on the best possible terms.

In all its development efforts ORPEA continues to prioritise the quality and location of its projects and value creation.

To continue this profitable growth strategy in the short, medium and long term, ORPEA aims to build on the unique features of its model:

* positioning focused on the highest quality standards, in terms of both care and residential services;
* modern facilities located in areas with high purchasing power;
* a real estate policy based on owning 40% to 50% of property;
* loyal and stable management teams that unite employees around the Group's strategy;
* consistency of the development policy combining organic growth and selective acquisitions.

In 2016, with the consolidation of VITALIS in Germany and MEDISYSTEM in Poland from 1 January 2016, the Group aims to deliver revenues of €2.720 million (+13.7%) and further robust earnings growth.

5.4.2 Subsequent events since 1 January 2016

ACQUISITION OF MEDI-SYSTEM IN POLAND – PRESS RELEASE DATED 4 JANUARY 2016

ORPEA announced on 4 January 2016, the acquisition of MEDI-SYSTEM, Poland's No. 1 private dependency care operator, with 7 facilities (704 beds).

MEDI-SYSTEM, Polish market leader in long-term care

Founded in 2001 by Dr Marcin Zawadzki, MEDI-SYSTEM has developed a unique network of modern care facilities in Poland, with an offering covering a variety of areas of dependency care, including nursing homes and post-acute care and rehabilitation clinics.

MEDI-SYSTEM corresponds fully to ORPEA's acquisition criteria:

* facilities that are large (average of 100 beds) and modern (80% of buildings are less than 10 years old);
* urban locations, with 6 out of 7 facilities located in the Warsaw region;
* an excellent reputation for quality and innovation;
* a real estate policy based on ownership, corresponding to ORPEA's ambitions. Six out of seven buildings are fully owned.

In 2015, MEDI-SYSTEM generated revenues of around €10 million.

Prior to ORPEA's acquisition, MEDI-SYSTEM was 50% owned by its founder and 50% by a US private equity firm, Highlander Partners. ORPEA has acquired 90% of the company, with the founder keeping 10% of share capital. The acquisition is paid entirely in cash.

Dr Marcin Zawadzki, Chairman and founder of MEDI-SYSTEM, states: "We are very pleased with ORPEA's commitment, which forms part of an entrepreneurial and long-term approach. ORPEA offers MEDI-SYSTEM the opportunity to step up its rate of expansion, while also ensuring excellent standards of care for our patients and residents. ORPEA's financial capacity and expertise, with over 25 years' experience in the industry, mean that it is able to offer strong prospects for all of MEDI-SYSTEM's employees."

Poland: considerable needs in the dependency care sector

With a population of 38 million and a particularly fast-growing economy, Poland offers considerable prospects for expansion in the dependency care sector:

* ageing population: the number of people aged over 80 will double between now and 2040, reaching 2 million;
* offering severely lagging behind European standards in terms of quantity and quality, with 6 beds per 100 people aged 80 and over, compared with 15-20% in Europe;
* need to create beds among the greatest in Europe, with 120,000 beds to be created in 15 years, equal to doubling the current network, which itself is highly fragmented;
* constrictive and complex regulations constituting a significant barrier to entry;
* dynamic job market offering a highly qualified work force.

MEDI-SYSTEM: a unique development platform

Thanks to this new platform in a country offering rapid economic growth, ORPEA will be able to roll out its model in Poland to meet fast-growing demand: optimisation of the existing network, creation of new facilities meeting high quality standards and selective acquisitions.

Yves Le Masne, ORPEA Chief Executive Officer, commented:

"Our robust pace of international expansion continues at the start of 2016 with this acquisition of Poland's No. 1 nursing home operator. As with other countries, ORPEA has decided to acquire a high quality platform benefiting from a very competent and experienced management team and staff. Furthermore, unlike most of our recent acquisitions, MEDI-SYSTEM's real estate ownership strategy also offers a rare and particularly attractive opportunity for ORPEA.

To implement its expansion strategy, ORPEA will provide MEDI-SYSTEM with its financial capacity, know-how in the construction and redevelopment of care homes and its expertise in centralisation. Poland represents a very significant source of growth for the Group and is now ORPEA's tenth development platform."

Advisors

PwC acted as financial advisor to ORPEA and Gide Loyrette Nouel as legal advisor to ORPEA.

Q1 2016 REVENUES – PRESS RELEASE DATED 4 MAY 2016

ORPEA reported its revenues for the first quarter of 2016, ended 31 March, on 4 May 2016. They totalled €680.5 million, an increase of 26.5%, with organic growth of 4.7%.

(in millions of euros)	Q1 2016	Q1 2015	Change
France	**413.6**	**391.1**	**5.7%**
% of total revenues	*61%*	*73%*	
International	**266.9**	**146.9**	**81.7%**
% of total revenues	*39%*	*27%*	
Belgium	40.9	41.0	
Spain	17.1	15.6	
Italy	11.6	10.7	
Switzerland	34.0	27.5	
Germany	121.8	52.1	
Austria	38.7	0.0	
Czech Republic	0.2	0.0	
Poland	2.6	0.0	
TOTAL REVENUES	**680.5**	**538.0**	**26.5%**
*Organic growth**			*4.7%*

* *Organic growth in revenues reflects the following factors: 1. The year-on-year change in the revenues of existing facilities as a result of changes in their occupancy rates and daily rates, 2. The year-on-year change in the revenues of redeveloped facilities or those where capacity has been increased in the current or year-earlier period, 3. The revenues of facilities created in the current the year or the previous year, and the change in revenues at recently acquired facilities by comparison with the previous equivalent period.*

SENECURA in Austria has been consolidated since 1 April 2015, CELENUS KLINIKEN in Germany since 1 July 2015, Residenz Gruppe Bremen in Germany since 1 September 2015, and MEDISYSTEM in Poland and VITALIS in Germany since 1 January 2016.

Yves Le Masne, ORPEA Chief Executive Officer, commented: *"In the first quarter of 2016, the pace of our growth accelerated again, with revenues increasing by 26.5% to €680.5 million. This solid performance again highlights the sector's strong resilience to the economic, financial and geopolitical environment, as well as the intrinsic qualities of our business model, which enabled us to deliver a robust set of results.*

Our organic growth held up at a particularly brisk pace of 4.7%, without taking into account the additional day in 2016 as it is a leap year. Including this extra day, organic growth ran at 5.9%. This excellent performance was driven by:

- *the firm momentum of mature facilities in every country, with high occupancy rates thanks to ORPEA's strong commercial appeal;*
- *the continuing ramp-up in the facilities opened in 2015;*
- *opening more than 1,100 beds in the first quarter of 2016 at 11 high-quality facilities, in high-end locations such as Paris, Knokke Le Zoute, Antwerp, Prague and Basel.*

In line with previous quarters, international expansion provided the driving force for our growth. International revenues rose by 82%, including the contribution made by acquisitions in Germany (CELENUS KLINIKEN, Residenz Gruppe Bremen, VITALIS) and Poland (MEDI-SYSTEM). In just two years, our business outside France has grown fourfold and now contributes 40% of our revenues.

Our solid organic and acquisition-led growth momentum is set to continue over the next few quarters. As a result, we can comfortably reiterate our 2016 revenue target of €2.720 million (+13.7%), not including any additional developments."

5.5 RISK MANAGEMENT

5.5.1 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 here are those that ORPEA considers, as of the date of this report, to be most liable to have a significant adverse impact on the Group, its business, its results or its 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.

5.5.2 Risks related to the Group's business sector

5.5.2.1 MANAGEMENT OF REGULATORY RISK ASSOCIATED WITH OBTAINING AND MAINTAINING OPERATING LICENCES

Risk identification

The operation of a nursing home or health facility in France, as in the other countries where the Group operates, requires licences issued by the relevant authorities, specific to each country (Regional Health Agency and/or local authority in France, Local Health Administration [ASL] in Italy, Social Services of the autonomous communities in Spain, Common Community Commission [COCOM], Walloon Region or Flemish Community in Belgium, etc.). Such licences are obtained with greater or lesser ease depending on national and regional regulations.

In some countries, such as France, Belgium and Austria, obtaining such licences is hinged directly on the quota of beds planned by the relevant authorities.

Other countries, such as Germany, have not (yet) established such barriers to entry. However, the authorities subject the grant of a licence to compliance with architectural, safety, quality, staff and other standards.

Licences are awarded either indefinitely – in some regions of Belgium (Wallonia), Switzerland, Austria or Spain for instance – or for a fixed term of 5 to 15 years in France, with renewal subject to compliance with procedures and quality standards.

Maintaining or renewing such licences is in most cases subject to assessment procedures and verification by the national or regional regulatory authorities, depending on the country, of the services provided.

The renewal of an operating licence may be denied if there is a significant breach of standards. Licences can even be terminated by the supervisory authorities in cases of serious misconduct.

Thanks to its quality policy, ORPEA has never been confronted with such cases.

Risk management

Generally speaking, ORPEA has never faced a challenge to the licences granted to its facilities, thanks notably to its internal control procedures and rigorous monitoring by its various support departments and services (Medical Department, Operations Department, 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.

5.5.2.2 MANAGEMENT OF REGULATORY RISKS RELATED TO PRICING FOR GROUP FACILITIES

Risk identification

In most of the countries where ORPEA operates, the pricing of facilities has two main components:

* a portion primarily comprising care and support, paid by the government (healthcare insurance, regional authority, dependency insurance, etc.);
* a portion covering residential services and/or superior comfort (e.g. a private room), paid by the resident or patient.

The portion financed by the public authorities can vary from country to country, and even from one region to another within the same country, but represents less than 50% of total funding in the majority of cases.

Initial pricing of the portion financed by patients and residents is deregulated in most countries, but increases are often regulated, at least for existing residents. By contrast, pricing is deregulated for all new residents or patients in France and Switzerland.

There is a risk that public funding for this type of care may be reduced due to spending cuts. A general decrease in rates could have a negative impact on the Group, its results and financial position.

Risk management

The Group now operates in eight countries, meaning that it has diversified its exposure to several healthcare systems, expanding its operations for instance in countries such as Germany and Austria, where public funding is in surplus and secure over the long term.

In addition, the Group has always preferred countries where a significant portion of its revenues, and above all its profits, are derived from private funding. In the event of a fall in the share of public funding, the Group has a measure of flexibility on the amount obtained from private funding.

5.5.2.3 MANAGEMENT OF RISKS RELATED TO A CHANGE OF PUBLIC POLICY

Risk identification

Generally speaking, regardless of the country, governments are keen to foster home care for the dependent elderly, and as such to promote home care services. In recent years, all European countries have developed initiatives and increased funding for home care, giving retirement homes a greater focus on elderly people with a high level of dependency. This is the case for instance in Germany, with the second reform of the management of dependency care (known as PSG2) currently being established. The aim of this reform is to prompt retirement homes to focus more on the most dependent residents.

Risk management

ORPEA, regardless of the country, does not consider home care as a direct competitor, but as a complementary service, insofar as the Group supports people whose degree of dependency effectively precludes home care, and since a number of studies have shown that new beds will need to be opened for the elderly in all countries in the coming years.

Moreover, in recent years, the Group has developed a complementary offer of home care services in many countries, with its DOMIDOM and ADHAP Services networks in France. In Germany, the Group also adapts its offer so as to respond not only to the demand for retirement homes, but also for serviced residences and outpatient care.

Risk identification

Due to budgetary constraints, some countries could also cut public and social security benefits for residents and patients, increasing the share to be borne by the resident or patient, thereby reducing their purchasing power.

Risk management

ORPEA now operates in eight countries, meaning that it has diversified this risk, some countries, such as Switzerland, being very stable and having no reform agenda.

Moreover, the solvency risk of residents and patients is mitigated by three factors:

- statistics show that very old people are poised to see their income increase in the coming years across Europe. In France, for instance, people over the age of 85 will enjoy a 42% increase in their annual income from 2005 to 2020;
- the commercial private sector accounts for only 20% to 40% of the total number of beds for the elderly in all countries where ORPEA operates. Accordingly, there is much less of a solvency problem, in relation to the statistical spread of the assets of the very old;
- ORPEA has always aimed to locate its facilities in areas with high purchasing power.

5.5.2.4 MANAGEMENT OF LABOUR RISKS

Risk identification

The quality, availability and commitment of employees is one of the keys to the Group's success.

Failure by ORPEA to identify, attract, retain and train qualified employees in responsible behaviour could affect the development of its activities and its performance.

In particular, difficulties in hiring qualified care staff in some countries or staff turnover could 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.

Risk management

To address these risks, the Group has chosen to manage mobility and hiring more closely, by recruiting teams dedicated to monitoring these aspects.

In order to identify and anticipate the recruitment needs of each subsidiary, tailored action plans have been implemented:

- Precisely define hiring needs by subsidiary and profile, taking into account the development of projects and the age structure;
- Ensure visibility of our job offers using media adapted to our needs and new modes of communication (social networks, etc.);
- Develop mobility within countries but also between subsidiaries. The aim is to retain staff and skills within the Group, offering career development opportunities to those who so wish;
- 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 in our facilities;
- Take part in such events as job fairs, job dating, medical conferences, etc., focusing on profiles at the greatest risk of shortage, especially in regional areas, and develop local action with employment partners;
- Manage and supervise, as the Group has done for many years, an active training policy geared towards fostering skills development and employee retention through numerous programmes including language training in case of transfer, training at ESCP for the promotion of our talent, or specialised and rewarding degree courses for care teams;

- Implement meaningful projects for teams, so as to rally them and forge links to help develop a motivating and inclusive work environment for teams;
- Maintain labour-management dialogue more conducive to the stability of teams in facilities.

5.5.2.5 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.

In accordance with prevailing regulations in each country, specific equipment (air conditioned rooms, generator, etc.) has been installed in all facilities where required.

At the same time, facilities located in high-risk zones (e.g. flooding, forest fires, etc.) are identified, and specific procedures are established to address risks potentially resulting from their geographical location.

5.5.2.6 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

Faced with the potential risk of epidemics outside facilities, ORPEA has implemented all appropriate preventive measures:

- 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.

5.5.2.7 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

Key influencers are hospitals and healthcare facilities, families, referring physicians or social services for 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 why ORPEA is always striving to make its facilities more attractive: investment and redevelopment of buildings, locations in city centres and ongoing quality 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.

In 2015, 93.3% of people responding to the survey in six countries (France, Belgium, Spain, Italy, Switzerland and Germany) said that they would recommend an ORPEA or CLINEA facility.

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

In addition, due to the ageing population, the supply of beds in retirement homes remains well below requirements identified in all countries where the Group operates.

5.5.3 Risks specific to the ORPEA group or related to its strategy

5.5.3.1 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 who feel they have suffered an act of abuse will not take legal 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.

Risk management

With this in mind, the Group has drawn up for all of its 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 in compliance with personnel management regulations 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.

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.

Lastly, in 2015, the Group established an International Ethics Committee, whose work helps nurture the practices of different teams at ORPEA facilities in France and internationally.

Each of the Group's facilities can refer matters to the Ethics Committee or pose questions related to the care of a resident or patient, notably in respect of good treatment.

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 enshrined in the ORPEA quality charters for residents, patients and families, as well as in charters setting out important values in the eyes of teams.

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.

5.5.3.2 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 more than 600 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, ORPEA's facilities are subject to strict regulations in terms of safety, whatever the host country.

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.

Preventive maintenance operations are established by facilities to ensure maintenance of our buildings in optimal conditions of safety and quality.

Corrective maintenance operations (repairs, etc.) are systematically tracked so that a given problem, the corrective measure, the contact person and the execution date can be identified.

At the same time, ORPEA has hired specialised independent companies to verify the safety of installations and premises in accordance with prevailing regulations (fire, elevators, electricity, gas, water, etc.).

FIRE RISK

In respect of fire safety, the Group's facilities strictly apply the standards in force in each country, with quarterly, biannual or annual maintenance work (fire safety system, smoke control, fire doors, fire extinguisher, etc.).

A prevention policy has been implemented through training provided to all of the Group's employees (annually or biannually depending on the country). This policy is rolled out by either an accredited external company or an in-house ombudsman in compliance with legal requirements in each country.

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 facilities to verify staff reaction times in the event of a fire alarm.

Lastly, and at a frequency laid down by the regulations in each country, checks related to fire safety installations are carried out by dedicated bodies.

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.

It is characterised by severe acute lung infection causing death in 11% of cases.

Risk management

ORPEA facilities comply with local recommendations governing medical and long-term care facilities.

ORPEA has implemented a policy to prevent and control legionella risk, based primarily on best practices in water system maintenance and facilities at risk.

The ORPEA Works Department ensures that the hot water systems 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 countries where required by regulations, ORPEA's facilities keep regular records containing all information concerning the management of water in the facility.

In addition to keeping such records, all facilities perform daily monitoring of temperatures at different points in the network.

Moreover, legionella searches are conducted on the basis of a schedule set annually.

A technical protocol of preventive measures against legionella risk has been established in all of the Group's facilities. It lists all relevant maintenance, preventive and corrective work.

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.

Independently of legionella risk, ORPEA attaches great importance to preventing the risk of scalding due to DHW. To prevent this risk, temperature mixers are routinely installed on showers for residents/ patients of the German, Austrian, Belgian, French and Swiss subsidiaries.

WATER POTABILITY

Potability analyses are performed (bacteriological and physio-chemical analysis) to ensure the quality of drinking water in all countries where ORPEA operates.

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, ORPEA has paid particular attention to asbestos risk and compliance with regulations, which may vary from one country to another, particularly in terms of the building construction reference year.

Risk management

All facilities presenting an asbestos risk have been audited, and asbestos has been removed in compliance with regulatory provisions.

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. Due to confinement, it is more highly concentrated indoors rather than outdoors.

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.

Risk management

In compliance with the prevailing regulations, ORPEA has commissioned an approved provider to carry out radon diagnostics on all facilities located in areas potentially exposed to radon. If a risk is established, corrective measures are implemented to ensure the safety of residents.

5.5.3.3 MANAGEMENT OF RISKS LINKED TO PROVISION OF CARE AND GOOD PRACTICES

Risk of infection

RISK IDENTIFICATION

The Group could be held liable in the event of infections in its facilities. Non-compliance with best practice in terms of hygiene could result in legal action against the Group.

RISK MANAGEMENT

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.

At the same time, awareness campaigns have been executed with staff, notably through yearly Awareness Days on hand washing and/or resident/patient safety.

The widespread use of hydro-alcoholic solution in facilities reduces the risk of infection through hand contact.

Lastly, audits are carried out regularly by the Quality and/or Medical Departments to ensure that hygiene rules are complied with, that systems are under control (laundry, waste, etc.) and that awareness raising is performed among staff, residents/patients and visitors.

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.

In each country, medical waste management protocols are established, laying down the conditions for intermediate and final storage of such waste, as well as those relating to its removal for destruction at various intervals determined in accordance with the laws of the relevant country.

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 ORPEA, 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 of 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

Claims by residents or patients in respect of medical or paramedical care could be made against an ORPEA Group facility, for negligence or professional malpractice; although, doctors are personally liable when providing care, particularly doctors in private practice.

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. This risk is covered by the liability insurance taken out at Group level.

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

Risk in relation to negligence or failings in care provision is managed in the same way as the risk of abuse: care protocols and traceability of treatment provided are the main measures taken to prevent shortcomings and to control the effectiveness of care provision.

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 each country where ORPEA operates, computerised tools for prescribing, dispensing and administering drugs have been deployed, and are adapted to meet requirements specific to the business sector and the regulatory provisions.

These sophisticated and scalable technological tools enable ORPEA to deploy additional security to prevent any drug-related iatrogeny very quickly.

Good practice procedures complete the safety measures for medication management: receipt of medications, storage conditions, preparation, management of expired products, withdrawal of batches, etc.

To ensure the sustainability of this security, each of the Group’s quality departments has deployed reporting tools for specific drug incidents, allowing all stakeholders to report incidents, accidents 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 addition, ORPEA conducts employee training on all the tools available for securing the drug supply chain.

Risks of wandering

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.).

Suicide

RISK IDENTIFICATION

Given the population residing in facilities, particularly in psychiatric facilities, the Group may be liable in the event of the suicide of a patient or resident.

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.

The resident/patient is in all cases 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.

To promote prevention within our facilities, actions including training and awareness raising of teams to suicide risk have been conducted.

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.

Lastly, in 2009, to support the management of the most sensitive cases, the Group established an emergency psychological unit for facilities, consisting of 20 psychologists specifically trained in the management of post-traumatic syndromes, who can lead group or one-to-one therapy sessions within 24 hours of the event, whether in France, Belgium or Switzerland.

5.5.3.4 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 all countries, 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 intervals defined by regulations.

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.

Quarterly audits round out the actions performed to check 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.

5.5.3.5 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.

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.

However, to date, the number of potential targets remains significant, because, apart from a few private groups (Korian-Medica, Domus Vi, etc.), the private sector remains very fragmented in all countries, with the presence of small family-owned players. 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. 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 facilities has grown strongly in recent years, notably through acquisitions.

The Group has solid experience in acquiring facilities, and has structured its organisation and information systems so as to integrate and manage acquired groups.

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.

Furthermore, ORPEA can rely on a flexible financial structure, with covenants that are significantly lower than the authorised limits. Since the second half of 2012, ORPEA has greatly diversified its funding sources by carrying out various programmes:

* private bond placements with major French institutional investors (insurance companies and mutual insurance groups);
* €198 million ORNANE bond issue in July 2013;
* issue of several Schuldschein bonds on the German market, with a wide variety of European and Asian investors.

As such, the Group was left with cash of €519 million at 31 December 2015, giving it considerable financial flexibility to pursue further growth.

5.5.3.6 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 5.5.3.2 – 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

As indicated in the previous section, the Group builds a large number of its own facilities.

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

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

To limit these risks, the Group has an in-house Property Development Department. 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.

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.

5.5.3.7 MANAGEMENT OF INFORMATION SYSTEMS RISK

ORPEA has an IT Department that develops and deploys IT tools and information systems to manage resident, patient and employee records, as well as accounting data, financial flows, etc.

"Bespoke" tools

The decision to develop a large portion of its IT solutions in-house resulted from an analysis of risk related to possible failures of software vendors and the potential consequences on the activity of facilities. A software malfunction could have detrimental effects, which, even if temporary, could have a significant impact on the proper functioning of the activity of facilities. ORPEA was quick to anticipate these risks by taking the decision to develop most of its IT applications and solutions in-house. This strategy has given the Group infrastructure and tools specifically tailored to its needs and the needs of the various activities that comprise it.

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.

Controlled risks and enhanced security

Regarding security, ORPEA every year devotes a large budget to the development and consolidation of its information system, as well as to the enhancement of security by also addressing cyber risks, for instance.

IT security is an essential component in project workflow for ORPEA. Each year, concrete actions in respect of IT security and data privacy are implemented and monitored: awareness raising on security and data privacy, integration of a questionnaire assessing the risk in terms of IT system security for each project, impact assessment procedure, skills ramp-up of ISD staff, designation of a Data Protection Officer, appointment of a Head of Information Systems Security, etc.

ORPEA has identified the major risks in respect of Information Systems Security and drawn up a remedial plan with the following choices applied to risk: avoid, share, maintain, reduce.

For each identified risk, safety criteria are applied: confidentiality, integrity, availability and traceability (or auditability), and identified and accepted residual risks.

Other topics are addressed by the Information Systems Department:

* monitoring of activities is performed through journals tracking user activity in compliance with the recommendations of the CNIL; an IT security charter has been drafted and distributed to all employees using the Group's information systems;
* monitoring of vulnerabilities: monitoring of new attacks, cybercrime threats (ransomware, CryptoLocker and CryptoWall) and drawing up an action plan if necessary;

- the tracking of incidents is part of the processes that ensure the security of the IT system.

To keep threats under control, the Group relies on four axes: strategic, organisational, project and technical:

- in strategic terms: this axis was discussed above, notably through the close and effective cooperation between the Information Systems Security department 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;
- in project terms: 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;
- in technical terms: network monitoring, access control and 24/7 user support round out the risk management system.

Lastly, risks associated with outsourcing are addressed through a rigorous partner selection process, but also by contracts and management to ensure that security and confidentiality are 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, because threats are constantly changing, a satisfactory level has been achieved within the Group. Security will be further enhanced by projects such as standardised encryption, more slim-line management of data export procedures, a continuous improvement review of security processes by the Head of Information Systems Security, and compliance management processes conducted by the Data Protection Officers.

Infrastructure reliability

ORPEA has a Tier 3+ datacentre (classification related to electrical circuits used for power and cooling distribution). The datacentre is currently being certified (ASIP) for Health Data Hosting (HDS). The datacentre is highly secure and supervised:

- CCTV, access control and 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.

Standard certification agreement

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 governance takes into account specific “business” characteristics (Code of Public Health, Code of Ethics, Social Security Code, etc.) and compliance of data processing with the Data Protection Act (CNIL).

Given the legislation that applies to **our Swiss subsidiary**, their data is stored in a Swiss Datacentre.

In Germany, one of the first actions taken was to audit the IT security system and to implement actions needed to reduce potential risk.

ORPEA has elected to apply and intends to apply ISO 27001 safety management systems and data processing compliance under the Data Protection Act (and the future European Directive on the protection of personal data), both in France and in the other host countries.

Protection of personal data

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, it is now possible to appoint a Data Protection Officer. 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 with all teams (DIM, medical, legal, purchasing, human resources).

Having a Data Protection division within the Group makes it possible 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.);
- strengthen the ethical dimension within the Group in the use and storage of data and in discussing possible new technologies (radio frequency identification-RFID, telemedicine, etc.).

Our Data Protection Officers also prepare for the future; for several months, they have been working on the replacement of Directive 95/46/EC by the future European Directive on the protection of personal data.

5.5.3.8 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.

5.5.3.9 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.

5.5.4 Financial risk management

5.5.4.1 MANAGEMENT OF CUSTOMER RISKS

ORPEA's exposure to customers risk is limited, as its pricing is regulated.

In nursing homes, about three-quarters of revenues are paid in advance by residents and/or their families. The risk is therefore spread across all residents in ORPEA's facilities, and no individual resident is a significant customer for the Group. In addition, the dependency allowance is broadly covered by the Personal Autonomy Allowance paid by local authorities.

To protect against the risk of non-payment, the Group's nursing homes require all new residents to provide a security deposit plus a guarantee from a third party if necessary.

In post-acute and rehabilitation care clinics and psychiatric facilities, revenues are recovered from Social Security authorities, private insurance companies, such as mutual insurers in France, and directly from the patient. To guard against the risk of default or late payments, including among public and private insurance bodies, the Group closely monitors the billing and collection process, with a centralised collection service.

5.5.4.2 CREDIT, LIQUIDITY AND TREASURY RISK

Liquidity risk associated with the ORPEA group's debt

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 2015, with the Group benefiting from an all-time low interest rate environment and strong interest from banks and investors. By virtue of its track record and the resilience of its activity to the economic environment, ORPEA offers an attractive risk profile for lenders.

ORPEA's net debt was €3.214 million at 31 December 2015, and breaks down as follows:

* net operating debt in the amount of €728 million, putting its operating debt ratio at a low 2.8x EBITDA, bearing in mind that the Company's revenues have increased by 50% over the last two years;
* net real estate debt in the amount of €2.487 million on secured property assets in the amount of €3.536 million.

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 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 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 and Schuldschein financing.

The repayment schedule is provided in Note 3.12 of the notes to the 2015 consolidated financial statements.

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 90% of its consolidated net debt. To do this, the Group uses a portfolio of financial instruments in the form of interest rate swaps, under which it mainly receives 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 2014, the average notional amount of the derivatives portfolio with maturity at 1 year was €1.372 million.

At 31 December 2015, the average notional amount of the derivatives portfolio with maturity at 1 year was €1.403 million. As at 31 December 2014, 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 2015, net debt amounted to €3.214 million, of which around 35% 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 €3.7 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 €0.7 million.

Details of the Group's hedging positions are provided in Note 3.14.1 of the notes to the 2015 consolidated financial statements.

Exchange rate risk

ORPEA has little exposure to exchange rate risk, as 95% of 2015 revenues were derived from the euro area. ORPEA generates 5% of its revenues in Switzerland, where it reinvests most of its profits in country development, thereby reducing exchange rate risk.

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

5.5.4.3 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.

5.6 ANNEXES

5.6.1 Appendix 1: details of main equity interests

Company	Share capital	Share of capital held	Profit for the financial year ended	2015 Equity	Carrying amount of securities 2015	
					Gross	Net
SCI Route des Ecluses	303,374	99%	309,174	2,269,284	303,374	303,374
SCI Les Rives d'Or	1,524	99%	34,763	1,876,626	933,755	933,755
SCI du Château	1,524	99%	343,492	2,982,863	1,353,340	1,353,340
SCI Tour Pujols	1,524	99%	333,764	2,334,055	1,364,795	1,364,795
SCI La Cerisaie	1,524	99%	39,950	2,186,801	47,224	47,224
SCI Val de Seine	1,524	99%	301,477	(3,185,481)	711,307	711,307
SCI Cliscouet	1,524	99%	433,928	1,780,105	1,494	1,494
SCI Age d'Or	2,549,161	99%	191,103	12,218,880	6,234,540	6,234,540
SCI Gambetta	1,524	99%	131,356	5,369,418	1,509	1,509
SCI Croix Rousse	1,524	99%	(1,218,155)	4,582,466	1,509	1,509
SCI Les Dornets	1,524	99%	29,084	1,238,501	1,494	1,494
SCI Château d'Angleterre	1,646	99%	254,894	8,039,455	1,763,577	1,763,577
SCI Montchenot	1,524	99%	57,922	10,823,747	1,286,933	1,286,933
SCI 115 rue de la Santé	1,524	90%	(641,175)	11,405,211	1,372	1,372
SCI Abbaye	1,524	90%	(1,170,613)	(4,776,649)	344,410	344,410
SCI Les Tamaris	1,524	99%	(31,301)	2,264,038	1,357	1,357
SCI Passage Victor Marchand	1,524	99%	(172,489)	3,051,098	1,509	1,509
SCI Fauriel	1,524	99%	(1,651,099)	(11,583,482)	1,618,841	1,618,841
SCI Port Thureau	1,524	99%	17,361	1,231,834	63,708	63,708
SCI de l'Abbaye	1,524	99%	301,242	900,395	1,509	1,509
SCI Les Maraichers	1,524	99%	478,369	2,077,551	99,595	99,595
SCI Bosguerard	1,524	99%	136,094	1,145,105	1,274,306	1,274,306
SCI Le Vallon	1,524	90%	(1,045,737)	4,504,547	2,033,228	2,033,228
SCI Brest Le Lys Blanc	1,524	98%	(1,791,652)	(13,728,798)	1,494	1,494
SCI Bel Air	1,524	99%	(109,876)	(92,962)	335,837	335,837
SAS CLINEA	194,008,608	100%	30,993,869	307,125,764	203,855,563	203,855,563
SARL Les Matines	7,622	100%	867,552	(3,582,786)	7,622	7,622
SARL Bel Air	1,265,327	100%	265,615	4,146,655	840,604	840,604
SARL Amarmau	7,622	100%	(34,369)	(1,098,702)	7,622	7,622
SARL 94 Niort	231,000,000	100%	21,769,136	265,445,333	231,000,000	231,000,000
SARL 95	7,700	100%	(85,412)	(716,303)	7,700	0
SCI Sainte Brigitte	1,525	100%	(27,501)	(664,843)	1,524	1,524
SARL VIVREA	150,000	100%	(789,711)	(3,485,600)	150,000	150,000
SA LES CHARMILLES	76,225	98%	39,809	4,241,044	3,092,517	3,092,517
SCI KOD'S	22,650	100%	59,326	585,655	68,116	68,116
SARL LA BRETAGNE	277,457	100%	(266,927)	(1,428,842)	41,300	41,300
SARL RESIDENCE LA VENITIE	13,300	100%	(103,253)	(573,997)	796,267	796,267
SARL L'ATRIUM	7,622	100%	115,700	(623,035)	985,140	985,140
SA BRIGE	1,200,000	100%	(171,795)	(217,075)	670,000	670,000
SRLORPEA ITALIA	3,350,000	5%	(3,831,871)	891,335	682,862	682,862
SCI LES TREILLES	15,245	99,99%	52,936	2,240,534	2,363,698	2,363,698
SCI LES MAGNOLIAS	1,525	99%	(456,866)	(3,030,732)	1,510	1,510

Company	Share capital	Share of capital held	Profit for the financial year ended	2015 Equity	Carrying amount of securities 2015	
					Gross	Net
SCI le Barbaras	182,939	100%	54,263	6,504,779	821	821
SARL DOMEA	100,000	100%	98,972	179,430	100,000	100,000
SARL 96	7,700	100%	309,195	2,801,374	6,930	6,930
SCI BEAULIEU	3,049	100%	(2,757)	(59,811)	30,490	0
SAS LA SAHARIENNE	1,365,263	100%	(417,426)	(1,028,060)	5,712,440	5,712,440
SARL ORPEA DEV	100,000	100%	(1,067)	874,804	100,000	100,000
SAS ORGANIS	37,000	100%	196,456	(78,757)	11,775,946	9,825,946
GRUPO CARE	63,921	100%	5,336,026	10,226,012	19,228,321	19,228,321
DINMORPEA	5,000	100%	(310,101)	(291,570)	5,000	5,000
SRL CASA MIA IMMOBILIARE	20,000,000	100%	226,892	14,290,430	13,089,120	13,089,120
SA ORPEA BELGIUM	81,500,000	99,99%	31,215,697	173,843,850	65,479,233	65,479,233
SA DOMAINE DE CHURCHILL	815,012	100%	499,709	17,280,236	12,135,729	12,135,729
SA DOMAINE DE LONGCHAMP	65,026	10%	(83,915)	11,898,642	1,414,449	1,414,449
SA LONGCHAMPS LIBERTAS	90,000	100%	797,209	1,330,537	554,719	554,719
SA RS DOMAINE DE CHURCHILL	265,039	100%	(65,131)	380,469	3,075,311	3,075,311
TRANSAC CONSULTING CORPORAT	3,009	100%	0	(9,473)	1,823,231	1,823,231
SAS Résidence St Luc	37,200	100%	(60,554)	(4,386,199)	2,644,007	0
SARL Benian	1,000	20%	(372)	(41,904)	300,200	0
SCI JEM II	152	90%	56,031	493,900	883,500	883,500
SARL La Doyenne de Santé	8,000	50%	(2,986)	(329,821)	1,267,425	1,267,425
SA Gerone	500,000	100%	(101,592)	1,171,434	2,982,451	2,982,451
SCI Douarnenez	1,500	100%	(230,646)	(1,474,314)	1,485	1,485
SCI Barbacane	1,524	1%	23,607	951,824	15	15
SCI Selika	10,671	0,14%	44,165	5,658,059	15	15
SCI SLIM	762	100%	83,115	889,784	1,830	1,830
SCI SAINTES BA	1,524	1%	(176,301)	3,325,569	15	15
SCI Les Anes	1,000	0,10%	(454,247)	(1,989,659)	1	1
SARL L'Ombrière	8,000	100%	(12,683)	(792,444)	822,027	0
SAS MDR La Cheneraie	254,220	2%	28,687	(955,624)	146,044	146,044
SARL IDF resid Ret, Le Sophora	7,622	10%	(38,208)	(1,460,719)	80,000	80,000
SNC les Jardins d'Escudie	100,000	100%	(307,167)	(4,498,541)	824,310	824,310
SA Résidence du Moulin	38,112	100%	(208,299)	(2,851,024)	2,100,466	0
SC Les Praticiens	87,600	1%	1,574	65,526	67,009	0
SAS Résidence La cheneraie	2,537,040	100%	74,104	6,229,924	7,324,746	7,324,746
SA EMCEJIDEY	293,400	100%	65,906	2,687,543	4,419,887	4,419,887
SARL Résidence du Parc	18,560	100%	(33,560)	(15,314)	5,810	5,810
SCI du Fauvet	1,524	10%	(1,988,843)	(1,593,815)	68,306	68,306
OPCI	5,301,885	5,02%	165,044	5,033,586	479,732	479,732
SAS SFI France	4,000,000	51%	2,584,554	888,511	23,305,520	23,305,520
SCI Ansi	22,867	0,1%	114,279	5,371,464	40,399	40,399
SARL Viteal les Cedres	50,000	100%	(53,189)	(1,583,196)	85,039	0
SA Le Vieux Château	50,000	100%	(164,637)	(1,552,250)	367,647	367,647
SAS Home La Tour	40,600	100%	132,862	(412,650)	2,797,720	0
SAS MEDITER	69,650,000	100%	2,427,429	128,145,245	169,198,343	169,198,343
SNC des Parrans	7,622	100%	(59,921)	(370,115)	1,399,856	0
SAS Holding Mandres	8,000	100%	166,866	850,203	3,325,832	3,325,832

Company	Share capital	Share of capital held	Profit for the financial year ended	2015 Equity	Carrying amount of securities 2015	
					Gross	Net
SNC Les Acanthes	7,622	100%	(199,244)	(313,460)	1,468,434	0
SA Le Clos St Grégoire	38,173	100%	139,975	2,033,489	4,676,964	4,676,964
SA Rive Ardente	135,000	100%	153,995	2,294,035	5,062,487	5,062,487
SA Immobilière de Santé	7,828,400	49%	0	5,226,201	13,210,000	13,210,000
SARL DOMIDOM	4,992,525	100%	(712,373)	(2,720,896)	12,316,082	12,316,082
GCS	100,000	12,5%	0	1,016,576	23,300	23,300
SAS Immo Nevers	5,000	100%	2,173,949	4,337,688	5,000	5,000
SCI Castelviel	152	50%	(234,734)	(2,528,661)	763,650	0
SAS St Jean	16,000	100%	(49,113)	(185,462)	3,135,916	3,135,916
SCI Super Aix	228,674	13%	(24,581)	1,933,442	478,537	478,537
SAS ACTIRETRAITE MONTGERON	4,000	100%	(299,383)	(1,256,264)	746,843	0
Groupe SENEVITA AG	165,600	100%	(877,284)	(742,339)	101,518,009	101,518,009
SILVER CARE GROUP	18,031,082	100%	2,180,243	47,788,297	65,496,461	65,496,461
SARL Les Buissonnets	80,000	100%	404,866	1,829,175	80,000	80,000
SCI Parc St Loup	150,000	100%	(19,729)	(440,649)	149,079	0
SCI Larry	150,000	100%	(35,363)	3,344,479	150,621	150,621
SA China Holding	1,000,000	100%	(240,011)	778,846	1,000,000	1,000,000
SARL Résidence de Balbigny	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Parc de Royat	10,000	100%	0	10,000	10,000	10,000
SARL Maison de l'AAR	10,000	100%	0	10,000	10,000	10,000
SARL Résidence de L'Ambène	10,000	100%	0	10,000	10,000	10,000
SARL Résidence L'Angélique	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Saint Martial	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Marquisat	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Parce des Noues	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Les Pergolas	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Du Lac	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Saint Honorat	10,000	100%	0	10,000	10,000	10,000
SARL Résidence L'Atrium	10,000	100%	0	10,000	10,000	10,000
SARL Les Jardins d'Aurillac	10,000	100%	0	10,000	10,000	10,000
SCI RSS Aurillac	10,001	49%	0	10,001	4,901	4,901
SCI RSS Cogolin	10,000	49%	0	10,000	4,900	4,900
SCI RSS St Quentin	10,000	49%	0	10,000	4,900	4,900
CEECSH	6,162,600	100%	(1,507,600)	18,461,374	13,845,500	13,845,500
CHINA CO,	2,638,286	85%	(2,336,811)	(108,722)	2,250,794	2,250,794
Other securities					364,656	364,656
Other securities (access)					194,505	194,505
TOTAL					**1,050,906,987**	**1,035,574,467**

5.6.2 Appendix 2: income statement for the last five financial years

	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
CAPITAL AT YEAR-END					
Share capital	75,342,114	69,459,866	69,346,239	66,247,578	66,247,365
Number of existing ordinary shares	60,273,691	55,567,893	55,476,991	52,998,062	52,997,892
Maximum number of additional shares to be issued					
By converting bonds	4,448,097	8,957,216	8,330,165	4,069,534	4,069,534
By exercising subscription rights	0	171,572	246,016	1,217,779	1,217,949
TRANSACTIONS AND NET PROFIT FOR THE YEAR					
Revenues	687,048,320	625,094,135	552,525,700	494,474,847	442,591,056
Operating profit	53,920,720	47,478,199	46,678,323	37,838,649	37,501,890
Net finance cost	(27,450,495)	(32,760,096)	(34,357,301)	(23,171,095)	(22,933,928)
Pre-tax profit on ordinary activities	26,470,225	14,718,103	12,321,022	14,667,554	14,567,962
Exceptional items	(10,118,919)	(2,438,903)	(4,542,032)	(31,738)	(8,300,900)
Profit-sharing and incentive bonuses					
Profit before tax, amortisation and provisions	52,387,470	37,933,410	25,167,519	30,957,575	24,936,512
Income tax	5,112,712	4,767,843	4,826,545	6,283,056	3,734,267
Net profit	11,238,594	7,511,357	2,952,446	8,352,759	2,532,794
Distributed profit	54,246,322	44,454,314	38,833,894	31,798,837	26,498,946
EARNINGS PER SHARE					
Earnings per share	0.19	0.14	0.05	0.16	0.05
Maximum diluted earnings per share	0.19	0.12	0.05	0.14	0.04
Dividend paid per share	0.90	0.80	0.70	0.60	0.50
STAFF					
Average employees	8,735	7,910	7,520	6,228	5,624
Total payroll	243,743,094	223,226,103	195,434,777	165,622,902	150,403,838
Total employee benefits	79,837,096	73,865,397	67,649,672	61,957,378	55,240,725

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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6.1 CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015

Consolidated income statement

(in thousands of euros)	Notes	31/12/2015	31/12/2014
Revenue		**2,391,604**	**1,948,580**
Cost of materials consumed and other external charges		(698,551)	(548,910)
Staff costs		(1,216,688)	(968,591)
Taxes other than on profit		(90,731)	(81,235)
Depreciation, amortisation and provisions		(96,893)	(78,886)
Other recurring operating income		22,784	7,363
Other recurring operating expense		(8,008)	(7,080)
Recurring operating profit		**303,517**	**271,242**
Other non-recurring operating income	3.20	177,042	285,406
Other non-recurring operating expense	3.20	(157,572)	(247,716)
Operating profit		**322,988**	**308,931**
Financial income		15,264	15,705
Financial expenses		(112,081)	(114,877)
Net financial cost	**3.21**	**(96,817)**	**(99,172)**
Change in JVO*	3.13	(43,000)	(25,100)
Pre-tax profit		**183,171**	**184,659**
Income tax expense	3.22	(60,015)	(65,755)
Share in profit (loss) of associates and joint ventures	3.5	3,429	1,788
Consolidated net income		**126,586**	**120,692**
Attributable to minority interests		(48)	(85)
Attributable to owners of the Company		126,634	120,777
Net profit (Group share) excluding net change in JVO (€26.7 million)		**153,294**	**136,339**
Number of shares		60,273,691	55,567,893
Basic earnings per share (in euros)		2.12	2.18
Diluted earnings per share (in euros)		2.12	2.08

The notes are an integral part of the consolidated financial statements.

* *JVO: Fair Value of the entitlement to the allotment of shares in ORNANE bonds.*

Statement of comprehensive income

(in thousands of euros)		31/12/2015	31/12/2014
Net profit for the year	**a**	**126,634**	**120,777**
Change in translation adjustments		19,054	
Change in fair value of available-for-sale financial assets			
Cash flow hedging		19,992	(40,024)
Tax effect on items that may be reclassified to profit or loss		(7,597)	15,209
Total items that may be reclassified to profit or loss	b	31,450	(24,815)
Comprehensive income net of items that may be reclassified to income statement	**a+b**	**158,083**	**95,962**
Actuarial gains (losses)		4,027	(1,525)
Revaluation of property assets		18,000	35,637
Tax effect on items that may not be reclassified to profit or loss		(9,010)	(13,250)
Total items that may not be reclassified to profit or loss	c	13,016	20,862
Comprehensive income net of items that may not be reclassified to profit or loss	**a+b+c**	**171,099**	**116,823**
Other comprehensive income (net of tax)	**b+c**	**44,466**	**(3,953)**
Comprehensive income	**a+b+c**	**171,099**	**116,823**

Consolidated balance sheet

(in thousands of euros)	Notes	31/12/2015	31/12/2014
ASSETS			
Goodwill	3.1	841,532	677,270
Net intangible assets	3.2	1,751,217	1,543,579
Net property, plant & equipment	3.4	3,008,814	2,197,996
Properties under construction	3.4	436,301	584,532
Investments in associates and joint ventures	3.5	58,184	51,371
Non-current financial assets	3.6	36,934	46,227
Deferred tax assets	3.22	36,389	28,100
Non-current assets		**6,169,371**	**5,129,075**
Inventories		8,076	6,625
Trade receivables	3.7	127,409	104,558
Other assets, accruals and prepayments	3.8	347,542	224,024
Cash and cash equivalents	3.12	518,925	621,906
Current Assets		**1,001,952**	**957,112**
Assets held for sale		**200,000**	**200,000**
TOTAL ASSETS		**7,371,324**	**6,286,187**
LIABILITIES			
Share capital		75,342	69,460
Consolidated reserves		1,356,321	1,081,919
Revaluation reserve		251,223	225,812
Net profit for the year		126,634	120,777
Equity attributable to owners of the Company	**3.10**	**1,809,520**	**1,497,968**
Minority interest		190	379
Total equity		**1,809,710**	**1,498,346**
Non-current financial liabilities	3.12	3,218,989	2,479,025
Change in the fair value of the entitlement to the allotment in ORNANE bonds	3.13	72,993	29,993
Provisions	3.11	86,243	50,645
Post-employment and other employee benefits obligation	3.11	51,215	46,136
Deferred tax liabilities	3.22	851,714	790,096
Non-current liabilities		**4,281,153**	**3,395,894**
Current financial liabilities	3.12	314,218	321,669
Provisions	3.11	23,241	19,177
Trade payables	3.15	254,137	234,217
Tax and payroll liabilities		215,141	244,490
Current income tax liability			3,579
Other liabilities, accruals and prepayments	3.17	273,724	368,816
Current liabilities		**1,080,460**	**1,191,947**
Liabilities associated with assets held for sale		**200,000**	**200,000**
TOTAL LIABILITIES		**7,371,324**	**6,286,187**

The notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

(in thousands of euros)	Notes	31/12/2015	31/12/2014
Cash flow from operating activities			
● Consolidated net income		126,634	120,777
● Elimination of non-cash items related to operating activities*		93,933	70,934
Net finance cost	3.21	96,817	99,172
● Gains on disposals not related to operating activities, net of tax		(16,497)	(31,150)
Cash generated by consolidated companies		**300,887**	**259,733**
● Change in operating working capital requirement			
Inventories		(788)	(273)
Trade receivables	3.7	5,536	(9,760)
Other receivables	3.8	63,989	161,018
Tax and payroll liabilities.		(30,233)	36,210
Trade payables	3.15	39,023	26,976
Other liabilities	3.17	(64,475)	(183,761)
Cash flow from operating activities		**313,939**	**290,143**
Cash flow from investing and development activities			
● Real estate investments		(945,696)	(404,410)
● Real estate sales		209,825	285,254
● Acquisition of operating assets (intangible assets)		(183,591)	(416,345)
● Current accounts and other movements		(94,739)	(51,463)
Cash flow from investing activities		**(1,014,201)**	**(586,964)**
Cash flow from financing activities			
● Proceeds from capital increases	3.10	6,039	3,193
● Dividends paid to shareholders of the parent company	3.10	(44,454)	(38,834)
● Additions to (repayments of) bridging loans and bank overdrafts	3.12	(26,313)	354,253
● Proceeds from new finance leases	3.12	284,920	82,911
● Proceeds from bond issues	3.12		
● Additions to other debt	3.12	1,041,426	569,095
● Repayments of other debt	3.12	(486,484)	(300,142)
● Repayments of finance leases	3.12	(81,036)	(120,928)
● Cost of debt and other movements	3.21	(96,817)	(99,172)
Cash flow from financing activities		**597,281**	**450,376**
Change in cash and cash equivalents		**(102,981)**	**153,555**
Opening cash and cash equivalents		621,906	468,351
Closing cash and cash equivalents		**518,925**	**621,906**
Breakdown of closing cash and cash equivalents		**518,925**	**621,906**
● Short-term investments	3.12	27,101	159,619
● Cash	3.12	491,824	462,287
● 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.*

1 2 3 4 5 6 7 8 9

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 reserves	Other reserves	Profit or loss	Total attributable to owners of the Company	Non-controlling interests	Total
31/12/2013	**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 net profit						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)
31/12/2014	**55,567,893**	**69,460**	**476,121**	**225,812**	**605,797**	**120,777**	**1,497,968**	**379**	**1,498,346**
Change in fair value of properties				11,160			11,160		11,160
Post employment benefit obligation				1,856			1,856		1,856
Financial instruments				12,395			12,395		12,395
Translation adjustment					19,054		19,054		19,054
Other							0		0
Fair value changes recognised directly in equity		**0**	**0**	**25,411**	**19,054**	**0**	**44,466**	**0**	**44,466**
Appropriation of net profit			(35,000)		111,322	(120,777)	(44,454)		(44,454)
2015 net profit						126,634	126,634	(48)	126,586
Exercise of stock options							0		0
Exercise of share warrants	169,210	212	5,828				6,039		6,039
Exercise of OCEANE	4,536,588	5,671	173,226				178,897		178,897
Capital increase							0		0
Other					(28)		(28)	(140)	(168)
31/12/2015	**60,273,691**	**75,342**	**620,175**	**251,223**	**736,145**	**126,634**	**1,809,520**	**190**	**1,809,710**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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Amounts are expressed in thousands of euros unless otherwise stated.
The 2015 consolidated financial statements for the ORPEA Group were approved by the Board of Directors on 20 April 2016.

1. Significant accounting policies

ORPEA SA is a French company with its registered office at 12 rue Jean Jaurès, 92800 Puteaux. It is the parent company of a Group that operates long-term care homes for the elderly and short-term post-acute, rehabilitation 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 2015 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.

They include International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), all of which are available on the European Commission's website (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

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 2015 and have been adopted by the ORPEA Group are:

- Annual improvements to IFRS – *(2011-2013)* – without impact on the financial statements;
- IFRIC 21 – "Levies".

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 2015. 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*;
- 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 11 – *Accounting for acquisitions of interests in joint operations*;
- Amendments to IAS 1 – *Presentation of financial statements – disclosure initiative*;
- Annual improvements to IFRS (2010-2012);
- Annual improvements to IFRS (2012-2014).

Standards not yet adopted by the European Union:

- Amendments to IFRS 10, IFRS 12 and IAS 28 – *Clarification on applying the consolidation exception*;
- Amendments to IAS 12 – *Income taxes*;
- Amendments to IAS 7 – *Financial instruments: Disclosures*;
- IFRS 9 – *Financial instruments*;
- IFRS 14 – *Regulatory deferral accounts (rate-regulated activities)*;
- IFRS 15 – *Revenue from contracts with customers*;
- IFRS 16 – *Leases*;
- Amendments to IFRS 10 and IAS 28 – *Sale or contribution of assets between an investor and its associate or joint venture*.

The Group is currently assessing the practical consequences of the above standards and the effects of their application on the financial statements.

The consolidated financial statement and its notes are presented in euros.

Application of IFRIC 21

The new interpretation of IFRIC 21 provides details on the accounting of levies imposed by governments when there is an obligation to pay. For the Group, this interpretation has only a minor impact on the statutory financial statements.

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. By way of exception, the fully or jointly-owned properties operated by the Group are measured at fair value (see note 1.8) and the available-for-sale financial assets are measured at the lower of their net book value and their 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 retirement benefits (assumptions described in 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, legal advisory, 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.

Facilities acquired in Belgium and in Italy have been recognised as intangible assets since 1 July 2007. This has applied to new facilities acquired in Spain and Switzerland since 2014 and to those acquired in Austria since 2015.

Operating licences for certain foreign facilities, and short-term and long-term care facilities in Germany in particular, 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, measured in the functional currency of the acquired entity, is recognised as an asset on the balance sheet. It is not amortised but tested for impairment whenever there is objective evidence that it might be impaired and at least once a year at the year-end (see note 1.9 below). 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.

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, rehabilitation and psychiatric care facilities in France, Belgium, Switzerland, Spain, Italy and Austria.

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 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.

These intangible assets are recognised 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.

This fair value is estimated according to the type of operation: between 100% and 125% of annual revenue in France, between 80% and 100% in Belgium and Switzerland, between 80% and 125% in Italy and Spain, and between 50% and 100% in Austria.

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 ten 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.

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 IAS 23 – *Borrowing costs*.

Revaluation of operating properties

Fully or jointly-owned properties, mainly through finance leases, comprising land and buildings operated by the Group are measured at fair value in accordance with paragraph 31 of IAS 16 – *Property, plant and equipment*.

The fair value of 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. If applicable, any impairment losses are recorded as profit or loss under "Other non-recurring operating expense".

Proprietary property development projects carried out by the Group

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.

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.

For operating leases, the lease payments (with the exception of service costs such as insurance and maintenance) are recognised as expenses on a straight-line basis, as long as no other systematic basis is more representative of the time pattern of the user's benefit, even if the payments are not made on this basis.

Only leasebacks followed by the end of an operating lease give rise to gains or losses on disposals that are accounted for under "Other non-recurring operating income and expense".

1.9 IMPAIRMENT OF NON-CURRENT ASSETS

In accordance with IAS 36 – *Impairment of assets*, the Group assesses the recoverability of its non-current assets as follows:

- property, plant & equipment and intangible assets with a finite useful life are tested for impairment whenever there is objective evidence that they might be impaired;
- intangible assets with an indefinite useful life and goodwill are tested for impairment whenever there is objective evidence that they might be impaired and at least once a year on the balance sheet date.

Impairment testing consists in comparing the net book value with the higher of the following two values: 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%;
- Private health insurance:
  - 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 6 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 former 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 IFRS 2 – *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 of France, the Group applies the relevant local provisions in each country. It only has defined benefit pension plans in Switzerland and for certain facilities in Germany.

The Group’s post-employment benefit obligations are calculated on the basis of actuarial estimates and using the projected unit credit method. Actuarial assumptions include staff turnover, salary increases, inflation and life expectancy. These are presented 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.

1 2 3 4 5 6 7 8 9

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. With regard to the clinics in France, the beneficial effect of the CICE is, for the most part, cancelled out by the reduced day rates set by the 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, onerous contracts 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*. One bond of this type remains in place at end of the financial year: the ORNANE issued in 2013.

This bond has been broken down 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.

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: it presents a reconciliation of the operating profit with the 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 operating segments, being the segments used by the Group to analyse its activity and monitor its development. The operational sectors are presented by geographical area, i.e. France and International, which includes: Belgium, Spain, Italy, Switzerland, Austria and Germany (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 revenue (N vs N-1) of existing facilities in line with changes in their occupancy rates and day rates;
* the change in revenue (N vs N-1) of restructured facilities or those for which capacity increased during period N or N-1;
* the revenue generated in period N by facilities set up in N or in N-1 and the change in revenue of facilities recently acquired during a period in N equivalent to the consolidation period in N-1.

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

2015 revenue rose by 22.7% or €443 million compared with 2014.

The Group has expanded through both organic growth and acquisitions.

Organic revenue growth was 5.4% compared with 6.0% the previous year.

In 2015, the Group opened facilities in France and abroad after the completion of construction initiated in prior years as follows:

* In France:
  * nine facilities located in Paris (16th arr.), Andernos les Bains, Loos, Joinville, Saint-Denis-de l'Hôtel, Moulin Neuf, Callas, Saint Raphaël and Cabriès;
* In Belgium:
  * five facilities located in Schoten, De Haan, Watermael, Waterloo and Ostende;
* In Germany:
  * three facilities located in Oetigheim, Schweindorf and Moordorf;
* In Austria:
  * two facilities located in Hard and Traiskirchen;

ORPEA also continued with its acquisition policy in 2015 with the acquisition of facilities in operation or at the proposal stage:

* in France:
  * a business located in Châteauneuf Villevieille,
  * five facilities located in Remoulins, Cateau Cambresis, Orthez, Longuève and Carqueiranne;
* in Belgium: nine facilities in Ostende, Louvain, Hechteren, Edegem, Vilvoorde, Ardoie, Roeselare, Bruges and Brussels;
* in Italy: one facility in Verdello, near Bergamo;
* in Spain: one facility in Barcelona;

* in Austria: the SENECURA group with fifty-six facilities for a total of 4,293 beds (including 3 facilities with 300 beds in the Czech Republic);
* In Germany:
  * The CELENUS KLINIKEN group with fifteen facilities for a total of 2,602 beds,
  * The RESIDENZ GRUPE BREMEN group with thirty-eight facilities for a total of 3,006 beds.

ORPEA has also increased its network of home support services in France, with the acquisition of ADHAP, in addition to DOMIDOM franchises.

Lastly, the Group has also made some ad hoc acquisitions, directly or via companies, of standalone assets necessary for its expansion, comprising intangible property and operating rights.

Based on a provisional estimate of the fair value of assets acquired, the total investment on the acquisition date can be summarised as follows:

	Number of facilities	Number of beds	Operating licenses *(in millions of euros)*	Intangible concession assets *(in millions of euros)*	Goodwill and intangibles not yet assigned *(in millions of euros)*	Properties *(in millions of euros)*
France	6	342	25		18	2
International	120	11,108	152	0	127	271
Germany	*53*	*5,608*			*126*	*5*
Austria & Czech Republic	*56*	*4,293*	*108*			*187*
Belgium	*9*	*957*	*36*		*0*	*52*
Spain	*1*	*150*	*4*			*12*
Italy	*1*	*100*	*4*			*15*
Switzerland						
TOTAL	**126**	**11,450**	**177**	**0**	**145**	**273**

Deferred tax liabilities recognised in respect of these acquisitions amounted to about €58 million.

In 2014, total investments on the date of consolidation were:

	Number of facilities	Number of beds	Operating licences *(in millions of euros)*	Intangible concession assets *(in millions of euros)*	Goodwill and intangibles not yet assigned *(in millions of euros)*	Properties *(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**

3. Notes to the financial statements

3.1 GOODWILL

The main movements during the year were as follows:

	France	International	Total
Opening net goodwill	341,376	335,895	677,270
Impact of business combinations	18,489	126,685	145,174
Adjustments of prior goodwill and exclusions from the scope	(532)	10,705	10,173
Translation adjustment	0	8,915	8,915
CLOSING NET GOODWILL	**359,334**	**482,199**	**841,532**

The business combinations notably include the provisional allocation of the goodwill of the German scope in the amount of €126 million.

The following CGU groups represent significant goodwill:

	31/12/2015	31/12/2014
MEDITER MIEUX VIVRE sub-group acquired in 2010	87,652	87,652
SENEVITA sub-group	60,245	48,465
German scope	332,998	193,636
Other	360,637	347,517
CLOSING NET GOODWILL	**841,532**	**677,270**

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:

	31/12/2015			31/12/2014		
	Gross	Depr., Amort. Prov.	Net	Gross	Amort. Prov	Net
Operating licences	1,786,449	4,386	1,782,064	1,579,272	4,145	1,575,127
Advances and downpayments	2,235		2,235	6,161		6,161
Other intangible assets	61,761	21,452	40,309	53,445	15,608	37,837
Intangible assets held for sale	(73,391)		(73,391)	(75,546)		(75,546)
TOTAL	**1,777,054**	**25,837**	**1,751,217**	**1,563,332**	**19,753**	**1,543,579**

At 31 December 2015, "Operating licences" comprised the licences to operate facilities considered to have an indefinite useful life in France, Belgium, Italy, Spain, Switzerland and Austria.

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:

	31/12/2015	31/12/2014
MEDITER MIEUX VIVRE sub-group acquired in 2010	195,840	195,674
SENEVITA sub-group	98,050	84,232
SENECURA sub-group	109,689	
Other	1,378,485	1,295,221
NET OPERATING LICENCES AT END OF PERIOD	**1,782,064**	**1,575,127**

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 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**
Increase	19,707	3,164	5,252		28,123
Decrease			(24)		(24)
Depreciation, amortisation and provisions	(240)		(1,737)		(1,977)
Reclassifications and other	10,168	(7,091)	(2,251)	2,155	2,981
Changes in scope	177,302		1,231		178,534
At 31 December 2015	**1,782,064**	**2,235**	**40,309**	**(73,391)**	**1,751,217**

The changes in scope are mainly linked to the acquisition of the SENECURA Group for an amount of €108 million and acquisitions of individual facilities in Belgium (€36 million) and in France (€25 million).

Advances and downpayments recognised as intangible assets mainly comprise prepayments made under contractually agreed acquisitions of operating licences.

"Other intangible assets" include €28.4 million in operating licences acquired in Spain in 2012.

3.3 PERIODIC IMPAIRMENT TESTING

In accordance with IAS 36, in 2015 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 4th quarter of 2015 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 and equipment including those under construction

The following table shows the main items of property, plant and equipment, including those under construction, and accumulated depreciation:

Depreciation is recognised in profit or loss under "Depreciation, amortisation and provisions".

Impairment losses are recognised in "Other non-recurring operating expense".

	31/12/2015			31/12/2014		
	Gross	Amort. Prov.	Net	Gross	Amort. Prov.	Net
Land	953,576	2,829	950,747	798,992	2,831	796,161
Buildings	2,354,854	429,325	1,925,529	1,754,242	359,487	1,394,755
Technical installations	311,867	185,398	126,469	240,889	153,784	87,105
Properties under construction	437,552	1,251	436,301	585,783	1,251	584,532
Other Property, Plant and Equipment	247,850	115,173	132,677	123,457	79,029	44,428
Tangible assets held for sale	(126,609)		(126,609)	(124,454)		(124,454)
TOTAL	**4,179,090**	**733,976**	**3,445,115**	**3,378,910**	**596,382**	**2,782,528**

The following table shows movements in the net carrying amount of property, plant and equipment:

	Land	Buildings	Technical Installations	Properties under construction	Other	Property, Plant and Equipment held for sale	Total
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**
Acquisitions	40,583	206,630	62,008	184,596	81,726		575,543
Change in fair value	18,000						18,000
Disposals and terminations	(7,555)	(29,808)	206	(89,616)	(548)		(127,321)
Depreciation	(3)	(64,082)	(29,614)		(9,639)		(103,338)
Reclassifications and other	71,839	224,701	(12,472)	(290,909)	11,100	(2,155)	2,104
Changes in scope	31,723	193,333	19,236	47,698	5,609		297,599
At 31 December 2015	**950,747**	**1,925,529**	**126,469**	**436,301**	**132,677**	**(126,609)**	**3,445,115**

The main changes during 2015 were:

* investments necessary for the 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 (including SENECURA for €187 million);
* property disposals in France and Belgium.

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	31/12/2015	31/12/2014	Change
Gross revaluation reserve	459,953	441,953	18,000
Depreciation/amortisation	(17,439)	(15,423)	(2,016)
NET REVALUATION RESERVE	**442,514**	**426,530**	**15,984**

The gross revaluation reserve of properties stood at €460 million at 31 December 2015, versus €442 million at the end of 2014.

This change was due to revaluations carried out during the financial year in the amount of €18 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 €160.2 million.

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

Price *(in euros)* per m² GLA	31/12/2015	31/12/2014
Paris	6,105	5,879
Inner Paris suburbs	4,237	4,101
Outer Paris suburbs and other major cities	2,900	2,829
Other	1,985	1,956

3.4.3 Finance leases

Property, plant and equipment financed by finance leases include the following assets at their gross value:

	31/12/2015	31/12/2014
Land	204,285	176,558
Buildings	822,958	620,478
FINANCE LEASED PROPERTY	**1,027,243**	**797,036**

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:

	31/12/2015	31/12/2014
Lease payments	252,039	187,691
TOTAL	**252,039**	**187,691**

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.

Total lease payments amount to €252 million, compared to €188 million in 2014.

This increase is predominantly the result of acquisitions in Switzerland and in Germany where almost all properties operated are leased, and to a lesser extent, those in Austria.

On a like-for-like basis, lease payment revaluations remained limited to +1.1%.

Future minimum payments under operating leases are disclosed in note 3.23.

3.5 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

At 31 December 2015, investments in associates and joint ventures broke down as follows:

Associates and joint ventures	Percentage held at 31 December 2015	Carrying amount of investments *(in thousands of euros)*
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	between 25% and 49.9%	9,539
Total		**48,364**
Equity accounted profit/(loss) for previous financial years		6,391
Equity accounted net profit for the current financial year		3,429
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES		**58,184**

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 2015, 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	167,666
Current assets	36,797
Equity	32,704
Non-current liabilities	107,800
Current liabilities	60,503
Revenue	43,444
Other comprehensive income	3,429
Equity accounted net profit	235
Net comprehensive income	3,664

3.6 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets break down as follows:

	31/12/2015	31/12/2014
	Net	Net
Non-consolidated investments	13,752	22,094
Loans	16,206	15,338
Security deposits	6,976	8,795
TOTAL	**36,934**	**46,228**

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

	31/12/2015	31/12/2014
Trade receivables	127,409	104,558
TOTAL	**127,409**	**104,558**

Due to the nature of its activity, all trade receivables in France are due within one month.

In December 2015, the Group assigned a total of €57 million in receivables. These receivables were derecognised for the amount financed, namely €51 million. The remaining (€5) million, held as security, continues to be recognised on the balance sheet.

At the end of 2014, the derecognised, assigned receivables represented an amount of €53 million.

3.8 OTHER ASSETS, ACCRUALS AND PREPAYMENTS

	31/12/2015	31/12/2014
Development-related expenses	85,179	59,051
Receivables related to property disposals	25,102	32,034
VAT receivables	31,203	32,227
Advances and downpayments made	6,742	4,912
Current accounts (associated and related parties)	121,021	34,752
Sundry debtors	46,374	35,089
Receivables from suppliers	12,202	13,353
Prepaid operating expenses	19,720	12,605
TOTAL	**347,542**	**224,024**

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 sale comprise €127 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 €73 million.

3.10 EQUITY

3.10.1 Share capital

	31/12/2015	31/12/2014
Total number of shares	60,273,691	55,567,893
Number of shares issued	60,273,691	55,567,893
Par value per share (in euros)	1.25	1.25
Share capital (in euros)	75,342,114	69,459,866
Treasury shares	11,442	19,500

Since 31 December 2013, 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	Amounts of the share capital	Share premiums
Share capital at 31/12/2013	**55,476,991**	**69,346**	**473,042**
Reclassification			
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**
Appropriation of net profit			(35,000)
Exercise of share warrants	169,210	212	5,828
Exercise OCEANE	4,536,588	5,671	173,226
Capital increase			
Share capital at 31/12/2015	**60,273,691**	**75,342**	**620,175**

3.10.2 Earnings per share

Average weighted number of shares in issue:

	31/12/2015		31/12/2014	
	Basic	Diluted	Basic	Diluted
Ordinary shares	55,567,893	59,759,947	55,476,991	55,498,945
Treasury shares	(15,471)		(15,686)	
Share warrants	93,523	31,310	36,664	100,012
OCEANE	4,114,002	422,586	976	4,565,519
WEIGHTED AVERAGE NUMBER OF SHARES	**59,759,947**	**60,213,843**	**55,498,945**	**60,164,476**

Earnings per share:

	31/12/2015		31/12/2014	
(in euros)	Basic	Diluted	Basic	Diluted
NET PROFIT (GROUP SHARE)	**2.12**	**2.12**	**2.18**	**2.08**

3.10.3 Share warrants (BSAAR)

On 17 August 2009, ORPEA issued bonds with redeemable warrants to subscribe for new or existing shares (OBSAAR). This led to the creation of 1,190,787 warrants. These warrants were exercisable from 14 August 2011 to 14 August 2015 inclusive and entitled the holders to 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.

84,460 share warrants were exercised in 2014, 159,308 share warrants were exercised during the 2015 financial year, and 2,248 warrants expired.

3.10.4 OCEANE

During the second half of 2010, ORPEA issued 4,069,635 bonds convertible into or exchangeable for new or existing shares (OCEANE).

The OCEANE conversion was completed on 4 February 2015, resulting in the issue of 4,536,588 new shares, representing a capital increase of €5.7 million and €173.2 million in issue premiums.

3.10.5 ORNANE

During the second half of 2013, ORPEA issued 4,260,631 bonds with a cash redemption option and/or convertible into new or existing shares (ORNANE).

In 2015, two ORNANE were exercised but did not lead to the creation of new shares, due to the fact that the two shares issued were taken from existing treasury shares.

3.10.6 Treasury shares

The General Meeting of Shareholders authorised a share buyback programme.

This programme has a number of aims: to enable the Company to ensure liquidity and make a market in the shares, to optimise its capital management and to grant shares to employees particularly through stock award plans.

At 31 December 2015, the Group held 11,442 treasury shares.

3.10.7 Dividends

The General Meeting of Shareholders of 23 June 2015 approved the payment of a dividend in respect of the 2014 financial year of €0.80 per share, representing a total of €44,454,314 paid at end-July 2015.

3.11 PROVISIONS

Provisions break down as follows:

(in thousands of euros)	31/12/2014	Changes in scope and other	Actuarial gains or losses	Reclassification	Provisions for the year	Reversal in the year: Used provisions	Reversal in the year: Unused provisions	31/12/2015
Liabilities and charges	52,799	4,035		(2,865)	15,443	(3,353)	(2,333)	63,724
Restructuring	17,023	38,888		1,192	0	(11,222)	(120)	45,760
TOTAL	**69,821**	**42,922**		**(1,674)**	**15,443**	**(14,575)**	**(2,453)**	**109,484**
Post-employment ben. ob.	46,136	5,794	(4,027)	2,009	1,824	(521)		51,215

The movements in provisions are mainly due to the changes in scope and in particular to the acquisition of Austrian and German facilities 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*. These amounted to €6.4 million (at 31 December 2015, this provision amounted to €27 million and no reversal had been noted with regard to payments made to the authorities in 2015 in the amount of €22.5 million, due to the fact that ORPEA is appealing the adjustment notification that it has received).

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 2015, short-term provisions totalling €23.2 million included a €16.2 million provision for employment disputes and a €7.0 million restructuring provision.

The provision for post-employment benefits breaks down as follows:

(in thousands of euros)	31/12/2015	31/12/2014
France	23,480	31,286
International	27,736	14,851
TOTAL	**51,215**	**46,136**

Movements in the French post-employment benefit obligation break down as follows:

	31/12/2015				31/12/2014			
(in thousands of euros)	Present value of obligation	Balance sheet provision	Profit or loss	Equity	Present value of obligation	Balance sheet provision	Profit or loss	Equity
Opening	**31,286**	**(31,286)**			**29,742**	**(29,742)**		
Current service cost	2,547	(2,547)	(2,547)		1,966	(1,966)	(1,966)	
Interest cost	613	(613)	(613)		892	(892)	(892)	
Expected return on assets								
Employer's contributions								
Actuarial gains or losses	(9,606)	9,606		9,606	(1,669)	1,669		1,669
Benefits paid	(1,948)	1,948			(1,643)	1,643		
Changes in scope	589	(589)			1,998	(1,998)		
CLOSING	**23,480**	**(23,480)**	**(3,160)**	**9,606**	**31,286**	**(31,286)**	**(2,858)**	**1,669**

Movements in the International post-employment benefit obligation break down as follows:

	31/12/2015				31/12/2014			
(in thousands of euros)	Present value of obligation*	Balance sheet provision	Profit or loss	Equity	Present value of obligation*	Balance sheet provision	Profit or loss	Equity
Opening	**14,851**	**(14,851)**			**4,256**	**(4,256)**		
Current service cost	1,287	(1,287)	(1,287)		1,556	(1,556)	(1,556)	
Interest cost	261	(261)	(261)		994	(994)	(994)	
Expected return on assets	(137)	137	137		(715)	715	715	
Employer's contributions	(629)	629	629		(1,544)	1,544	1,544	
Actuarial gains or losses	5,579	(5,579)		(5,579)	3,194	(3,194)		(3,194)
Past service cost	(189)	189	189		(222)	222	222	
Changes in scope	5,206	(5,206)			7,331	(7,331)		
Other (translation adjustment)	1,507	(1,507)						
CLOSING	**27,736**	**(27,736)**	**(593)**	**(5,579)**	**14,851**	**(14,851)**	**(69)**	**(3,194)**

* *Net of plan assets.*

The main actuarial assumptions at 31 December 2015 were:

	31/12/2015		31/12/2014	
	France	International	France	International
Discount rate	1.96%	between 0.85% and 1.20%	1.50%	between 1% and 1.20%
Annual rate of salary increase taking account of inflation	2.50%	between 1.25% and 1.75%	2.50%	between 1.25% and 1.75%
Expected rate of return on plan assets	NA	between 1% and 1.20%	NA	between 1% and 1.20%
Retirement age	65	65	65	65
Social security contribution rate	Average actual rate		Average actual rate	

The actuarial gains or losses recognised in equity arise from experience adjustments, particularly as regards assumptions on staff turnover. In France in 2015, the actuarial gains or losses are mainly due to the change in staff turnover assumptions (€7,593 thousand) and discount rate assumptions (€1,761 thousand).

At 31 December 2015, sensitivity of the French post-employment benefit obligation to a 0.5% increase in the discount rate was €1,754 thousand.

3.12 FINANCIAL LIABILITIES AND CASH AND CASH EQUIVALENTS

Net debt breaks down as follows:

	31/12/2015	31/12/2014
(in thousands of euros)	Net	Net
Bonds	704,089	865,362
Long-term bank borrowings	234,914	263,647
Finance lease obligations	789,162	585,278
Bridging loans	557,978	584,291
Miscellaneous financial liabilities and debt	1,447,064	702,116
Total gross debt*	**3,733,207**	**3,000,694**
Cash	(491,824)	(462,287)
Cash equivalents	(27,101)	(159,619)
TOTAL NET DEBT*	**3,214,282**	**2,378,788**

* *Including liabilities associated with assets held for sale.*

The following table shows movements in financial liabilities in 2015:

(in thousands of euros)	31/12/2014	Increase	Decrease	Changes in scope	31/12/2015
Bonds	865,362	83,885	(245,158)		704,089
Long-term bank borrowings	263,647	44,554	(73,287)		234,914
Finance lease obligations	585,278	182,821	(81,036)	102,099	789,162
Bridging loans	584,291	435,560	(461,873)		557,978
Miscellaneous financial liabilities and debt	702,116	820,120	(168,039)	92,867	1,447,064
Total gross debt*	**3,000,694**	**1,566,940**	**(1,029,393)**	**194,966**	**3,733,207**
Cash and cash equivalents	(621,906)	102,981			(518,925)
Total net debt*	**2,378,788**	**1,669,921**	**(1,029,393)**	**194,966**	**3,214,282**
Liabilities associated with assets held for sale	(200,000)				(200,000)
NET DEBT EXCLUDING LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	**2,178,788**	**1,669,921**	**(1,029,393)**	**194,966**	**3,014,282**

* *Including liabilities associated with assets held for sale.*

The following table shows a breakdown of net debt by maturity:

	31/12/2015	Under one year*	One to five years	Over five years
Bonds	704,089	(1,239)	548,733	156,595
Long-term bank borrowings	234,914	37,917	172,375	24,622
Finance lease obligations	789,162	117,593	338,076	333,493
Bridging loans	557,978	179,310	376,741	1,927
Miscellaneous financial liabilities and debt	1,447,064	180,637	861,258	405,169
Total gross debt*	**3,733,207**	**514,218**	**2,297,183**	**921,805**
Cash and cash equivalents	(518,925)			
TOTAL NET DEBT*	**3,214,282**	**514,218**	**2,297,183**	**921,805**

* *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	2017	2018	2019	2020
Bonds	548,733	(1,246)	138,876	180,447	230,656
Long-term bank borrowings	172,375	100,078	49,666	17,844	4,787
Finance lease obligations	338,076	116,289	84,058	77,858	59,871
Bridging loans	376,741	283,685	56,349	26,433	10,274
Miscellaneous financial liabilities and debt	861,258	169,343	148,591	247,856	295,468
TOTAL GROSS DEBT PER YEAR	**2,297,183**	**668,149**	**477,540**	**550,438**	**601,056**

Financing policy

The Group's financing can be broken down into three categories:

- financing operating properties through finance leases, leasing 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:

$$R1 = \frac{\textit{Consolidated net financial debt (excluding property debt)}}{\textit{Consolidated EBITDA -6\% of property debt}}$$

and

$$R2 = \frac{\textit{Consolidated net financial debt}}{\textit{Equity + Quasi equity (i.e. deferred tax liabilities linked to the valuation of operating intangible assets under IFRS in the consolidated financial statements).}}$$

On 31 December 2015, these ratios were 2.9 and 1.4 respectively, within the required limits, which were mainly 5.5 for R1 and 2.0 for R2 as at 31 December 2015.

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 approved by the AMF under no. 09-225 on 15 July 2009.

At its maturity on 14 August 2015, this bond had been repaid in full.

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.

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 them to lock in their 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,
  - 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;
- 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;
- 900 bonds at a unit price of €100,000, totalling €90 million. These bonds will be redeemed on 4 December 2026.

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;
- 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;
- in Belgium, 750 bonds at a unit price of €100,000, totalling €75 million. These bonds will be redeemed in two tranches, in 2018 and 2020.

ORPEA Group carried out three new bond issues during the second half of 2015 on the Euro PP market, issuing:

- 200 bonds at a unit price of €100,000, totalling €20 million (securities note approved by the AMF under no. 15-635). These bonds will be redeemed on 22 December 2022;
- 60 bonds at a unit price of €100,000, totalling €6 million (securities note approved by the AMF under no. 15-635). These bonds will be redeemed on 22 December 2025;
- in Belgium, 500 bonds at a unit price of €100,000, totalling €50 million. These bonds will be redeemed in 2022.

Furthermore, in 2014, the Group also issued a Schuldscheindarlehen type loan in the amount of €203 million and a bond issue on the Euro PP market with the issue of 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.

In July 2015, the Group issued new Schuldscheindarlehen type loans for an amount of €350 million.

Cash

At end 2015, cash and cash equivalents comprised €27,101 thousand in short-term investments in non-speculative short-term accounts with first class financial institutions and €491,824 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 from 2014	25,100
Change from 2015	43,000
OVERALL CHANGE FROM START	**72,993**

At 31 December 2015, the change in fair value recognised in net finance cost amounted to €43 million. On the basis of data at 31 December 2015, a +/-10% change in the price of the ORPEA stock would produce a +/- €7 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.

These changes have no cash impact.

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 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 2015, as at 31 December 2014, the derivatives portfolio included fixed for floating (mainly three-month Euribor) interest rate swaps. These derivative instruments have either a constant or decreasing nominal profile.

At the end of 2015, the maturity of the interest rate derivatives was as follows:

	Maturity *(in millions of euros)*				
	2016	**2017**	**2018**	**2019**	**2020**
Average notional amount *(in millions of euros)*	1,403	1,396	1,348	1,285	1,211
Effective rate	1.8%	1.7%	1.6%	1.1%	1.0%

At the end of 2014, the maturity of the interest rate derivatives was as follows:

	Maturity *(in millions of euros)*				
	2015	**2016**	**2017**	**2018**	**2019**
Average notional amount *(in millions of euros)*	1,372	1,403	1,323	1,198	842
Effective rate	2.3%	1.8%	1.7%	1.7%	1.3%

At 31 December 2015, fair value changes on these cash flow hedges accumulated in equity amounted to (€82.5) million. In addition, SENECURA uses derivative trading instruments (excluding the Group's cash flow hedging portfolios) subscribed prior to the takeover by the ORPEA Group, the value of which at the end of the year was (€4.7) million.

At 31 December 2014, fair value changes on these cash flow hedges accumulated in equity amounted to (€102.5) million.

ANALYSIS OF SENSITIVITY TO CHANGES IN INTEREST RATES

The impact of a +/-1% change in interest rates on the Group's earnings stems from:

* the change in interest payable on floating-rate net debt;
* changes in the fair value of hedging instruments.

The fair value of hedging instruments is sensitive to changes in interest rates and in volatility. This latter is assumed to be constant for the purposes of the analysis.

At 31 December 2015, net debt amounted to €3,214 million, of which around 35% 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 €3.7 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 €0.7 million.

MOVEMENT IN CASH FLOW HEDGING RESERVE

(in thousands of euros)	31/12/2015	31/12/2014
Opening hedging reserve	(102,490)	(62,466)
Change in equity fair value during the period	51,267	(71,641)
Of which recognised in profit and loss	(31,275)	31,617
Effect on overall profit and loss for the period	19,992	(40,024)
CLOSING HEDGING RESERVE	**(82,498)**	**(102,490)**

3.14.2 Value of financial assets excluding derivatives

(in thousands of euros)	31/12/2015	31/12/2014
Equity investments	13,752	22,094
Other non-current financial assets	16,206	15,338
Short-term investments	27,101	159,619
FINANCIAL ASSETS EXCLUDING DERIVATIVES	**57,059**	**197,050**

3.15 TRADE PAYABLES

	31/12/2015	31/12/2014
	Net	Net
Trade and related payables	254,137	234,217
TOTAL	**254,137**	**234,217**

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

	31/12/2015	31/12/2014
	Net	Net
Development-related liabilities	50,992	83,615
Security deposits	49,217	43,877
Commitments to work on buildings sold	1,323	2,984
Client accounts in credit	1,133	1,339
Other prepaid income	19,689	16,974
Derivative financial instruments	87,188	102,490
Advances and downpayments received	17,749	13,336
Current accounts (associated and related parties)	10,754	19,224
Other	35,680	84,978
TOTAL	**273,724**	**368,816**

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

	31/12/2015	31/12/2014
REVENUE		
France	1,596,616	1,499,771
Belgium	157,756	164,949
Spain	63,892	55,620
Italy	45,944	41,612
Switzerland	130,057	84,412
Austria	109,815	
Germany	287,524	102,216
TOTAL	**2,391,604**	**1,948,580**
RECURRING OPERATING PROFIT BEFORE RENTS AND DEPRECIATION, AMORTISATION AND PROVISIONS		
France	451,203	424,426
Belgium	31,173	35,460
Spain	15,219	13,175
Italy	5,517	5,415
Switzerland	49,113	31,310
Austria	23,631	
Germany	76,592	28,033
TOTAL	**652,448**	**537,819**
ASSETS		
France	4,921,731	5,133,188
Rest of Europe	2,449,593	1,153,000
TOTAL	**7,371,324**	**6,286,187**
LIABILITIES EXCLUDING EQUITY		
France	4,216,797	4,144,521
Rest of Europe	1,344,817	643,320
TOTAL	**5,561,614**	**4,787,841**

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)	31/12/2015	31/12/2014
Proceeds from property sales	123,632	244,673
Cost of properties sold	(99,690)	(199,192)
Provision reversal	6,019	8,467
Provision charge	(11,529)	(5,188)
Other income	47,390	32,266
Other charges	(46,353)	(43,336)
OTHER NON-RECURRING OPERATING INCOME AND EXPENSE	**19,470**	**37,689**

Other non-recurring operating income and expense mainly comprises net gains on sales of property assets for €24 million, income and expense from acquisitions through business combinations for €35 million and expenses associated with the redevelopment of recently acquired facilities and other development costs for €(31) million.

Profit on property development recognised using the percentage of completion method include:

(in thousands of euros)	31/12/2015	31/12/2014
Disposal price	79,544	99,556
Cost of sales	(56,651)	(68,962)
PROFIT RECOGNISED ON DISPOSALS OF OFF-PLAN PROPERTIES	**22,894**	**30,594**

3.21 NET FINANCE COST

(in thousands of euros)	31/12/2015	31/12/2014
Interest on bank debt and other financial liabilities	(70,298)	(71,021)
Interest on finance leases	(12,327)	(12,712)
Net expense on interest rate derivatives	(29,455)	(31,144)
Financial expenses	**(112,081)**	**(114,877)**
Capitalised borrowing costs*	14,667	15,288
Interest income	597	417
Net income on interest rate derivatives		
Financial income	**15,264**	**15,705**
NET FINANCIAL COST	**(96,817)**	**(99,172)**

* *Based on an average rate of 4.15% in 2015, compared to 4.3% in 2014, 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 2015.

(in thousands of euros)	31/12/2015	31/12/2014
Current taxes	70,434	63,393
Deferred taxes	(10,419)	2,362
TOTAL	**60,015**	**65,755**

The income tax charge for 2015 includes the Contribution sur la Valeur Ajoutée des Entreprises (CVAE) of €22,483 thousand versus €21,994 thousand in 2014.

Deferred tax assets (liabilities) break down as follows by type of temporary difference:

(in thousands of euros)	31/12/2015	31/12/2014
Fair value of intangible assets	(492,696)	(453,859)
Fair value of PPE*	(338,739)	(324,086)
Capitalisation of finance leases	(91,268)	(73,596)
Timing differences	(5,110)	(4,702)
Tax loss carryforwards	36,389	28,100
Deferral of capital gains	876	1,025
Employee benefits	10,157	12,054
CVAE deferred tax**	(6,580)	(6,905)
Financial instruments and other	71,646	59,974
TOTAL	**(815,325)**	**(761,996)**

* *Including deferred taxes of €160.2 million related to the revaluation of properties (see notes 1.8 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 €492,696 thousand at 31 December 2015. These intangible assets are not held for sale.

The deferred taxes recognised in the balance sheet break down as follows:

(in thousands of euros)	31/12/2015	31/12/2014
Assets	36,389	28,100
Liabilities	(851,714)	(790,096)
NET	**(815,325)**	**(761,996)**

The difference between the theoretical tax rate, i.e. 38% in 2015, and the effective tax rate appearing in the income statement, breaks down as follows:

(in thousands of euros)	31/12/2015	31/12/2014
Effective rate:	**32.16%**	**35.27%**
● Permanent differences	2.05%	1.53%
● Impact of business combinations	9.19%	6.48%
● Impact of reduced tax rates	-0.10%	0.78%
● Impact of companies accounted for at equity	0.79%	0.41%
● Impact of foreign companies	1.85%	2.23%
● Other	-0.47%	-1.49%
● Cotisation sur la valeur ajoutée des entreprises (CVAE)	-7.47%	-7.21%
Theoretical rate	**38.00%**	**38.00%**

3.23 COMMITMENTS AND CONTINGENT LIABILITIES

3.23.1 Off-balance sheet commitments

DEBT-RELATED COMMITMENTS

Contractual commitments *(in thousands of euros)*	31/12/2015	31/12/2014
Counter-indemnities on contracts	**0**	**0**
Receivables sold not yet matured	**0**	**0**
Collateral	**1,855,668**	**1,567,017**
Financing property assets	*310,942*	*279,675*
Non-property borrowing and financial liabilities	*755,564*	*702,064*
Finance leases	*789,162*	*585,278*
Guarantees	**5,088**	**5,088**
Related to property assets	*4,158*	*4,158*
Related to non-property borrowings and financial liabilities	*930*	*930*
Related to finance leases		
Other commitments	**0**	**0**
Convertible bond subscription		
TOTAL	**1,860,756**	**1,572,105**

COMMITMENTS RELATING TO THE GROUP'S OPERATIONS

Lease commitments

Minimum future lease payments on finance leases break down as follows at 31 December 2015:

	Minimum future payments
Under one year	101,833
One to five years	364,716
Over five years	569,143
TOTAL LEASE COMMITMENTS	**1,035,692**

Operating lease commitments break down as follows at 31 December 2015:

	Minimum future payments
Under one year	274,310
One to five years	1,097,238
Over five years	2,581,036
TOTAL LEASE COMMITMENTS	**3,952,584**

The Group mainly enters into leases with a non-cancellable period of 12 years in France and an average term of 21 years in Switzerland, 17 years in Germany, 20 years in Austria and 27 years in Belgium.

Commitments relating to the scope of consolidation

At the end of 31 December 2015, 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 2021;
- 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:

- 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.

in addition, from 2016 the Group will be able to issue securities against 51% of the share capital of the two companies.

With regard to the 30% stake in the Belgian property company INTORP, the ORPEA Group will benefit from an option to purchase a 100% controlling interest in this company and its subsidiaries on the following dates: 30 June 2025, 30 June 2030 and 30 June 2035.

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 31/12/2015	Carrying amount 31/12/2014	Fair value 31/12/2015	Fair value 31/12/2014
Held-to-maturity financial assets			**0**	**0**	**0**	**0**
Bonds and negotiable debt securities	Cash and Cash equivalents					
Loans and receivables			**498,133**	**352,715**	**498,133**	**352,715**
Short-term loans	Short-term loans					
Long-term loans	Non-current financial assets	2	16,206	15,338	16,206	15,338
Receivables related to asset disposals	Short-term receivables related to asset disposals		25,102	32,034	25,102	32,034
Security deposits	Non-current financial assets	2	6,976	8,795	6,976	8,795
Other receivables	Other receivables	2	322,440	191,990	322,440	191,990
Trade receivables	Trade receivables	2	127,409	104,558	127,409	104,558
Available-for-sale financial assets			**0**	**0**	**0**	**0**
Equity investments	Non-current financial assets					
Other						
Financial assets at fair value			**518,925**	**621,906**	**518,925**	**621,906**
Interest rate derivatives						
Currency derivatives						
Open-ended investment funds and mutual funds	Cash and cash equivalents	1	27,101	159,619	27,101	159,619
Cash	Cash and cash equivalents	1	491,824	462,287	491,824	462,287
Financial assets			**1,017,058**	**974,621**	**1,017,058**	**974,621**

* *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 31/12/2015	Carrying amount 31/12/2014	Fair value 31/12/2015	Fair value 31/12/2014
Financial liabilities at fair value			**160,181**	**132,483**	**160,181**	**132,483**
Currency derivatives	Other liabilities					
Interest rate derivatives	Other liabilities	2	87,188	102,490	87,188	102,490
Change in the fair value of the entitlement to the allotment in ORNANE bonds		2	72,993	29,993	72,993	29,993
Other obligations	Other liabilities					
Financial liabilities at amortised cost			**4,173,880**	**3,501,237**	**4,225,340**	**3,608,348**
Bonds convertible, exchangeable or redeemable for shares	Non-current and current financial liabilities	1	704,089	865,362	755,549	972,473
Bank borrowings	Non-current and current financial liabilities	2	2,239,956	1,550,054	2,239,956	1,550,054
Finance lease obligation	Non-current and current financial liabilities	2	789,162	585,278	789,162	585,278
Other liabilities	Recurring liabilities	2	186,536	266,326	186,536	266,326
Trade payables	Trade payables	2	254,137	234,217	254,137	234,217
Financial liabilities			**4,334,061**	**3,633,720**	**4,385,521**	**3,740,831**

* *Level 1: financial assets and liabilities listed on an active market, where fair value is the listed price.*
Level 2: financial assets and liabilities not listed on an active market, where fair value is measured using valuation techniques for which all significant inputs are based on observable market data.
Level 3: financial assets and liabilities not listed on an active market, where fair value is measured using valuation techniques for which some significant inputs are not based on observable market data.

3.25 RELATED-PARTY TRANSACTIONS

Related-party transactions

As part of its activity, the ORPEA Group carries out various transactions with related parties within the meaning of IAS 24.

During this financial year, the impacts were as follows:

- advances granted to ORPEA Group by associates and joint ventures as well as related parties amounted to €121 million at 31 December 2015;
- advances granted to ORPEA Group by associates and joint ventures as well as related parties amounted to €6 million at 31 December 2015.
- ORPEA Group is leasing certain operating premises from related parties within the meaning of IAS 24 – *Related-party disclosures*. €19 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 2015 financial year to ORPEA SA's corporate officers was €3,211 thousand.

Attendance fees for members of the Board of Directors for the 2015 financial year, paid in 2016, were €265 thousand.

3.26 EMPLOYEES

ORPEA Group had 43,753 employees at 31 December 2015, with 6,612 new hires during the year.

3.27 STATUTORY AUDITORS' FEES

Expenses recognised in 2015 in respect of fees paid to the Statutory Auditors and their network for their services to the ORPEA company amounted to €2,854 thousand, versus €2,392 thousand in 2014.

3.28 SUBSEQUENT EVENTS

ORPEA continued its international expansion with the acquisition of the VITALIS Group of 25 facilities in Germany (2,487 beds) and the MEDI-SYSTEM Group of 7 facilities in Poland (704 beds).

3.29 SCOPE OF CONSOLIDATION AT 31 DECEMBER 2015

The main companies that enable the ORPEA Group to carry out its activity and to manage its property portfolio are:

Consolidated Companies	Control Group	Interest Group	Consolidation method
SA ORPEA	100%	100%	Parent
SAS CLINEA	100%	100%	FC
SARL NIORT 94	100%	100%	FC
DOMIDOM – ADHAP	100%	100%	FC
SA ORPEA BELGIUM	100%	100%	FC
ORPIMMO	100%	100%	FC
ORPEA ITALIA SRL	100%	100%	FC
CASAMIA IMMOBILIARE	100%	100%	FC
ORPEA IBERICA	100%	100%	FC
SL DINMORPEA	100%	100%	FC
SENEVITA AG	100%	100%	FC
SILVER CARE GROUP	100%	100%	FC
CELENUS KLINIKEN	100%	100%	FC
SENECURA	100%	100%	FC
CEESCH	100%	100%	FC
GCSE	100%	100%	FC

6.2 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.

Financial year ended 31 December 2015

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 2015, 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 2015 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:

* the operating licences recognised as intangible assets with an indefinite useful life and goodwill are tested for impairment using the methods 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 these tests;
* 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, 6 May 2016
The Statutory Auditors

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

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STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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7.1 FINANCIAL STATEMENTS OF ORPEA SA AT 31 DECEMBER 2015

Statutory income statement

(in euros)	31/12/2015	31/12/2014
REVENUE	**687,048,320**	**625,094,135**
Inventory change	(25,084,224)	(22,300,245)
Other operating income	28,712,323	25,366,417
Purchases and other external charges	251,155,413	227,619,877
Taxes other than on profit	36,773,221	31,954,538
Staff costs	323,580,191	297,091,500
Depreciation, amortisation and provisions	23,915,430	23,103,120
Other operating expense	1,331,444	913,075
Operating profit	**53,920,720**	**47,478,199**
Financial income	78,961,651	68,553,048
Financial expenses	106,412,146	101,313,144
Net finance cost	**(27,450,495)**	**(32,760,096)**
Pre-tax profit on ordinary activities	**26,470,225**	**14,718,103**
Exceptional items	(10,118,919)	(2,438,903)
Employee profit-sharing		
Income tax	5,112,712	4,767,843
NET PROFIT	**11,238,594**	**7,511,357**

Statutory balance sheet

Assets *(in euros)*	31/12/2015 Gross	31/12/2015 Depr., Amort. and provisions	31/12/2015 Net	31/12/2014 Net
NON-CURRENT ASSETS				
Intangible assets	285,176,619	1,825,744	283,350,875	273,317,595
Property, plant and equipment	306,532,057	125,415,427	181,116,630	171,921,279
Financial assets	1,119,390,261	15,371,627	1,104,018,634	885,429,355
Total non-current assets	**1,711,098,937**	**142,612,798**	**1,568,486,140**	**1,330,668,229**
CURRENT ASSETS				
Inventories and work-in-progress	59,710,901	1,188,655	58,522,245	69,320,725
Advances and downpayments made	4,389,475		4,389,475	3,381,043
Clients and linked accounts	19,201,252	5,668,795	13,532,457	12,905,876
Other receivables	1,726,312,581	5,477,739	1,720,834,842	1,389,882,646
Short-term investments	11,232,763		11,232,763	128,353,127
Cash	265,272,241		265,272,241	342,753,072
Prepaid expenses	9,254,733		9,254,733	6,100,607
Total current assets	**2,095,373,946**	**12,335,190**	**2,083,038,756**	**1,952,697,097**
Deferred charges		-	-	-
TOTAL ASSETS	**3,806,472,883**	**154,947,987**	**3,651,524,896**	**3,283,365,326**

Equity and liabilities *(in euros)*	31/12/2015	31/12/2014
EQUITY		
Share capital	75,342,114	69,459,866
Share premiums and reserves	569,526,433	425,097,055
Retained earnings	901,676	3,220,202
Net profit for the year	11,238,594	7,511,357
Regulated provisions	6,391,832	4,815,761
Total equity	**663,400,650**	**510,104,241**
PROVISIONS FOR LIABILITIES AND CHARGES	**34,907,689**	**27,966,432**
LIABILITIES		
Borrowings and financial liabilities	2,278,936,390	2,146,181,615
Advances and downpayments received	5,143,947	4,471,298
Trade payables	45,385,852	59,289,919
Tax and payroll liabilities.	79,636,509	89,932,198
Other liabilities	518,146,888	406,816,502
Prepaid income	25,966,970	38,603,119
Total liabilities	**2,953,216,557**	**2,745,294,652**
Unrealised currency gains		
TOTAL LIABILITIES	**3,651,524,896**	**3,283,365,326**

NOTES TO THE STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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1. Accounting principles, significant events of the year and events after the balance sheet date

1.1 ACCOUNTING PRINCIPLES

The Company applies the provisions of ANC regulation no. 2014-03 relating to the General Accounting Plan when preparing its financial statements.

Generally accepted accounting principles were applied, in compliance with the principle of prudence and in accordance with the following basic assumptions:

* 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.

1.2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used are as follows:

1.2.1 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) Where applicable, 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.

The 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 statements 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.

1.2.2 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.

1.2.3 Investments in subsidiaries, long-term securities 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.

1.2.4 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 as a block 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.

1.2.5 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 24 months past due: 50%;
* Receivables more than 36 months past due: 100%.

1.2.6 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at bank and risk-free, short-term accounts.

1.2.7 Stock options and share warrants

On 17 August 2009, ORPEA issued bonds with redeemable warrants to subscribe for new or existing shares (OBSAAR). This led to the creation of 1,190,787 warrants. These warrants were exercisable from 14 August 2011 to 14 August 2015 inclusive and entitled the holders to 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.

159,308 share warrants were exercised in 2015 and 2,248 expired.

1.2.8 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.

1.2.9 Liabilities

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 spread over the life of the liability, except where they are directly attributable to the acquisition, construction or production of an asset. In this case, they are included in the cost of the asset.

1.2.10 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 2015, the Company continued its interest rate risk management policy, which is to build up a portfolio of financial instruments that qualify for hedge accounting.

1.2.11 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 to third parties of properties built or developed by the Company. Corresponding changes in work in progress are recognised through profit or loss under "increase or decrease in work in progress".

1.2.12 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.

1.2.13 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. 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.

1.3 INTERNAL RESTRUCTURING

In order to streamline its structure, the Company carried out internal restructuring at the end of the year, merging four of its subsidiaries: SAS Le Clos d'Alienor, SAS Les Jardins d'Alienor, SARL Gestihome Senior and SARL Maison de Retraite du Château de Pile.

The various assets and liabilities of these subsidiaries were taken over and posted in the financial statements of ORPEA on the effective date of their merger in 2015.

These transactions resulted in the recognition of a merger loss of €6,338 thousand, allocated to intangible assets.

1.4 SIGNIFICANT EVENTS OVER THE YEAR

Since 1 January 2015, the Company has continued its development by opening six facilities (501 beds) following the completion of construction projects initiated in prior years. These facilities are located in Paris 16th arr., Andernos les Bains, Loos, Joinville, Cabriès and Moulin Neuf.

ORPEA also pursued its external growth policy through the acquisition of one business in Châteauneuf Villevieille, in France.

During the 2015 financial year, the Company acquired, directly or indirectly:

- in Austria: the SENECURA Group with fifty-six facilities for a total of 4,293 beds (including 3 facilities with 300 beds in the Czech Republic);
- in Germany:
  - the CELENUS KLINIKEN Group with fifteen facilities for a total of 2,602 beds,
  - the Residenz Gruppe Bremen Group with thirty-eight facilities for a total of 3,006 beds.

Lastly, the Company has also made some ad hoc acquisitions, directly or via companies, of standalone assets necessary for its expansion, comprising intangible property and operating rights.

The conversion of OCEANE bonds meeting the applicable requirements on 22 December 2014 was completed on 4 February 2015.

In 2015, the Company issued new Schuldscheindarlehen type loans for an amount of €350 million.

At their maturity on 14 August 2015, the bonds with redeemable share warrants (OBSAAR) had been repaid in full.

1.5 EVENTS AFTER THE BALANCE SHEET DATE

ORPEA continued its international expansion with the acquisition of the VITALIS Group of 25 facilities in Germany (2,487 beds) and the MEDI-SYSTEM Group of 7 facilities in Poland (704 beds).

2. Notes to the financial statements

N.B.: Amounts are expressed in euros unless expressly stated otherwise.

2.1 BALANCE SHEET

2.1.1 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	1,302,562	3,870			1,440	1,307,872
Goodwill	266,295,586	7,494,304			6,778,173	280,568,063
Other intangible assets	1,519,408	(3,423)				1,515,985
Downpayments on intangible assets	5,967,814	1,900,000		(6,086,025)		1,781,789
TOTAL	**275,088,280**	**9,394,751**	**0**	**(6,086,025)**	**6,779,613**	**285,176,619**

Movements in amortisation of gross intangible assets:

Depreciation/amortisation	Start of year	Increase	Decrease	Mergers	End of year
Set-up costs	133	68			201
Concessions, patents	1,058,900	46,316		1,440	1,106,657
Goodwill	0				0
Other intangible assets	711,652	7,233			718,885
Downpayments on intangible assets	0				0
TOTAL	**1,770,685**	**53,619**	**0**	**1,440**	**1,825,744**

PROPERTY, PLANT AND EQUIPMENT

Movements in gross property, plant & equipment:

Gross value	Start of year	Increase	Decrease	Reclassification	Mergers	End of year
Land	5,586,024			1,512,619		7,098,643
Buildings	179,848,400	1,018,351	7,143,707	22,477,294	1,119,006	197,319,344
Technical and General	46,330,097	5,808,806	504,906	(1,209,490)	230,381	50,654,887
Transport equipment	464,626	36,055	1,230		116	499,567
Property, plant and equipment in progress	22,436,303	11,527,935	(61,259)	(16,667,616)	48,083	17,405,964
Other tangible assets	31,394,746	1,374,887	330,415	789,500	324,934	33,553,653
TOTAL	**286,060,197**	**19,766,035**	**7,919,000**	**6,902,307**	**1,722,520**	**306,532,057**

Movements in amortisation of gross property, plant & equipment:

Depreciation/amortisation	Start of year	Increase	Decrease	Reclassification	Mergers	End of year
Land	28,671	(4,365)				24,306
Buildings	56,213,953	7,885,927	2,908,753	276,430	579,808	61,494,506
Technical and General	34,762,899	4,124,258	42,260		188,088	39,032,985
Transport equipment	358,972	35,042	1,230		44	392,828
Other tangible assets	22,774,424	1,646,629	249,122		298,870	24,470,801
TOTAL	**114,138,919**	**13,687,491**	**3,201,366**	**276,430**	**1,066,811**	**125,415,427**

FINANCIAL ASSETS

Movements in gross financial assets:

Gross value	Start of year	Increase	Decrease	Reclassification	Mergers	End of year
Equity investments	823,006,254	240,621,451	4,748,561		(7,972,158)	1,050,906,986
Other equity interests	6,985					6,985
Receivables related to investments	55,791,126					55,791,126
Loans	9,406,017	1,037,636	1,782,280		22,887	8,684,260
Other non-trading assets	4,573,121	55,559,299	56,224,600		93,085	4,000,905
TOTAL	**892,783,503**	**297,218,386**	**62,755,441**	**0**	**(7,856,186)**	**1,119,390,261**

The increase in equity investments is primarily the result of a capital increase by the property subsidiary SARL NIORT 94 for €231 million.

The changes in “other financial assets” were primarily caused by treasury share transactions.

Loans and other financial assets break down as follows:

	31/12/2015	up to 1 year	over 1 year
Loans	8,684,260	33,848	8,650,412
Deposits and guarantees	3,364,123		3,364,123
Treasury shares	636,781	636,781	
TOTAL	**12,685,165**	**670,629**	**12,014,536**

The General Meeting of Shareholders of 29 June 2006 authorised a share repurchase programme. This programme has a number of aims: to allow the Company to provide liquidity and stimulate the market, and to optimise its capital management. 11,442 treasury shares were held under the programme on 31 December 2015.

Movements in provisions against financial assets:

Provisions	Start of year	Increase	Decrease	Mergers	End of year
Equity securities	7,315,041	9,052,686		(1,035,207)	15,332,520
Loans	39,107				39,107
TOTAL	**7,354,148**	**9,052,686**	**0**	**(1,035,207)**	**15,371,627**

2.1.2 List of subsidiaries and equity interests

Company	Share capital	Share of capital held	Profit or loss for the last financial year	Equity 2015	Carrying amount of securities 2015	
					Gross	Net
SCI Route des Ecluses	303,374	99%	309,174	2,269,284	303,374	303,374
SCI Les Rives d'Or	1,524	99%	34,763	1,876,626	933,755	933,755
SCI du Château	1,524	99%	343,492	2,982,863	1,353,340	1,353,340
SCI Tour Pujols	1,524	99%	333,764	2,334,055	1,364,795	1,364,795
SCI La Cerisaie	1,524	99%	39,950	2,186,801	47,224	47,224
SCI Val de Seine	1,524	99%	301,477	(3,185,481)	711,307	711,307
SCI Cliscouet	1,524	99%	433,928	1,780,105	1,494	1,494
SCI Age d'Or	2,549,161	99%	191,103	12,218,880	6,234,540	6,234,540
SCI Gambetta	1,524	99%	131,356	5,369,418	1,509	1,509
SCI Croix Rousse	1,524	99%	(1,218,155)	4,582,466	1,509	1,509
SCI Les Dornets	1,524	99%	29,084	1,238,501	1,494	1,494
SCI Château d'Angleterre	1,646	99%	254,894	8,039,455	1,763,577	1,763,577
SCI Montchenot	1,524	99%	57,922	10,823,747	1,286,933	1,286,933
SCI 115 rue de la Santé	1,524	90%	(641,175)	11,405,211	1,372	1,372
SCI Abbaye	1,524	90%	(1,170,613)	(4,776,649)	344,410	344,410
SCI Les Tamaris	1,524	99%	(31,301)	2,264,038	1,357	1,357
SCI Passage Victor Marchand	1,524	99%	(172,489)	3,051,098	1,509	1,509
SCI Fauriel	1,524	99%	(1,651,099)	(11,583,482)	1,618,841	1,618,841
SCI Port Thureau	1,524	99%	17,361	1,231,834	63,708	63,708
SCI de l'Abbaye	1,524	99%	301,242	900,395	1,509	1,509
SCI Les Maraichers	1,524	99%	478,369	2,077,551	99,595	99,595
SCI Bosguerard	1,524	99%	136,094	1,145,105	1,274,306	1,274,306
SCI Le Vallon	1,524	90%	(1,045,737)	4,504,547	2,033,228	2,033,228
SCI Brest Le Lys Blanc	1,524	98%	(1,791,652)	(13,728,798)	1,494	1,494
SCI Bel Air	1,524	99%	(109,876)	(92,962)	335,837	335,837
SAS CLINEA	194,008,608	100%	30,993,869	307,125,764	203,855,563	203,855,563
SARL Les Matines	7,622	100%	867,552	(3,582,786)	7,622	7,622
SARL Bel Air	1,265,327	100%	265,615	4,146,655	840,604	840,604
SARL Amarmau	7,622	100%	(34,369)	(1,098,702)	7,622	7,622
SARL 94 Niort	231,000,000	100%	21,769,136	265,445,333	231,000,000	231,000,000
SARL 95	7,700	100%	(85,412)	(716,303)	7,700	0
SCI Sainte Brigitte	1,525	100%	(27,501)	(664,843)	1,524	1,524
SARL VIVREA	150,000	100%	(789,711)	(3,485,600)	150,000	150,000
SA LES CHARMILLES	76,225	98%	39,809	4,241,044	3,092,517	3,092,517
SCI KOD'S	22,650	100%	59,326	585,655	68,116	68,116
SARL LA BRETAGNE	277,457	100%	(266,927)	(1,428,842)	41,300	41,300
SARL RESIDENCE LA VENITIE	13,300	100%	(103,253)	(573,997)	796,267	796,267
SARL L'ATRIUM	7,622	100%	115,700	(623,035)	985,140	985,140
SA BRIGE	1,200,000	100%	(171,795)	(217,075)	670,000	670,000
SRLORPEA ITALIA	3,350,000	5%	(3,831,871)	891,335	682,862	682,862
SCI LES TREILLES	15,245	99.99%	52,936	2,240,534	2,363,698	2,363,698
SCI LES MAGNOLIAS	1,525	99%	(456,866)	(3,030,732)	1,510	1,510
SCI le Barbaras	182,939	100%	54,263	6,504,779	821	821
SARL DOMEA	100,000	100%	98,972	179,430	100,000	100,000
SARL 96	7,700	100%	309,195	2,801,374	6,930	6,930
SCI BEAULIEU	3,049	100%	(2,757)	(59,811)	30,490	0
SAS LA SAHARIENNE	1,365,263	100%	(417,426)	(1,028,060)	5,712,440	5,712,440
SARL ORPEA DEV	100,000	100%	(1,067)	874,804	100,000	100,000
SAS ORGANIS	37,000	100%	196,456	(78,757)	11,775,946	9,825,946
GRUPO CARE	63,921	100%	5,336,026	10,226,012	19,228,321	19,228,321

Company	Share capital	Share of capital held	Profit or loss for the last financial year	Equity 2015	Carrying amount of securities 2015	
					Gross	Net
DINMORPEA	5,000	100%	(310,101)	(291,570)	5,000	5,000
SRL CASA MIA IMMOBILIARE	20,000,000	100%	226,892	14,290,430	13,089,120	13,089,120
SA ORPEA BELGIUM	81,500,000	99.99%	31,215,697	173,843,850	65,479,233	65,479,233
SA DOMAINE DE CHURCHILL	815,012	100%	499,709	17,280,236	12,135,729	12,135,729
SA DOMAINE DE LONGCHAMP	65,026	10%	(83,915)	11,898,642	1,414,449	1,414,449
SA LONGCHAMPS LIBERTAS	90,000	100%	797,209	1,330,537	554,719	554,719
SA RS DOMAINE DE CHURCHILL	265,039	100%	(65,131)	380,469	3,075,311	3,075,311
TRANSAC CONSULTING CORPORATION	3,009	100%	0	(9,473)	1,823,231	1,823,231
SAS Résidence St Luc	37,200	100%	(60,554)	(4,386,199)	2,644,007	0
SARL Benian	1,000	20%	(372)	(41,904)	300,200	0
SCI JEM II	152	90%	56,031	493,900	883,500	883,500
SARL La Doyenne de Santé	8,000	50%	(2,986)	(329,821)	1,267,425	1,267,425
SA Gerone	500,000	100%	(101,592)	1,171,434	2,982,451	2,982,451
SCI Douarnenez	1,500	100%	(230,646)	(1,474,314)	1,485	1,485
SCI Barbacane	1,524	1%	23,607	951,824	15	15
SCI Selika	10,671	0.14%	44,165	5,658,059	15	15
SCI SLIM	762	100%	83,115	889,784	1,830	1,830
SCI SAINTES BA	1,524	1%	(176,301)	3,325,569	15	15
SCI Les Anes	1,000	0.10%	(454,247)	(1,989,659)	1	1
SARL L'Ombrière	8,000	100%	(12,683)	(792,444)	822,027	0
SAS MDR La Cheneraie	254,220	2%	28,687	(955,624)	146,044	146,044
SARL IDF resid Ret.Le Sophora	7,622	10%	(38,208)	(1,460,719)	80,000	80,000
SNC les Jardins d'Escudie	100,000	100%	(307,167)	(4,498,541)	824,310	824,310
SA Résidence du Moulin	38,112	100%	(208,299)	(2,851,024)	2,100,466	0
SC Les Praticiens	87,600	1%	1,574	65,526	67,009	0
SAS Résidence La cheneraie	2,537,040	100%	74,104	6,229,924	7,324,746	7,324,746
SA EMCEJIDEY	293,400	100%	65,906	2,687,543	4,419,887	4,419,887
SARL Résidence du Parc	18,560	100%	(33,560)	(15,314)	5,810	5,810
SCI du Fauvet	1,524	10%	(1,988,843)	(1,593,815)	68,306	68,306
OPCI	5,301,885	5.02%	165,044	5,033,586	479,732	479,732
SAS SFI France	4,000,000	51%	2,584,554	888,511	23,305,520	23,305,520
SCI Ansi	22,867	0.1%	114,279	5,371,464	40,399	40,399
SARL Viteal les Cedres	50,000	100%	(53,189)	(1,583,196)	85,039	0
SA Le Vieux Château	50,000	100%	(164,637)	(1,552,250)	367,647	367,647
SAS Home La Tour	40,600	100%	132,862	(412,650)	2,797,720	0
SAS MÉDITER	69,650,000	100%	2,427,429	128,145,245	169,198,343	169,198,343
SNC des Parrans	7,622	100%	(59,921)	(370,115)	1,399,856	0
SAS Holding Mandres	8,000	100%	166,866	850,203	3,325,832	3,325,832
SNC Les Acanthes	7,622	100%	(199,244)	(313,460)	1,468,434	0
SA Le Clos St Grégoire	38,173	100%	139,975	2,033,489	4,676,964	4,676,964
SA Rive Ardente	135,000	100%	153,995	2,294,035	5,062,487	5,062,487
SA Immobilière de Santé	7,828,400	49%	0	5,226,201	13,210,000	13,210,000
SARL DOMIDOM	4,992,525	100%	(712,373)	(2,720,896)	12,316,082	12,316,082
GCS	100,000	12.50%	0	1,016,576	23,300	23,300
SAS Immo Nevers	5,000	100%	2,173,949	4,337,688	5,000	5,000
SCI Castelviel	152	50%	(234,734)	(2,528,661)	763,650	0
SAS St Jean	16,000	100%	(49,113)	(185,462)	3,135,916	3,135,916
SCI Super Aix	228,674	13%	(24,581)	1,933,442	478,537	478,537
SAS Actiretraite Montgeron	4,000	100%	(299,383)	(1,256,264)	746,843	0
Groupe SENEVITA AG	165,600	100%	(877,284)	(742,339)	101,518,009	101,518,009

Company	Share capital	Share of capital held	Profit or loss for the last financial year	Equity 2015	Carrying amount of securities 2015	
					Gross	Net
SILVER CARE GROUP	18,031,082	100%	2,180,243	47,788,297	65,496,461	65,496,461
SARL Les Buissonnets	80,000	100%	404,866	1,829,175	80,000	80,000
SCI Parc Sst Loup	150,000	100%	(19,729)	(440,649)	149,079	0
SCI Larry	150,000	100%	(35,363)	3,344,479	150,621	150,621
SA China Holding	1,000,000	100%	(240,011)	778,846	1,000,000	1,000,000
SARL Résidence de Balbigny	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Parc de Royat	10,000	100%	0	10,000	10,000	10,000
SARL Maison de l'AAR	10,000	100%	0	10,000	10,000	10,000
SARL Résidence de L'Ambène	10,000	100%	0	10,000	10,000	10,000
SARL Résidence L'Angélique	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Saint Martial	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Marquisat	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Parc des Noues	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Les Pergolas	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Du Lac	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Saint Honorat	10,000	100%	0	10,000	10,000	10,000
SARL Résidence L'Atrium	10,000	100%	0	10,000	10,000	10,000
SARL Les Jardins d'Aurillac	10,000	100%	0	10,000	10,000	10,000
SCI RSS Aurillac	10,001	49%	0	10,001	4,901	4,901
SCI RSS Cogolin	10,000	49%	0	10,000	4,900	4,900
SCI RSS St Quentin	10,000	49%	0	10,000	4,900	4,900
CEECSH	6,162,600	100%	(1,507,600)	18,461,374	13,845,500	13,845,500
CHINA CO.	2,638,286	85%	(2,336,811)	(108,722)	2,250,794	2,250,794
Other securities					364,656	364,656
Other securities (access)					194,505	194,505
TOTAL					**1,050,906,987**	**1,035,574,467**

2.1.3 Inventories and work in progress

	31/12/2015			31/12/2014
	Gross	Provisions	Net	Net
Minor equipment and supplies	1,764,449		1,764,449	1,698,916
Current real estate	57,946,452	1,188,655	56,757,797	67,621,809
TOTAL	**59,710,901**	**1,188,655**	**58,522,245**	**69,320,725**

Net real estate work-in-progress of €56,757,797 incorporates finance costs incurred during the construction period which amounted to €4,708,676 at year-end, compared to €6,564,650 at the end of 2014.

These finance costs have been capitalised at an average rate of 4.15%, versus 4.30% in 2014.

2.1.4 Receivables

	31/12/2015			31/12/2014
	Gross	Provisions	Net	Net
Clients and linked accounts	19,201,252	5,668,795	13,532,457	12,905,876
Tax and social security receivables	68,596,576		68,596,576	40,951,124
Group and associates	1,430,399,233		1,430,399,233	1,223,919,480
Sundry debtors	227,316,774	5,477,739	221,839,034	125,012,042
TOTAL	**1,745,513,833**	**11,146,535**	**1,734,367,299**	**1,402,788,522**

All receivables are due in less than one year.

Movements in provisions for impairment of financial assets:

	Start of year	Provision for the year	Reversal in the year	Mergers	End of year
Trade receivables	5,482,164	2,361,833	2,175,202		5,668,795
Other sundry debtors	764,736	4,714,869	1,865		5,477,739
TOTAL	**6,246,900**	**7,076,702**	**2,177,067**	**0**	**11,146,535**

2.1.5 Inventories of securities

Net Book Value	31/12/2014	Acquisitions	Disposals	Provisions	Mergers	31/12/2015
Short-term investments*	128,260,245	26,302,252	143,422,616			11,139,882
Shares reserved for employees	92,882					92,881
(numbers)	(2,715)					(2,711)

* *No impairment losses were recognised against marketable securities as their fair value was higher than their carrying amount.*

2.1.6 Composition of the share capital

	Number of shares issued	Share capital	Share premiums and reserves	Retained earnings	Net profit for the year	Regulated provisions	Dividends	Total equity
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
Net profit at 31/12/2014					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**
Appropriation of net profit			(34,624,431)	(2,318,526)	(7,511,357)		44,454,314	0
Stock option plan								0
Capital increase								0
Exercise of share warrants	169,210	211,513	5,827,996					6,039,509
Exercise OCEANE	4,536,588	5,670,735	173,225,810					178,896,545
Dividends							(44,454,314)	(44,454,314)
Regulated provisions						1,576,071		1,576,071
Net profit at 31/12/2015					11,238,594			11,238,594
As at 31/12/2015	**60,273,691**	**75,342,114**	**569,526,433**	**901,676**	**11,238,594**	**6,391,832**	**0**	**663,400,650**

The share capital at year-end was €75,342,114 divided into 60,273,691 shares each with a par value of €1.25.

On 4 February 2015, the OCEANE conversion was completed, thereby creating 4,536,588 new shares as part of a capital increase with a par value of €5,671 thousand.

Following the exercise of share warrants during the year, the Company carried out a capital increase with a par value of €212 thousand, thus creating 169,210 new shares.

The General Meeting of Shareholders of 23 June 2015 approved the payment of a dividend in respect of the 2014 financial year of €0.80 per share, representing a total of €44,454,314 paid at end-July 2015.

2.1.7 Provisions

	Start of year	Provision for the year	Transfer from year (used provisions)	Transfer from year (unused provisions)	Mergers	End of year
Labour disputes	4,083,459	1,973,424	971,981	805,413	190,227	4,469,713
Other	23,882,976	6,555,000				30,437,976
PROVISIONS FOR LIABILITIES AND CHARGES	**27,966,432**	**8,528,424**	**971,981**	**805,413**	**190,227**	**34,907,689**

"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 €27 million on 31 December 2015. No reversal has been noted with regard to payments made to the authorities over the course of the year which amounted to €22.5 million, due to the fact that ORPEA is appealing the adjustment notification that it has received.

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.

2.1.8 Liabilities

	31/12/2015	31/12/2015	31/12/2014	31/12/2014
Borrowings and financial liabilities	2,278,936,390		2,146,181,615	
Debts maturing in one year or less		*417,240,820*		*742,446,823*
Liabilities payable after more than one year and less than 5 years		*1,425,635,161*		*1,133,482,596*
Liabilities maturing in over 5 years		*436,060,410*		*270,252,196*
Trade payables	45,385,852		59,289,919	
Debts maturing in one year or less		*45,385,852*		*59,289,919*
Liabilities payable after more than one year and less than 5 years				
Liabilities maturing in over 5 years				
Tax and payroll liabilities.	79,636,509		89,932,198	
Debts maturing in one year or less		*79,636,509*		*89,932,198*
Liabilities payable after more than one year and less than 5 years				
Liabilities maturing in over 5 years				
Group and associates	438,869,143		309,073,183	
Debts maturing in one year or less		*438,869,143*		*309,073,183*
Liabilities payable after more than one year and less than 5 years				
Liabilities maturing in over 5 years				
Sundry liabilities	79,277,745		97,743,319	
Debts maturing in one year or less		*47,571,472*		*68,516,101*
Liabilities payable after more than one year and less than 5 years		*31,706,273*		*29,227,218*
Liabilities maturing in over 5 years				
TOTAL	**2,922,105,640**	**2,922,105,640**	**2,702,220,234**	**2,702,220,234**

Loans contracted during the year amounted to €724,894 thousand and loans repaid amounted to €567,630 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: 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 approved by the AMF under no. 09-225 on 15 July 2009.

At their maturity on 14 August 2015, these bonds had been repaid in full.

OCEANE: During 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.

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.

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.

In 2015, 2 ORNANE were exercised but did not lead to the creation of new shares, due to the fact that the two shares issued were taken from existing treasury shares.

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,
  * 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;
* 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;
* 900 bonds at a unit price of €100,000, totalling €90 million. These bonds will be redeemed on 4 December 2026.

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;
* 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.

And during 2015, the Company carried out two bond issues:

* 200 bonds at a unit price of €100,000, totalling €20 million (securities note approved by the AMF under no. 15-635). These bonds will be redeemed on 22 December 2022;
* 60 bonds at a unit price of €100,000, totalling €6 million (securities note approved by the AMF under no. 15-635). These bonds will be redeemed on 22 December 2025.

Furthermore, in 2014, the Group also issued a Schuldscheindarlehen type loan in the amount of €203 million and a bond issue on the Euro PP market with the issue of 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.

Over the course of the year, the Company issued new Schuldscheindarlehen type loans for an amount of €350 million.

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:

$$R1 = \frac{\textit{Consolidated net financial debt (excluding property debt)}}{\textit{Consolidated EBITDA -6\% of property debt}}$$

and

$$R2 = \frac{\textit{Consolidated net financial debt}}{\textit{Equity + quasi equity (i.e. deferred tax liabilities linked to the valuation of operating intangible assets under IFRS in the consolidated financial statements).}}$$

On 31 December 2015, these ratios were 2.9 and 1.4 respectively, within the required limits, which were mainly 5.5 for R1 and 2.0 for R2 as at 31 December 2015.

2.1.9 Financial instruments

At 31 December 2015, as at 31 December 2014, the derivatives portfolio included fixed for floating (mainly three-month Euribor) interest rate swaps. 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 2015, the maturity of the interest rate derivatives was as follows:

	Maturity *(in millions of euros)*				
	2016	2017	2018	2019	2020
Average notional amount *(in millions of euros)*	1,402	1,396	1,348	1,285	1,211
Effective rate	1.8%	1.7%	1.6%	1.1%	1.0%

At the end of 2014, the maturity of the interest rate derivatives was as follows:

	Maturity *(in millions of euros)*				
	2015	2016	2017	2018	2019
Average notional amount *(in millions of euros)*	1,361	1,392	1,323	1,198	842
Effective rate	2.3%	1.8%	1.7%	1.7%	1.3%

The fair value of hedging instruments at 31 December 2015, i.e. (€82.5) million, is not posted on the balance sheet date but recorded symmetrically with the hedged items on maturity of each contract.

At 31 December 2014, this fair value was (€102.4) million.

2.1.10 Other

ACCRUED EXPENSES

	31/12/2015	31/12/2014
Borrowings and financial liabilities	18,616,291	23,554,465
Trade payables	17,835,686	14,751,422
Tax, social and sundry liabilities	44,906,516	41,366,634
TOTAL	**81,358,493**	**79,672,522**

ACCRUED INCOME

	31/12/2015	31/12/2014
Financial receivables	42,445	62,926
Clients and linked accounts	6,267,672	3,909,639
Other receivables	20,879,529	11,394,667
TOTAL	**27,189,646**	**15,367,232**

PREPAID EXPENSES

	31/12/2015	31/12/2014
Operation	1,444,942	663,331
Financial	7,809,790	5,437,276
Extraordinary		0
TOTAL	**9,254,733**	**6,100,607**

The change was mainly caused by prepaid expenses relating to the costs associated with the bond issues carried out this year.

PREPAID INCOME

	31/12/2015	31/12/2014
Operation	25,966,970	38,603,119
TOTAL	**25,966,970**	**38,603,119**

This item recorded (i) prepaid income from off-plan sales of €14,535 thousand and (ii) the portion of medical care allowances yet to be recognised in future expenses (€11,432 thousand).

2.1.11 Related-party disclosures

Entities	Other receivables	Other liabilities	Other financial income	Financial expenses
Subsidiaries 100% owned by the Group	1,430,399,233	438,869,143	53,886,911	13,984,142
Other subsidiaries	29,906,128	131,743	1,387,336	143,348

2.2 PROFIT AND LOSS ACCOUNT

2.2.1 Revenue

	31/12/2015	31/12/2014
Operation of nursing homes	663,218,064	608,100,399
Disposal of real estate	23,830,256	16,993,736
TOTAL	**687,048,320**	**625,094,135**

2.2.2 Operating income

	31/12/2015	31/12/2014
Operation of nursing homes	663,218,064	608,100,399
Operating revenues	**663,218,064**	**608,100,399**
Disposal of real estate	23,830,256	16,993,736
Inventory change	(25,084,224)	(22,300,245)
Income from real estate activity	**(1,253,968)**	**(5,306,508)**
Capitalised production	12,382,560	10,441,228
Operating subsidies	84,731	228,769
Provisions and charge transfer	16,117,444	14,418,958
Other income	127,588	277,462
Other operating income	**28,712,323**	**25,366,417**
TOTAL OPERATING INCOME	**690,676,418**	**628,160,308**

2.2.3 Expenses transfer

	31/12/2015	31/12/2014
Restructuring and development costs	1,135,348	1,254,348
Capitalised expenses	5,152,298	3,308,194
Insurance payouts	264,715	551,246
Provident fund payouts	3,452,401	3,222,017
Training refunds	2,612,934	2,755,876
Sickness payouts	128,730	174,614
Finance charges on real estate projects	2,009,460	2,548,148
Other	2,446	2,032
TOTAL	**14,758,334**	**13,816,476**

2.2.4 Net finance cost

	31/12/2015	31/12/2014
Interest on bank borrowings and other financial charges	(50,700,998)	(53,499,781)
Net losses on financial instruments	(31,003,994)	(27,283,512)
Foreign exchange loss	(230,996)	(9,483)
Provisions for securities impairment	(9,052,686)	(4,805,113)
Other charges	(13,362)	(8,550)
Income from investments	20,004,900	13,009,000
Net gains on inter-company current account	41,146,757	36,976,689
Capitalised financial expenses	2,009,460	2,548,148
Net income from sale of marketable securities	384,910	285,329
Foreign exchange gains		257
Other income	5,514	26,918
NET FINANCE COST	**(27,450,495)**	**(32,760,096)**

Income from investments essentially corresponds to €20,000,000 in dividends paid by CLINEA SAS.

2.2.5 Exceptional items

	31/12/2015		31/12/2014	
Extraordinary Income		**49,967,098**		**28,740,064**
On management transactions	*616,724*		*940,761*	
On investment transactions	*48,760,289*		*26,946,737*	
Including the sale of equity interests	*5,000,000*		*4,959,359*	
Provision and charge transfer	*590,084*		*852,565*	
Extraordinary charges		**60,086,016**		**31,178,966**
On management transactions	*3,003,060*		*3,631,777*	
Including cost on initial recognition	*1,135,348*		*2,279,019*	
Including caretaking costs	*875,778*		*428,869*	
Including property disputes	*837,113*		*799,841*	
On investment transactions	*50,056,252*		*25,798,016*	
Including the sale of equity interests	*4,435,880*		*3,372,359*	
Extraordinary depreciation/amortisation, impairments and provisions	*7,026,704*		*1,749,172*	
Including development-related expenses	*4,500,000*			
EXCEPTIONAL ITEMS		**(10,118,919)**		**(2,438,903)**

	31/12/2015	31/12/2014
Capital gains and losses on asset disposals	(1,234,406)	1,217,286
Restructuring and development costs	(2,246,998)	(2,676,260)
Provisions for sundry debtors	(4,860,548)	250,168
Special depreciation/amortisation	(1,576,071)	(1,145,375)
Other	(200,895)	(84,721)
EXCEPTIONAL ITEMS	**(10,118,919)**	**(2,438,903)**

2.2.6 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 2015, the ORPEA tax group's aggregate net profit was €75,008,298, including ORPEA SA's tax loss of €6,798,098 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 €5,112,712, broken down as follows:

	Before tax	Corporation tax	After tax
Operating profit	53,920,720	(15,447,069)	38,473,651
Net finance cost	(27,450,495)	8,461,577	(18,988,918)
Exceptional items	(10,118,919)	3,864,066	(6,254,853)
Tax on dividends and other		(1,991,286)	(1,991,286)
ACCOUNTING RESULT	**16,351,306**	**(5,112,712)**	**11,238,594**

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 thousand,
  * Tax deferred unrealised gains on securities arising as a result of mergers: €24,419 thousand;
* Deductions to be made in future years:
  * Organic social security organisation: €1,079 thousand,
  * Unrealised gain on mutual funds: €27 thousand.

3. Financial commitments and other information

3.1 OFF-BALANCE SHEET COMMITMENTS

Debt-related commitments

FINANCIAL COMMITMENTS

Contractual commitments *(in thousands of euros)*	31/12/2015	31/12/2014
Counter-indemnities on contracts		
Assigned claims not yet due (Daily slips, etc.)	21,407	19,516
Pledges, mortgages and other securities	366,850	235,586
TOTAL	**388,257**	**255,102**

		Payments due by period		
Contractual commitments *(in thousands of euros)*	31/12/2015	less than one year	from 1 to 5 years	over 5 years
Long-term borrowings	2,278,936	417,241	1,425,635	436,060
Finance lease obligations	93,134	22,067	57,928	13,139
Operating leases				
Irrevocable purchase obligations				
Other long-term obligations				
TOTAL	**2,372,070**	**439,307**	**1,483,563**	**449,200**

FINANCE LEASES

	Property leases	Equipment leases
Initial value	54,638,637	75,104,301
Royalties for the year	5,637,183	13,950,806
Cumulative charges from previous years	23,931,020	14,068,632
Theoretical provision for the year	1,093,935	5,129,834
Cumulative amortisation for prior years	6,037,851	6,109,256
Royalties outstanding - one year	3,929,530	18,137,052
Royalties outstanding - over one year and up to five years	21,480,235	36,447,572
Royalties outstanding - over five years	13,139,460	0
Surrender value	14,910,001	413,294

Commitments to employees

The amount of employee retirement benefit obligations, determined using a projected unit credit method, amounted in 2015 to €9,737 thousand, compared to €9,748 thousand in 2014.

The main actuarial assumptions at 31 December 2015 were:

- rate of salary increase: 2.50% taking account of inflation;
- discount rate: 1.96%;
- retirement age: 65 years;
- social security contribution rate: in line with 2016 figures.

The amount paid by the Company in retirement benefits amounted to €312,449 in 2015.

There were no material commitments in respect of long-service awards.

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:

- 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.

ORPEA has granted, in favour of the Belgian company INTORP, a lease payment guarantee for four properties leased by Belgian subsidiaries.

3.2 EMPLOYEES

At 31 December 2015, full-time equivalents employed by ORPEA SA were as follows:

	31/12/2015	31/12/2014
Managers	756	666
Employees/Workers	7,979	7,244
TOTAL	**8,735**	**7,910**

3.3 BENEFITS GRANTED TO DIRECTORS AND EXECUTIVE OFFICERS

The total amount of gross compensation, fees (excluding all taxes) and benefits paid during the 2015 financial year to ORPEA SA's corporate officers was €2,164 thousand.

Attendance fees for members of the Board of Directors for the 2015 financial year, paid in 2016, amounted to €265 thousand.

7.2 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.

Financial year ended 31 December 2015

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 2015, 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, 6 May 2016
The Statutory Auditors

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

COMBINED GENERAL MEETING OF 23 JUNE 2016

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8.1 AGENDA OF THE COMBINED GENERAL MEETING OF 23 JUNE 2016

8.1.1 Agenda of the Ordinary General Meeting

- Approval of the statutory and consolidated financial statements for the financial year ended 31 December 2015;
- The appropriation of net profit and the allocation of the dividend of €0.90 per share;
- Presentation of the Statutory Auditors' report on regulated agreements and commitments governed by articles L. 225-38 et seq. of the French Commercial Code – Approval of said Agreements;
- The appointment of Christian Hensley as a new Director;
- The expiry of the appointment of Deloitte & Associés as joint principal Statutory Auditors and of BEAS as joint alternate Statutory Auditors;
- 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);
- Ratification of the transfer of the Company's registered office;
- The authorisation given to the Board of Directors to trade in the Company's shares.

8.1.2 Agenda 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;
- Delegation of authority to the Board of Directors for the purpose of deciding to issue, with shareholders' preferential subscription rights, shares in the Company and/or transferable securities giving access to the Company's capital and/or transferable securities carrying rights to the allotment of debt securities;
- Delegation of authority to the Board of Directors for the purpose of deciding to issue, without shareholders' preferential subscription rights, shares in the Company and/or transferable securities giving access to the Company's capital and/or transferable securities carrying rights to the allotment of debt securities by public offer;
- Delegation of authority to the Board of Directors for the purpose of deciding to issue, without shareholders' preferential subscription rights, shares in the Company and/or transferable securities giving access to the Company's capital and/or transferable securities carrying rights to the allotment of debt securities, via private placements governed by section II of article L. 411-2 of the French Monetary and Financial Code;
- Authorization given to the Board of Directors to proceed to issue transferable securities under the 16th and 17th resolutions, with the issue price being freely determined up to a maximum of 10% of the capital per year;
- Delegation of authority to the Board of Directors for the purpose of proceeding with an increase in the share capital up to a maximum of 10% to pay for contributions in kind made to the Company, in the form of equity instruments or other transferable securities;
- Delegation of authority to the Board of Directors for the purpose of issuing transferable securities giving access to capital in a public exchange offer initiated by the Company;
- Authorisation to be given to the Board of Directors to increase the number of shares to be issued in the event of an issue, with or without shareholders' preferential subscription rights;
- Authorisation given to the Board of Directors to award existing or new shares free of charge to salaried employees and/or corporate officers of the Company or of related companies; waiver by the shareholders of their preferential subscription rights; duration of the authorisation; ceiling; duration of the vesting period;
- 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;
- Overall ceiling on capital increases;
- Delegation of authority to the Board of Directors for the purpose of proceeding with a capital increase through the capitalisation of premiums, reserves, profit or other items;
- Delegation of authority granted to the Board of Directors to issue transferable securities carrying rights to the allotment of debt securities and not leading to an increase in the Company's share capital;
- Amendment to article 25.1, sub-paragraph 25.1, of the articles of association in order to delete the reference to the legal deadline for preparing the list of persons entitled to participate in General Meetings of Shareholders;
- Amendment to article 29 of the articles of association in order to introduce the option to pay dividends in Company shares;
- Powers to carry out any necessary legal formalities.

8.2 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.

8.2.1 Resolutions submitted to the Ordinary General Meeting of Shareholders

I. APPROVAL OF THE STATUTORY FINANCIAL STATEMENTS (1ST AND 2ND RESOLUTIONS) AND APPROPRIATION OF NET PROFIT (3RD RESOLUTION)

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.

In the light of the reports of the Board of Directors and the Statutory Auditors, you are being asked to approve:

- ORPEA's financial statements for the year ended 31 December 2015, showing a profit of €11,238,593.97, compared to €7,511,356.58 in 2014 **(1st resolution)**;
- ORPEA's consolidated financial statements for the year ended 31 December 2015, showing a net profit of €126,585,655 , compared to €120,691,629 in 2014 **(2nd resolution)**.

For more information on these accounts and on the Company's performance during 2015, please refer to the information given in the Board of Directors' management report, which is included in the 2015 Registration Document.

The Board of Directors is asking you, after making an allocation to the legal reserve, to pay an ordinary dividend of €0.90 per share, representing an increase of 12.5% compared to the previous year's dividend.

The dividend would be paid on 11 July 2016, 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 60,273,691 shares in the capital as of 1 January 2016, the Board may adjust the global dividend amount by making a withdrawal from the "Retained earnings" account.

II. APPROVAL OF REGULATED AGREEMENTS AND COMMITMENTS (4TH ORDINARY RESOLUTION)

The special report of the Statutory Auditors indicates that there are two new agreements authorised by the Board of Directors at its meeting on 10 February 2016 and benefiting Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer.

The Board of Directors of 10 February 2016, acting on a proposal from the Appointments and Compensation Committee of 2 February 2016, approved the introduction of a scheme to award bonus shares to certain members of staff and executive corporate officers of ORPEA Group, including Yves Le Masne and Jean-Claude Brdenk. This incentive scheme provides for the allocation of 13,000 ORPEA shares to each of them, subject to continuing employment and performance conditions related to revenues and to EBITDA.

The allocation of bonus shares to them will become definitive and the ownership of these shares will be transferred to them on 10 April 2017, subject to the condition of continuing employment and according to the fulfilment of performance criteria.

However, with regards to this first scheme, the Board of Directors, following the opinion of the Appointments and Remuneration Committee, considered that it was in the Company's and Group's interest to recognise the major contribution made by Yves Le Masne and Jean-Claude Brdenk to the development of ORPEA Group over a period of several years and to continue to retain them by enabling them to benefit from the creation of value within the Group to which they are making a significant contribution through their expertise, motivation and performance.

The Board of Directors has therefore decided that the condition relating to the continuing employment in the Company or the Group of Yves Le Masne and Jean-Claude Brdenk, which applies for the allocation of this first bonus share scheme, will be deemed to be fulfilled in accordance with the same conditions as those set for their severance benefits, namely:

- 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
- 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.

III. BOARD OF DIRECTORS (5TH TO 12TH ORDINARY RESOLUTIONS)

The appointment of Christian Hensley as a new Director

The 5th resolution proposes that you appoint Christian Hensley as a Director for a term of four years expiring at the closure of the General Meeting of Shareholders called in 2020 to approve the financial statements for the year ending 31 December 2019.

Mr Hensley was put forward by the shareholder, CPPIB, whose holding now represents over 16% of voting rights, which gives it the option to be represented by a second Director under the terms of the Investment Agreement signed with the Company when it acquired its stake in the Company.

Before joining the Relational Investments Group of the Canada Pension Plan Investment Board (CPPIB) in 2012, Mr Hensley worked for eleven years in the investment capital and growth capital sector at Charterhouse Group and at Planier Capital. He began his career in the investment services division of Salomon Brothers, New York.

Mr Hensley has an MBA from Harvard Business School and is a graduate of Pennsylvania University.

Mr Hensley is currently a Board Member of 21st Century Oncology. He was previously a member of the Board of Directors of five companies in the business services, healthcare, communications and education sectors.

The Board of Directors has, on the advice of the Appointments and Remuneration Committee, reviewed this candidature and considered that Christian Hensley will be able to offer to the Board the benefit of his expertise in the healthcare and financial fields.

Although CPPIB holds over 10% of the Company's share capital, the Company's shareholder structure and the fact that ORPEA represents a very minority interest in the investment portfolio managed by CPPIB mean that the Board regards Christian Hensley as independent.

The expiry of the appointment of Deloitte & Associés as joint principal Statutory Auditors and of BEAS as joint alternate Statutory Auditors

The appointments of Deloitte & Associés as joint principal Statutory Auditors, and of BEAS as joint alternate Statutory Auditors, expire after this Ordinary General Meeting of Shareholders.

The **6th resolution**, on the recommendation of the Audit Committee, proposes the reappointment of Deloitte & Associés as joint principal Statutory Auditors, for a term of six years ending at the closure of the General Meeting of Shareholders called to approve the 2021 financial statements.

The **7th resolution**, on the recommendation of the Audit Committee, proposes the reappointment, for the duration of the appointment term of Deloitte & Associés, of BEAS as alternate Statutory Auditors.

It should be noted that the appointments of SAINT HONORE BK & A as joint principal Statutory Auditors and of SAINT HONORE SEREG as joint alternate Statutory Auditors continue until the closure of the annual General Meeting of Shareholders called to approve the financial statements for the year ending 31 December 2019.

Directors' fees

The purpose of the **7th resolution** is to increase the total amount of directors' fees allotted to the Board of Directors for the current year and for each subsequent year from €400,000 to €500,000 until such time as decided otherwise.

This amendment to the maximum amount of directors' fees is proposed to take into account the appointment of a new Director to the Board of Directors and its Committees. It also anticipates a larger Board of Directors as part of its ongoing thought leadership, in particular, with regards to the increased representation of women in its membership.

Opinion on compensation components due or awarded for 2015 to each of the executive corporate officers

In accordance with the recommendations of the AFEP-MEDEF Code as revised in November 2015, the corporate governance code which the Company applies pursuant to article L. 225-37 of the French Commercial Code, the purpose of the 9th, 10th and 11th resolutions is to consult the General Meeting of Shareholders regarding the compensation components due or awarded for 2015 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, 2015 Report of the Chairman of the Board of Directors).

Compensation components due or awarded for 2015 to Jean-Claude Marian, Chairman of the Board of Directors

Compensation components	Amounts (gross and before tax)	Presentation
Fixed compensation	€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. The amount of this compensation was unchanged in 2015.
Directors' fees	€25,000	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 compensation components: ● multiannual variable compensation; ● exceptional compensation; ● benefits in kind, stock options, bonus shares, supplementary retirement benefits; ● "severance benefits" clause, non-compete benefits.		

Compensation components due or awarded for 2015 to Yves Le Masne, Chief Executive Officer

Compensation components	Amounts (gross and before tax)	Presentation
Fixed compensation	€720,000	At its meeting of 25 March 2013, the Board of Directors, acting on a proposal by the Appointments and Remuneration Committee, set Mr Le Masne's gross annual fixed compensation at €720,000. This compensation was unchanged.
Variable compensation	€335,000	The variable component may be 50% of gross annual fixed compensation, but may reach 70% in the event of transactions or circumstances deemed exceptional by the Board. The criteria for evaluating the variable portion are 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.
Extraordinary compensation	€144,000	
Directors' fees	€25,000	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 Chief Executive Officer, for an amount equal to twenty-four (24) months of gross fixed and variable compensation (as a multiple of a monthly average of compensation due and paid for the previous two years); this is subject to performance conditions. This payment will be due 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 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 regular target variable compensation (i.e., excluding the extraordinary variable portion). In the event that the average variable compensation with respect to the two years preceding departure is between 74% and 50% of said target regular variable compensation, 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	Like other managers in the company, Mr Le Masne is covered by a collective agreement regarding disability and related benefits and employer-reimbursed healthcare that are part of the Group's contract.
Benefits in kind	€3,500	Mr Le Masne has been given a company car.
Unemployment insurance	€60,600	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.
During the 2015 financial year, Yves Le Masne was not entitled to stock options, bonus shares, supplementary retirement benefits or non-compete benefits.		

Compensation components due or awarded for 2015 to Jean-Claude Brdenk, Chief Operating Officer

Compensation components	Amounts (gross and before tax)	Presentation
Fixed compensation	€640,000	At its meeting of 17 November 2015, the Board of Directors, acting on a proposal by the Appointments and Remuneration Committee, set Mr Brdenk's gross annual fixed compensation at €640,000.
Variable compensation	€297,600	The variable component may be 50% of gross annual fixed compensation, but may reach 70% in the event of transactions or circumstances deemed exceptional by the Board. The criteria for evaluating the variable portion are 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.
Extraordinary compensation	€128,000	
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 Executive Officer, for an amount equal to twenty-four (24) months of gross fixed and variable compensation (as a multiple of a monthly average of compensation due and paid for the previous two years); this is subject to performance conditions. This payment will be due 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 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 regular target variable compensation (i.e., excluding the extraordinary variable portion). In the event that the average variable compensation with respect to the two years preceding departure is between 74% and 50% of said target regular variable compensation, 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 with Mr Brdenk. This commitment was approved by the General Meeting of Shareholders on 20 June 2013.
Benefits in kind	€4,500	Mr Brdenk has been given a company car.
Unemployment insurance	€60,600	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] January 2014. This commitment was approved by the General Meeting of Shareholders on 20 June 2013.
During the 2015 financial year, Jean-Claude Brdenk was not entitled to stock options, bonus shares, supplementary retirement benefits or non-compete benefits.		

Ratification of the transfer of the Company's registered office

The **12th resolution** asks you to ratify the decision taken by the Board of Directors at its meeting of 10 February 2016 to transfer the Company's registered office to 12 rue Jean Jaurès 92813 Puteaux.

IV. AUTHORISATION FOR THE COMPANY TO BUY BACK ITS OWN SHARES (13TH ORDINARY RESOLUTION)

Buyback of the Company's own shares – 13th ordinary resolution

The Combined General Meeting of Shareholders of 23 June 2015 authorised the Board of Directors to trade in the Company's own shares. The use made of the programme during the 2015 financial year is described in Chapter 2, section 2.2.10 – *Share buyback programme*.

The **13th resolution** proposes the renewal of the annual authorisation granted to the Board of Directors to buy back Company shares in accordance with articles L. 225-209 et seq. of the French Commercial Code, notably in order:

- 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;
- 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 all or some of the 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 23 June 2015.

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;
- Maximum purchase price: €100;
- Maximum amount of the programme: as an indication, at 31 March 2016, based on the share capital recorded on 1 January 2016, without taking into account the shares already held, the amount would be €602,736,910;
- 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.

8.2.2 Resolutions submitted to the Extraordinary General Meeting of Shareholders

V. AUTHORISATION TO CANCEL SHARES ACQUIRED BY THE COMPANY (14TH EXTRAORDINARY RESOLUTION)

Cancellation of shares acquired by the Company – 14th extraordinary resolution

Under the **14th resolution**, we are seeking an 18-month renewal of the authorisation granted at the Combined General Meeting of 23 June 2015, 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 a maximum 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.

VI. RENEWAL OF FINANCIAL DELEGATIONS AND AUTHORISATIONS TO ISSUE SHARES OR TRANSFERABLE SECURITIES GIVING ACCESS TO THE SHARE CAPITAL (15TH TO 27TH EXTRAORDINARY RESOLUTIONS)

The Board of Directors asks that you grant it delegations of authority and authorisations allowing it to issue shares or transferable securities giving access to the share capital, and to choose, according to market conditions, the most suitable method for the Group's financing. In effect, these delegations and authorisations would provide your Board with the flexibility needed to proceed, according to the market context, with the financing operations that are most advantageous for the Group's development.

Resolutions 15 to 24 concern financial delegations and authorisations allowing transferable securities to be issued giving access to the share capital and falling within the overall ceiling defined in the **25th resolution**.

The **26th and 27th resolutions** do not fall within the overall ceiling. The first one relates to the delegation of authority to increase the capital through the capitalisation of reserves, profit or premiums while the second relates to the delegation of authority to issue transferable securities giving rights to the allotment of debt securities that do not lead to a capital increase.

These new delegations would cancel and replace, with respect to their unused portion, the delegations with the same purpose previously authorised by your General Meetings of Shareholders of 25 June 2014, 23 June 2015 and 6 November 2015.

Please note that the table summarising all of the authorisations approved by these General Meetings can be found in Chapter 2, section 2.2.3 – *Delegations of authority granted to the Board of Directors by the General Meeting*.

FINANCIAL DELEGATIONS FALLING WITHIN THE OVERALL CEILING (15TH TO 25TH EXTRAORDINARY RESOLUTIONS)

Resolutions 15 to 24 propose delegations and authorisations each of which are subject to a specific ceiling, with all of these sub-ceilings being offset against the overall ceiling provided by the **25th resolution**.

Overall ceiling

The **25th resolution** establishes an overall ceiling for the authorisations relating to resolutions 15 to 24; this ceiling is broken down as follows:

* the maximum aggregate par value of capital increases that may be carried out may not exceed a ceiling of €30 million;
* the maximum total par value of debt securities that may be issued may not exceed a ceiling of €1,000 million.

The table below summarises the financial resolutions 15 to 25, with each having a sub-ceiling within the overall ceiling:

Type of authorisation	Maximum global par value	Term
15th resolution – Rights issues of shares in the Company and/or securities giving access to capital and/or securities carrying rights to the allotment of debt securities	● Total par value of capital increases: **€30,000,000** ● Maximum par value of debt securities: **€750,000,000**	26 months
16th resolution – Non-rights issue of shares and/or securities giving access to capital and/or securities carrying rights to the allotment of debt securities, **by public offer**	● Total par value of capital increases: **€7,534,000** ● Maximum par value of debt securities: **€750,000,000**	26 months
17th resolution – Non-rights issue of shares in the Company and/or securities giving access to the Company's capital and/or securities carrying rights to the allotment of debt securities, **through private placements** governed by section II of article L. 411-2 of the French Monetary and Financial Code	● Total par value of capital increases: **€7,534,000** ● Maximum par value of debt securities: **€500,000,000**	26 months
18th resolution – Non-rights issue of securities under the 16th and 17th resolutions, with the issue price being set as determined by the General Meeting of Shareholders	Within the limit of **10%** of the capital per year	26 months
19th resolution – Share capital increase, up to a maximum of 10%, to pay for contributions in kind made to the Company in the form of equity instruments or other securities, through non-rights 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**	● Total par value of capital increases: **€30,000,000**	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 – Issue of equity securities reserved for members of an employee share ownership plan, **without preferential subscription rights**	Maximum par value: **€400,000**	26 months
23rd 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 ● Total number of shares that may be granted to corporate officers: **0.2%** of the share capital on the day of the Board's decision	26 months
24th resolution – Award of share subscription and/or purchase options to corporate officers and employees, **without preferential subscription rights in the event they are subscribed**	● The total number of options which may be granted but which may not give rights to subscribe or purchase more than **460,000 shares**	26 months
25th resolution – Overall ceiling on capital increases carried out under the 15th to 22nd resolutions	● Maximum par value: **€30,000,000** ● Maximum par value of debt securities: **€1,000,000,000**	

Principal characteristics of proposed transactions

ISSUES WITH SHAREHOLDERS' PREFERENTIAL SUBSCRIPTION RIGHTS (15TH RESOLUTION)

The **15th resolution**, proposes that, pursuant in particular to articles L. 225-129-2 and L. 228-92 of the French Commercial Code, you delegate to your Board of Directors the authority to decide on, within a period of 26 months from the date of this General Meeting of Shareholders, one or more issues with preferential subscription rights of ordinary shares or any transferable securities giving rights to a share of your Company's share capital or of a company in which it owns more than half of the share capital.

Capital increases that may be carried out may take place within the limit of an overall ceiling for share capital increases of €30 million, representing 39.82% of your Company's capital at 31 December 2015.

In addition, the maximum total par value of debt securities that may be issued may not exceed a ceiling of €750 million.

These amounts will be offset against the amounts of overall ceilings set in the **25th resolution**.

Shareholders may exercise their preferential subscription rights in accordance with legal requirements, on an irreducible basis and, where applicable, on a reducible basis in accordance with the conditions set by the Board of Directors.

The decision to issue transferable securities giving access to capital (such as, for example, share warrants or convertible bonds) involves shareholders waiving their preferential subscription rights to the equity securities to which the transferable securities give an entitlement pursuant to the provisions of article L. 225-132 of the French Commercial Code.

This authorisation will be given for a period of 26 months from the date of this General Meeting of Shareholders.

ISSUES WITHOUT SHAREHOLDERS' PREFERENTIAL SUBSCRIPTION RIGHTS (16TH TO 20TH RESOLUTIONS)

16th and 17th resolutions

Your Board of Directors is requesting authority from shareholders to issue, without shareholders' preferential subscription rights, shares in the Company and/or any transferable securities carrying rights to Company shares and/or transferable securities carrying rights immediately or in the future to shares in the Company or in a subsidiary, or giving rights to the allotment of debt securities, as part of a public offering (**16th resolution**) and/or through offers governed by article L. 411-2 of the French Monetary and Financial Code, in other words by means of private placements with qualifying investors or a restricted circle of investors (**17th resolution**). Each of these authorisations will last for a term of 26 months.

Capital increases that may be carried out in accordance with each of these resolutions may take place within the limit of an overall share capital ceiling of €7.5 million, representing approximately 10% of your Company's capital at 31 December 2015.

In addition, the maximum total par value of debt securities that may be issued may not exceed a ceiling of €500 million.

These amounts will be offset against the amounts of overall ceilings set in the **25th resolution**.

To reduce the impacts of a capital increase without preferential subscription rights, the **16th resolution** (issue as part of a public offering) proposes that the Board may grant shareholders a priority subscription period for the shares issued.

The issue price for shares issued will be at least equal to the minimum price according to legal and regulatory provisions that apply on the date that the issue price is set; these currently specify a price that is at least equal to the weighted average price during the last three stock market sessions before it is set, which may be reduced by a maximum discount of 5% (article R. 225-119 of the French Commercial Code).

18th resolution

In accordance with the provisions of article L. 225-136 of the French Commercial Code, your Board of Directors is asking, with the **18th resolution**, that you authorise it to issue, up to a maximum of 10% of the share capital per 12 month period, ordinary shares in the Company and/or securities giving rights immediately or in future to shares in the Company or in a subsidiary, without preferential subscription rights, under the **16th** or **17th resolutions** of this Meeting, derogating from the price setting conditions set forth in these resolutions and to determine the price in accordance with the following conditions: either the weighted average price of Company shares on the day before the issue price is set, or the weighted average price of the shares selected from all or part of the sixty last sessions of the NYSE Euronext market in Paris preceding the setting of the issue price, which may be reduced by a maximum discount of 10%. In any event, the amount received for each share will be at least equal to the par value.

The nominal amount of the increase in the Company's share capital resulting from the implementation of the **18th resolution** would be offset against the ceiling proposed, where applicable, in the **16th** or **17th resolutions** of this General Meeting of Shareholders.

19th and 20th resolutions

Consideration should also be given to the option of paying for acquisitions using financial instruments:

* either to pay for contributions in kind made to the Company and comprising equity securities or transferable securities, in the event that shares contributed to ORPEA are not traded on a regulated market or its equivalent (**19th resolution**); a ceiling for such issues of shares in the Company and/or transferable securities giving access to the Company's capital that may be made as payment for contributions in kind is set at 10% of the share capital (with the percentage being assessed on the date that the Board of Directors makes used of the delegation) for capital increases and at €500 million for the total maximum par value of debt securities;
* or in the event of a public exchange offer initiated by the Company (**20th resolution**). The total par value of capital increases that may be carried out may not exceed €30 million.

The ceiling of capital increases that may arise from each of these resolutions would be offset against the overall ceiling proposed in the **25th resolution**.

These delegations would entail the waiver, in favour of the holders of equity securities or transferable securities that are included in the contributions in kind or of the public exchange offer, of shareholders' preferential subscription rights.

ADDITIONAL ISSUES, WITH OR WITHOUT SHAREHOLDERS' PREFERENTIAL SUBSCRIPTION RIGHTS, BY EXERCISING THE OVER-ALLOTMENT CLAUSE (21ST RESOLUTION)

By means of the **21st resolution**, the Board of Directors is also requesting from shareholders, in accordance with the provisions of article L. 225-135-1 of the French Commercial Code, authorisation to increase the initial amount of a capital increase (carried out with or without shareholders' preferential subscription rights, or by applying the **15th to 18th resolutions**) up to a maximum of 15% of the initial issue and at the same price set for it.

In particular, this authorisation could be used in the event that the Board of Directors finds that the issue is oversubscribed and decides as a result to grant an over-allotment option in accordance with market practice (a "greenshoe option"). As the additional amount of the capital increase that may arise from implementing the **21st resolution** is offset against the respective ceilings of the **15th to 18th resolutions**, this authorisation granted to the Board of Directors may not in any way result in the ceilings described above being increased.

AUTHORISATIONS BENEFITING GROUP EMPLOYEES AND CORPORATE OFFICERS (22ND AND 24TH RESOLUTIONS)

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. You are therefore requested to grant your Board authorisations enabling it to issue equity securities reserved for members of a company savings plan and/or to grant options and/or bonus shares to salaried employees and corporate officers of the Company and of related companies.

Renewing authorisations for the granting of options and/or bonus shares would align their terms with other financial authorisations, therefore making it possible to renew them at the same time.

Authorisation for the Board of Directors to proceed to issue equity securities in accordance with the provisions of article L. 3332-18 of the French Employment Code (22nd resolution)

The **22nd resolution** asks that you delegate to the Board of Directors, for a term of 26 months, the authority to proceed with increases in the Company's share capital by issuing ordinary shares, equity securities and/or any transferable securities giving rights, up to a maximum nominal amount of €400,000, to ordinary shares in the Company reserved for:

- employees, former employees and/or corporate officers, within the scope of the applicable legal and regulatory provisions, of the Company and/or companies or groupings, whether French or outside France, which are related to it within the meaning of article L. 225-180 of the French Commercial Code;
- employees, former employees and/or corporate officers, when the latter are members of company savings plan and also fulfil other conditions that may be imposed by the Board of Directors.

This decision would cancel the shareholders' preferential subscription rights to the new shares in favour of the aforementioned beneficiaries, which would entail shareholders waiving their preferential subscription rights to the shares to which the securities issued, on the basis of this delegation, give entitlement.

The subscription price of shares issued by virtue of this delegation will be determined according to the requirements established by the provisions of articles 3332-19 et seq. of the French Labour Code.

The subscription price of shares issued by virtue of this delegation will be determined according to the requirements established by the provisions of articles 3332-19 et seq. of the French Labour Code; it being understood that the discount fixed, pursuant to the aforementioned articles, in relation to the average quoted market price of the Company's shares on the NYSE Euronext Paris during the twenty stock market sessions preceding the day of the decision setting the opening date for the subscription period, may not be greater than 20%.

This authorisation would be granted for 26 months from this General Meeting of Shareholders 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 carry out the free allocation of existing or new shares (23rd resolution).

The **23rd resolution** would allow your Board of Directors to allocate existing or new bonus shares to an employee or executive corporate officer.

These shares would be vested to their beneficiaries either (i) at the end of a vesting period of at least one year, following which beneficiaries are required to retain these shares for a minimum retention period of one year following the expiration of the vesting period, or (ii) following a vesting period of at least two years after which beneficiaries are not required to retain their shares for a further period.

In accordance with legal requirements, your Board of Directors will also have to decide with regards to management beneficiaries as defined in law, either that shares allotted free of charge may not be sold before the termination of their duties, or to stipulate the quantity of shares that they are required to retain in registered form until their duties cease.

The total number of free shares that would eventually be allocated may not exceed 0.5% of the Company's share capital.

Free allocations of shares to corporate officers may not exceed a ceiling of 0.2%.

This authorisation would be granted for 26 months from this General Meeting of Shareholders and would render null and void the powers granted by the Extraordinary General Meeting of 6 November 2015. You are reminded that the powers granted by the Extraordinary General Meeting of 6 November 2015 have not been used.

Authorisation for the Board of Directors to grant subscription and/or share purchase options to employees and corporate officers (24th resolution)

The **24th resolution** proposes that you authorise the Board of Directors to grant salaried employees and corporate officers of the Company and/or its connected entities, options which give an entitlement, at its discretion, either to subscribe for new shares in the Company to be issued following a capital increase, or to purchase existing shares in the Company, resulting from buybacks.

The total maximum number of options which may be granted by virtue of this authorisation may not exceed 460,000 shares.

The allocation of options for the subscription and/or purchase of shares to corporate officers may not exceed a ceiling of 0.2%.

This option would be granted for a term of 26 months.

The subscription price will be set by the Board of Directors on the date on which the option is granted and may not in any case be less than the minimum amount set by the law applying at that date.

FINANCIAL DELEGATION NOT FALLING WITHIN THE OVERALL CEILING: CAPITAL INCREASE THROUGH THE CAPITALISATION OF RESERVES, PROFIT OR PREMIUMS (26TH EXTRAORDINARY RESOLUTION)

By the **26th resolution**, your Board of Directors is requesting from shareholders, voting under the quorum and majority conditions required for by Extraordinary General Meetings, the renewal of the delegation of authority to increase the share capital by means of the capitalisation of reserves, profit or premiums up to a maximum par value of thirty million euros (€30,000,000).

Having a separate and independent ceiling is justified since these increases would have no dilutive effect for shareholders and would not alter the volume of shareholder equity in the Company (as the increase would occur either by the allocation free of charge of new shares to the shareholders, or by an increase in the par value of existing shares).

This delegation, for a term of 26 months, would terminate the previous delegation granted by the Combined General Meeting of Shareholders of 25 June 2014.

VII. DELEGATIONS TO ISSUE TRANSFERABLE SECURITIES NOT GIVING RIGHTS TO SHARES IN THE COMPANY (27TH EXTRAORDINARY RESOLUTION)

The **27th resolution** proposes that you renew the delegation of authority to issue transferable securities giving rights to the allocation of debt securities and not leading to an increase in the Company's share capital, for a total maximum nominal amount of €500,000,000.

Please note that this ceiling is separate and independent from that proposed by the **15th**, **16th and 17th resolutions**, and from the overall ceiling established by the **25th resolution**.

This delegation covers transferable securities giving right to the allocation of debt securities such as, for example, bonds with a bond subscription warrant or bonds convertible or redeemable in other debt securities.

This type of delegation will allow the scope of the Group's financial policy to be broadened.

In the event that this resolution is adopted, your Board will be able to determine the characteristics of the transferable securities to be issued and the debt securities to which the transferable securities will give an allocation entitlement, and in particular their nominal value and dividend entitlement date, which may be retrospective, their issue price, with a premium where applicable, their interest rate, which may be fixed or variable, the methods for setting their interest rate, or the terms for capitalising the interest.

This delegation would be granted for 26 months.

VIII. AMENDMENTS TO THE ARTICLES OF ASSOCIATION (28TH AND 29TH EXTRAORDINARY RESOLUTIONS)

Amendment to article 25 of the Company's articles of association

The **28th resolution** proposes that you amend article 25, sub-paragraph 25.1 in order to delete the reference to the legal deadline for establishing the list of persons entitled to participate in General Meetings of Shareholders (the "record date").

The Company's articles of association stipulate that this is three days.

Article R. 225-85 of French Commercial Code, as amended by the decree of 8 December 2014, has since changed the date for establishing the list of persons entitled to participate in General Meetings of Shareholders, with the record date changing from three to two days.

As the new provisions are already public knowledge, the Company has already applied them.

However, the Company's articles of association need to be updated. It seems more appropriate to delete any reference to deadlines so that the Company remains continually in step with legislative developments in this area and thus avoids any disparity with the articles of association.

You are therefore being asked to delete the deadline indicated in article 25 of the articles of association and to propose that *"the right of shareholders to take part in General Meetings of Shareholders (…) is subject to the shares being recorded for accounting purposes in the name of the shareholder (…) within the statutory period"*.

Amendment to article 29 of the Company's articles of association

With the **29th resolution**, we are asking that you introduce into the articles of association the option for the General Meeting to offer shareholders, with regards to dividend payments, the choice between payment in cash or in Company shares for all or part of the interim dividend or dividend while complying with legal and regulatory requirements.

You are reminded that, in the event that your Meeting should decide to recommend a dividend in shares, this will only be an offer and each shareholder may, if they deem it preferable, decline this offer and request that their dividend be paid to them in cash.

You are therefore asked to introduce into article 29 of the articles of association this option for the General Meeting to offer shareholders, with respect to dividends, the choice between payment in cash and payment in shares.

IX. POWERS FOR FULFILMENT OF FORMALITIES (30TH 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.

8.3 PROPOSED RESOLUTIONS

8.3.1 Resolutions submitted to the Ordinary General Meeting of Shareholders

FIRST RESOLUTION *(APPROVAL OF THE 2015 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 2015 as presented, recording a profit of €11,238,593.97.

Moreover, the shareholders note that that amount of the expenses and charges specified by articles 39-4 and 39-5 of the French General Tax Code incurred by the Company for the year ended 31 December 2015 amounted to €75,439 and that the amount of tax owed by the Company because of the non-deductible nature of these charges amounted to €28,760.

SECOND RESOLUTION *(APPROVAL OF THE 2015 CONSOLIDATED FINANCIAL STATEMENTS)*

Having considered the Board of Directors' management report and its attachments, and the report of the Statutory Auditors, and voting under the quorum and majority conditions required for ordinary business, the shareholders approve the consolidated financial statements for the year ended on 31 December 2015 as presented, showing a net profit of €126,585,655.

THIRD RESOLUTION *(APPROPRIATION OF NET PROFIT)*

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders resolve to appropriate the profits, which amount to €11,238,593.97 as follows:

- the profits of €11,238,593.97;
- to be allocated to the legal reserve in the amount of €561,930.00:
  - the remainder i.e. €10,676,663.97:
  - increased by:
    1) the "Retained earnings" item, i.e. €901,676.38,
    2) the "Other reserves" item €3,065,578.08,
    3) the items:
       - "Merger premiums" in the amount of €165,708.70,
       - "Contribution premiums" in the amount of €19,303,407.41,
       - "Bond conversion premiums" in the amount of €20,600,000.00,
  - giving a total distributable amount of €54,713,034.54;
- payment of a cash dividend of €0.90 for each of the 60,273,691 shares comprising the share capital as of 1 January 2015, i.e. €54,246,321.90;
- the balance of €466,712.64 to "Retained earnings".

The dividend would be paid on 11 July 2016, 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 60,273,691 shares in the capital as of 1 January 2016, the Board may adjust the global dividend amount by making a withdrawal from the "Retained earnings" account.

The sum of the proposed annual dividend is eligible for the 40% tax-allowance referred to in 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 *(in euros)*	Distributed income fully eligible for the 40% *tax allowance (in euros)**	Total *(in euros)*
2012	0.60	0.60	0.60
2013	0.70	0.70	0.70
2014	0.80	0.80	0.80

* *The annual dividend was eligible for the 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.*

FOURTH RESOLUTION *(PRESENTATION OF THE STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS AND COMMITMENTS GOVERNED BY ARTICLES L. 225-38 ET SEQ. OF THE FRENCH COMMERCIAL CODE – APPROVAL OF SAID AGREEMENTS)*

Having considered the Statutory Auditors' special report on the regulated agreements and commitments governed by 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 said report and the agreements described therein.

FIFTH RESOLUTION *(APPOINTMENT OF A NEW DIRECTOR)*

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders appoint Christian Hensley as a Director for a term of four (4) years.

His term of office will expire at the closure of the General Meeting of Shareholders called in 2020 to approve the financial statements for the year ending 31 December 2019.

SIXTH RESOLUTION *(THE EXPIRY OF THE APPOINTMENT OF DELOITTE & ASSOCIÉS AS JOINT PRINCIPAL STATUTORY AUDITORS)*

Voting under the quorum and majority conditions required for ordinary business, the shareholders note that the appointment as principal Statutory Auditors of Deloitte & Associés expires at the closure of this General Meeting of Shareholders.

The shareholders resolve to renew the appointment as principal Statutory Auditors of Deloitte & Associés, whose registered office is at 185 C avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, for a term of six years ending at the closure of the General Meeting of Shareholders called to approve the financial statements of the year ending 31 December 2021.

SEVENTH RESOLUTION *(EXPIRY OF THE APPOINTMENT OF BEAS, JOINT ALTERNATE STATUTORY AUDITORS)*

Voting under the quorum and majority conditions required for ordinary business, the shareholders note that the appointment as alternate Statutory Auditors of BEAS expires at the closure of this General Meeting of Shareholders.

The shareholders resolve to renew the appointment as alternate Statutory Auditors of BEAS, whose registered office is at 195 avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, for the duration of the appointment of Deloitte & Associés.

EIGHTH RESOLUTION *(DIRECTORS' FEES)*

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders resolve 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 €500,000, with the specification that this amount will remain in force until a new decision by the General Meeting of Shareholders.

NINTH RESOLUTION *(OPINION ON COMPENSATION COMPONENTS DUE OR AWARDED TO JEAN-CLAUDE MARIAN, CHAIRMAN OF THE BOARD OF DIRECTORS)*

Having been consulted pursuant to paragraph 2.4.3 of the AFEP-MEDEF Corporate Governance Code for exchange listed companies and having considered the report of the Board of Directors, and voting under the quorum and majority conditions required for ordinary business, the shareholders issue a favourable opinion on the compensation components due or awarded to Jean-Claude Marian, Chairman of the Board of Directors, as set out in the 2015 Registration Document and included in the Board's report.

TENTH RESOLUTION *(OPINION ON COMPENSATION COMPONENTS DUE OR AWARDED TO YVES LE MASNE, CHIEF EXECUTIVE OFFICER)*

Having been consulted pursuant to paragraph 2.4.3 of the AFEP-MEDEF Corporate Governance Code for exchange listed companies and having considered the report of the Board of Directors, and voting under the quorum and majority conditions required for ordinary business, the shareholders issue a favourable opinion on the compensation components due or awarded to Yves Le Masne, Chief Executive Officer, as set out in the 2015 Registration Document and included in the Board's report.

ELEVENTH RESOLUTION *(OPINION ON COMPENSATION COMPONENTS DUE OR AWARDED TO JEAN-CLAUDE BRDENK, CHIEF OPERATING OFFICER)*

Having been consulted pursuant to paragraph 2.4.3 of the AFEP-MEDEF Corporate Governance Code for exchange listed companies and having considered the report of the Board of Directors, and voting under the quorum and majority conditions required for ordinary business, the shareholders issue a favourable opinion on the compensation components due or awarded to Jean-Claude Brdenk, Chief Operating Officer, as set out in the 2015 Registration Document and included in the Board's report.

TWELFTH RESOLUTION *(RATIFICATION THE TRANSFER OF THE COMPANY'S REGISTERED OFFICE)*

Having considered the report of the Board of Directors, and voting under the quorum and majority conditions required for ordinary business, the shareholders ratify the decision taken by the Board of Directors dated 10 February 2016 to transfer the Company's registered office to 12 rue Jean Jaurès 92813 Puteaux and to make the corresponding amendment to article 4 of the articles of association.

THIRTEENTH RESOLUTION *(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 Regulation, the shareholders hereby authorise the Board of Directors pursuant to article L. 225-209 et seq. of the French Commercial Code to acquire on one or more occasions and by any means a number of shares representing up to 10% of the number of shares comprising the Company's share capital at any time.

The purpose of this authorisation is to allow the Company to use the options to trade in its own shares provided for by law in order in particular:

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

b) to allot all or some of the shares purchased to employees and/or officers of the Company and/or the Group under the terms and conditions set out by law, and particularly under employee profit-sharing plans, stock option plans, 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, or otherwise, in accordance with stock market regulations;

d) to cancel them through capital reductions under the terms and conditions set out in the French Commercial Code;

e) to keep all or some of the shares purchased to tender in exchange, or as payment for future acquisitions or any other transaction that may be authorised by the regulations in force; or

f) to implement any market practice that may be authorised by law or by the *Autorité des Marchés Financiers*.

The shareholders resolve that the Company may not use this resolution and continue to execute its buyback programme in the event of a public offer to acquire the Company's shares.

The purchase, sale, transfer or exchange of these shares may be effected and settled by any means, on regulated markets or multi-lateral trading systems, in particular under a liquidity contract concluded by the Company with an investment services provider, subject to complying with the regulations in force, including over-the-counter and by blocks of shares, through the use of derivative financial instruments and the implementation of option strategies (purchase and sale of purchase and sale options and any combination of the latter complying with the regulations that apply), and at such times as the Board of Directors or, where applicable, the person acting on the authority of the Board of Directors, shall deem proper. The portion of the buyback programme that may be executed by block transactions is unlimited.

The shareholders set the following limits on the Board of Directors' use of this authority:

a) the maximum purchase price, excluding transaction costs, may not exceed €100 (one hundred euros) per share;

b) the maximum number of shares that may be acquired may not exceed 10% of the total number of shares issued; it being specified that this limit be evaluated at the date of the buybacks in order to take account of any transactions increasing or reducing the share capital that may occur during the period of the programme. The number of shares taken into account when calculating this limit corresponds to the number of shares purchased less the number of actions resold during the period of the programme; and

c) the maximum amount that may be devoted to these purchases would therefore be €602,736,900 (six hundred and two million, seven hundred and thirty-six thousand, nine hundred).

These limits are subject to any adjustments for capital transactions made by the Company in accordance with the provisions of the laws and regulations.

This authorisation is given for a period of 18 months from the date of this meeting.

The shareholders give the Board of Directors full powers, with the ability to sub-delegate in accordance with the laws and regulations in force, to implement this authorisation, and in order to specify, where necessary, the terms and conditions thereof and, in particular, in order 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 and, in general, to do what is required to carry out this authorisation.

This resolution cancels and supersedes the unused portion of any previous authorisation given for the same purpose.

8.3.2 Resolutions submitted to the Extraordinary General Meeting of Shareholders

FOURTEENTH 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, having considered the Board of Directors' report and the Statutory Auditors' special report, and in accordance with the provisions of article L. 225-209 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. Resolve that the Board of Directors shall have 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:

  a) cancel the shares and reduce the share capital accordingly,

  b) determine the final amount and set the terms and conditions of the capital reductions and place them on record,

  c 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

  d) 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. Take note that this authorisation cancels and supersedes – for the unused period – the authorisation given under the fifteenth resolution passed at the Combined General Meeting of 23 June 2015.

FIFTEENTH RESOLUTION *(DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS FOR THE PURPOSE OF DECIDING TO ISSUE, WITH SHAREHOLDERS' PREFERENTIAL SUBSCRIPTION RIGHTS, SHARES IN THE COMPANY AND/OR TRANSFERABLE SECURITIES GIVING ACCESS TO THE COMPANY'S CAPITAL AND/OR TRANSFERABLE SECURITIES CARRYING RIGHTS TO THE ALLOTMENT OF DEBT SECURITIES)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, having considered the Board of Directors' report and the Statutory Auditors' special report, and in accordance notably with articles L. 225-127, L. 225-129 et seq. of the French Commercial Code and, in particular, L. 225-129-2 et L. 225-132 of the same Code and with the provisions of articles L. 228-91 et seq. of the French Commercial Code:

1. Delegate to the Board of Directors, with the right to sub-delegate under the legal and regulatory conditions in force, their authority to decide to issue, on one or more occasions, at its own discretion, in the proportions, at the times and according to the methods it deems fit, in France or abroad, either in euros, or in any other currency or monetary unit calculated by reference to a basket of currencies, with shareholders' preferential subscription rights, ordinary shares in the Company or any other financial securities and/or other transferable securities of any nature, giving access immediately or in the future, at any times or on fixed dates, to new or existing ordinary shares in the Company or giving rights to the allocation of debt securities which may be subscribed for in cash or offset against debt that is due and payable by the Company, or free of charge, it being specified that this delegation may allow one of more issues pursuant to article L. 228-93 of the French Commercial Code.

Financial securities giving access to the Company's share capital, or of a related company within the meaning of article L. 228-93 of the French Commercial Code, may comprise, in particular, debt securities or be associated with the issue of such securities, may take the form of subordinated or unsubordinated securities, be for a fixed or indefinite term, and be issued in euros, or in any other currency or monetary unit calculated by reference to a basket of currencies.

It is specified that the issue of preference shares and the issue of any securities or transferable securities giving access to preference shares is excluded;

2. Set, in the event that the Board of Directors uses this delegation of authority:
   - **a)** the total par value of capital increases, whether immediate or in the future, from all of the issues carried out by virtue of this delegation, at €30,000,000 (thirty million) or its equivalent in any other authorised currency or unit, it being specified that the par value of any additional shares to be issued in order to preserve the rights of the bearers of transferable 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, shall be added to this ceiling, and
   - **b)** the maximum par value of the debt securities that may be issued by virtue of this delegation at €750,000,000 (seven hundred and fifty million) or its equivalent in any other authorised currency or unit, it being specified that this amount does not include the reimbursement of premiums above-par, if any were provided for;

These amounts shall be offset against the amounts of the overall ceiling set in the twenty-fifth resolution.

3. In the event that the Board of Directors uses, with the right to sub-delegate under the legal and regulatory conditions in force, this delegation of authority:
   - **a)** resolve that shareholders shall have, in proportion to the number of their shares, preferential subscription rights to the shares and transferable securities issued by virtue of this resolution and that the Board of Directors may introduce a subscription right for shareholders on a reducible basis to shares thus issued or securities issued, to be exercised in proportion to their rights and up to the amounts requested by them,
   - **b)** resolve, in accordance with the provisions of article L. 225-134 of the French Commercial Code, that if irreducible subscriptions and, where applicable, reducible subscriptions have not absorbed the entire issue as defined above, the Board of Directors, with the right to sub-delegate under the legal and regulatory conditions in force, shall be able to use, in the order it deems fit, one or more of the powers below:
     - to limit, in accordance with the legal provisions, the issue to the amount of subscriptions received, provided that this amount reaches at least three-quarters of the issue decided upon or any other threshold that might be set by law,
     - to distribute freely all or some of the unsubscribed shares on an irreducible and, where applicable, reducible basis, and,
     - to offer to the public all or some of the unsubscribed shares,
   - **c)** take note that this delegation automatically entails in favour of the bearers of securities that may be issued giving access, or which may give access, to shares in the Company, the shareholders' express waiver of their preferential right of subscription to the shares to which these securities give entitlement, and
   - **d)** resolve that issues of Company share warrants may be carried out by means of an offer to subscribe, but also by allocation free of charge to the owners of existing shares, it being specified that the Board of Directors shall have the power to decide that fractional allotment rights shall not be negotiable and that the corresponding shares shall be sold;

4. Resolve 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:
   - **a)** to set the terms and conditions of the issues and, in particular, the form and characteristics of the transferable securities, and to determine the amount to be issued within the limits set out above, the issue price and the amount of the issue premium,
   - **b)** to decide or not that the unsubscribed equity securities shall be allocated to those who have subscribed for a number of securities higher than that to which they were entitled to subscribe on a preferential basis, in proportion to their subscription rights and, in any event, up to the amounts requested by them,
   - **c)** provide for the option to suspend, where applicable, the exercise of rights to the allocation of shares in the Company attached to the transferable securities in accordance with the regulations in force,
   - **d)** make any adjustments in order to take account of the impact of the transactions on the Company's capital and to establish the arrangements for ensuring that the rights of the holders of transferable securities or other rights giving access in the future to the share capital are protected in accordance with the applicable legal and regulatory provisions and, where applicable, with contractual provisions providing for other types of adjustments,
   - **e)** establish, where applicable, the arrangements for exercising the rights attached to shares or transferable securities giving access to the capital to be issued and, in particular, to set the date, including retroactively, from which the new shares shall bear dividend rights, and determine the arrangements for exercising rights, where applicable, for conversion, exchange or redemption together with any other terms and conditions for carrying out the capital increase,
   - **f)** at its sole discretion, charge the cost of capital increases against the premiums arising thereon, and deduct from this amount the necessary amounts so that the legal reserve is equal to one-tenth of the new amount of share capital after each increase, and
   - **g)** generally, enter into all agreements, take all measures and complete all formalities required for the issue and listing of the shares, for the successful conclusion and for the financial servicing of transferable securities issued by virtue of this delegation of authority and for the exercise of rights attached thereto, place on record the completion of each capital increase and make any corresponding amendments to the articles of association;

5. Resolve that in the event that debt securities are issued, the Board of Directors shall have all powers, with the right to sub-delegate under the terms and conditions set by law, in particular to decide their issue price with or without a premium and whether or not they are subordinated, and to set their interest rate, their currency of issue, their term, their fixed or variable redemption price, with or without premium, the details of amortisation depending on market conditions and the conditions under which said securities shall give entitlement to ordinary shares in the Company;

6. The Board of Directors shall report on the use of the present delegation, by way of an additional report certified by the Statutory Auditors, describing the definitive terms of the transaction and providing an assessment of the effective impact of the transaction on the shareholder's position;

7. The shareholders give this authorisation – which supersedes the unused part of any preceding authority having the same purpose – for a period of 26 months from the date of this General Meeting of Shareholders.

SIXTEENTH RESOLUTION *(DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS FOR THE PURPOSE OF DECIDING TO ISSUE, WITHOUT SHAREHOLDERS' PREFERENTIAL SUBSCRIPTION RIGHTS, SHARES IN THE COMPANY AND/OR TRANSFERABLE SECURITIES GIVING ACCESS TO THE COMPANY'S CAPITAL AND/OR TRANSFERABLE SECURITIES CARRYING RIGHTS TO THE ALLOTMENT OF DEBT SECURITIES BY PUBLIC OFFER)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, having considered the Board of Directors' report and the Statutory Auditors' special report, and in accordance notably with articles L. 225-127, L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136, L. 228-91 and L. 228-92 et seq. of the French Commercial Code:

1. Delegate to the Board of Directors, with the right to sub-delegate with the right to sub-delegate under the legal and regulatory conditions in force, their authority to decide to issue , on one or more occasions, at its own discretion, in the proportions and at the times and according to the methods it deems fit, in France or abroad, either in euros, or in any other currency or monetary unit calculated by reference to a basket of currencies, ordinary shares in the Company or any other financial securities and/or other transferable securities of any nature, giving access immediately or in the future, at any times or on fixed dates, to new or existing ordinary shares in the Company or giving rights to the allocation of debt securities which may be subscribed for in cash or offset against debt that is due and payable by the Company, it being specified that this delegation may allow one of more issues pursuant to article L. 228-93 of the French Commercial Code, of an affiliated company within the meaning of article L. 228-93 of the French Commercial Code and of a related company within the meaning of article L. 228-93 of the French Commercial Code (a "Subsidiary"), subject to the authorisation of the Extraordinary General Meeting of the Subsidiary in which the rights will be exercised.

Financial securities giving access to the Company's capital, or of a Subsidiary, may comprise, in particular, debt securities or be associated with the issue of such securities or even allow them to be issued as intermediary securities and may in particular take the form of subordinated or unsubordinated securities, be for a fixed or indefinite term, and be issued in euros, or in any other currency or monetary unit calculated by reference to a basket of currencies.

It is specified that the issue of preference shares and the issue of any securities or transferable securities giving access to preference shares is excluded;

2. Resolve that:

a) the total par value of capital increases, whether immediate or in the future, from all of the issues carried out by virtue of this delegation given to the Board of Directors, may not exceed €7,534,000 (seven million five hundred and thirty-four thousand) or its equivalent in any other authorised currency or unit, it being specified that the par value of any additional shares to be issued in order to preserve the rights of the bearers of transferable 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, shall be added to this ceiling, and

b) the maximum par value of the debt securities that may be issued by virtue of this delegation may not exceed €750,000,000 (seven hundred and fifty million) or its equivalent in foreign currencies.

These amounts shall be offset against the amounts of the overall ceiling set in the twenty-fifth resolution;

3. Resolve that the capital increases that may be made under this delegation shall be performed by means of a public offer;

4. Resolve to waive shareholders' preferential subscription rights to the ordinary shares and financial securities to be issued, it being specified that the Board of Directors may grant shareholders a priority right to subscribe to all or some of each issue, for a period and on terms that it decides, in accordance with the applicable legal and regulatory provisions. This priority subscription shall not create negotiable rights and may be carried out on an irreducible or reducible basis;

5. Resolve that if the subscriptions have not absorbed the entirety of a share issue or of the financial securities referred to above, the Board of Directors shall be able to use, in the order it deems fit, one or more of the powers below:

* to limit the issue to the amount of subscriptions received, provided that this amount reaches at least three-quarters of the issue decided upon;
* to distribute freely all or some of the unsubscribed shares; and
* to offer to the public all or some of the unsubscribed shares.

6. Take note that this delegation automatically entails, in favour of the bearers of financial securities that may be issued giving access in the future to shares in the Company that may be issued, the shareholders' express waiver of their preferential right of subscription to the shares to which these financial securities give entitlement;

7. Resolve that the issue price for equity securities issued will be at least equal to the minimum price according to legal and regulatory provisions that apply on the date that the issue price is set;

8. Resolve 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 and, in particular:

a) to set the terms and conditions of the issues and, in particular, the form and characteristics of the financial securities and/or transferable securities, and to determine the amount to be issued within the limits set out above, the issue price and the amount of the issue premium,

b) make any adjustments in order to take account of the impact of the transactions on the Company's capital and to establish the arrangements for ensuring that the rights of the holders of transferable securities or other rights giving access in the future to the share capital are protected in accordance with the applicable legal and regulatory provisions and, where applicable, with contractual provisions providing for other types of adjustments,

c) establish, where applicable, the arrangements for exercising the rights attached to shares or transferable securities giving access to the capital to be issued and, in particular, to set the date, including retroactively, from which the new shares shall bear dividend rights, and determine the arrangements for exercising rights, where applicable, for conversion, exchange or redemption together with any other terms and conditions for carrying out the capital increase,

d) at its sole discretion, charge the cost of capital increases against the premiums arising thereon, and deduct from this amount the necessary amounts so that the legal reserve is equal to one-tenth of the new amount of share capital after each increase, and

e) generally, enter into all agreements, take all measures and complete all formalities required for the issue and listing of the shares, for the successful conclusion and for the financial servicing of transferable securities issued by virtue of this delegation of authority and for the exercise of rights attached thereto, place on record the completion of each capital increase and make any corresponding amendments to the articles of association;

9. Resolve that in the event that debt securities are issued, the Board of Directors shall have all powers, with the right to sub-delegate in accordance with the legal and regulatory provisions in force, to decide in particular whether or not they are subordinated, to set their issue price with or without a premium, their interest rate, their currency of issue, their term, their fixed or variable redemption price with or without premium, the details of amortisation depending on market conditions and the conditions under which said securities shall give entitlement to ordinary shares in the Company;

10. Give this authorisation, which supersedes the unused part of any preceding authority having the same purpose, for a period of 26 months from the date of this General Meeting of Shareholders;

11. Acknowledge, where appropriate, that this delegation of authority does not have the same purpose as the seventeenth resolution before this General Meeting, which is restricted to a share capital increase by means of the issue, without preferential subscription rights, of shares in the Company and/or transferable securities giving access to the Company's capital and/or securities giving entitlement to the allocation of debt securities, as part of an offer governed by section II of article L. 411-2 of the French Monetary and Financial Code; and, consequently, take note that the adoption of the seventeenth resolution shall not affect the validity and term of this delegation of authority.

SEVENTEENTH RESOLUTION *(DELEGATION DE AUTHORITY FOR THE PURPOSE OF DECIDING TO ISSUE, WITHOUT SHAREHOLDERS' PREFERENTIAL SUBSCRIPTION RIGHTS, SHARES IN THE COMPANY AND/OR TRANSFERABLE SECURITIES GIVING ACCESS TO THE COMPANY'S CAPITAL AND/OR TRANSFERABLE SECURITIES CARRYING RIGHTS TO THE ALLOTMENT OF DEBT SECURITIES, VIA PRIVATE PLACEMENTS GOVERNED BY SECTION II OF ARTICLE L. 411-2 OF THE FRENCH MONETARY AND FINANCIAL CODE)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, having considered the Board of Directors' report and the Statutory Auditors' special report, and in accordance notably with articles L. 225-127, L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136, L. 228-91 and L. 228-92 et seq. of the French Commercial Code and with section II of article L. 411-2 of the French Monetary and Financial Code:

1. Delegate to the Board of Directors, with the right to sub-delegate under the legal and regulatory conditions in force, their authority to decide to issue, on one or more occasions, at its own discretion, in the proportions and at the times it deems fit, in France or abroad, either in euros, or in any other currency or monetary unit established by reference to a basket of currencies, with shareholders' preferential subscription rights, ordinary shares in the Company or any other financial securities and/or other transferable securities of any nature, giving access immediately and/or in the future, at any times or on fixed dates, to new or existing ordinary shares in the Company or giving rights to the allocation of debt securities which may be subscribed for in cash or offset against debt that is due and payable by the Company, it being specified that this delegation may allow one of more issues pursuant to article L. 228-93 of the French Commercial Code.

Financial securities giving access to the Company's share capital, or of a related company within the meaning of article L. 228-93 of the French Commercial Code, may comprise, in particular, debt securities or be associated with the issue of such securities, may take the form of subordinated or unsubordinated securities, be for a fixed or indefinite term, and be issued in euros, or in any other currency or monetary unit calculated by reference to a basket of currencies.

It is specified that the issue of preference shares and the issue of any securities or transferable securities giving access to preference shares is excluded;

2. Resolve that the Board of Directors may not, except with the prior authorisation of the shareholders, make use of this delegation of authority from the time that a third party files a public offer for the Company's shares and until the end of the offer period;

3. Resolve that:

a) the total par value of capital increases, whether immediate or in the future, from all of the issues carried out by virtue of this delegation given to the Board of Directors, may not exceed €7,534,000 (seven million five hundred and thirty-four thousand) or its equivalent in any other authorised currency or unit, it being specified that the par value of any additional shares to be issued in order to preserve the rights of the bearers of transferable 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, shall be added to this ceiling,

b) the capital increases that may be carried out under this delegation shall be by means of private placement with qualified investors or with a restricted circle of investors in accordance with section II of article L. 411-2 of the French Monetary and Financial Code and within the terms and conditions set by article L. 225-136 of the French Commercial Code,

c) the maximum par value of the debt securities that may be issued by virtue of this delegation may not exceed €500,000,000 (five hundred million) or its equivalent in foreign currencies.

These amounts shall be offset against the amounts of overall ceiling set in the twenty-fifth resolution;

4. Resolve to waive shareholders' preferential subscription rights to the ordinary shares and financial securities to be issued;

5. Resolve that if the subscriptions have not absorbed the entirety of a share issue or of the financial securities referred to above, the Board of Directors shall be able to use, in the order it deems fit, one or more of the powers below:

* to limit the issue to the amount of subscriptions received, provided that this amount reaches at least three-quarters of the issue decided upon, and
* to distribute freely all or some of the unsubscribed shares;

6. Take note that this delegation automatically entails, in favour of the bearers of financial securities giving access in the future to shares in the Company that may be issued, the shareholders' express waiver of their preferential right of subscription to the shares to which these financial securities give entitlement;

7. Resolve that the issue price for equity securities issued will be at least equal to the minimum price according to legal and regulatory provisions that apply on the date that the issue price is set.

8. Resolve 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 and, in particular:

a) to set the terms and conditions of the issues and, in particular, the form and characteristics of the financial securities and/or transferable securities, and to determine the amount to be issued within the limits set out above, the issue price and the amount of the issue premium,

b) make any adjustments in order to take account of the impact of the transactions on the Company's capital and to establish the arrangements for ensuring that the rights of the holders of transferable securities or other rights giving access in the future to the share capital are protected in accordance with the applicable legal and regulatory provisions and, where applicable, with contractual provisions providing for other types of adjustments,

c) at its sole discretion, charge the cost of capital increases against the premiums arising thereon, and deduct from this amount the necessary amounts so that the legal reserve is equal to one-tenth of the new amount of share capital after each increase, and

d) generally, enter into all agreements, take all measures and complete all formalities required for the issue and listing of the shares, for the successful conclusion and for the financial servicing of transferable securities issued by virtue of this delegation of authority and for the exercise of rights attached thereto, place on record the completion of each capital increase and make any corresponding amendments to the articles of association;

9. Resolve that in the event that debt securities are issued, the Board of Directors shall have all powers, with the right to sub-delegate in accordance with the legal and regulatory provisions in force, to decide in particular whether or not they are subordinated, to set their issue price with or without a premium, their interest rate, their currency of issue, their term, their fixed or variable redemption price with or without premium, the details of amortisation depending on market conditions and the conditions under which said securities shall give entitlement to ordinary shares in the Company;

10. Give this authorisation, which supersedes the unused part of any preceding authority having the same purpose, for a period of 26 months from the date of this General Meeting of Shareholders;

11. Acknowledge, where appropriate, that this delegation of authority, which is restricted to a share capital increase by means of the issue, without preferential subscription rights, and by an offer governed by section II of article L. 411-2 of the French Monetary and Financial Code, of shares and/or transferable securities giving access to the Company's capital and/or transferable securities giving entitlement to the allocation of debt securities, does not have the same purpose as the preceding resolution.

EIGHTEENTH RESOLUTION *(AUTHORIZATION GIVEN TO THE BOARD OF DIRECTORS TO PROCEED TO ISSUE TRANSFERABLE SECURITIES UNDER THE SIXTEENTH AND SEVENTEENTH RESOLUTIONS, WITH THE ISSUE PRICE BEING FREELY DETERMINED, UP TO A MAXIMUM OF 10% OF THE CAPITAL PER YEAR)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, having considered the Board of Directors' report and the Statutory Auditors' special report, and in accordance with the provisions of articles L. 225-135 and L. 225-136 of the French Commercial Code:

1. Authorise the Board of Directors, in the event of the issue of securities giving access, immediately or in the future, to the Company's capital, or of a company in which it holds directly or indirectly more than 50% of the capital without preferential subscription rights, under the sixteenth or seventeenth resolutions before this Meeting, to derogate from the price setting conditions set forth in said sixteenth and seventeenth resolutions and to determine the price in accordance with the following conditions.

It is specified that the issue of preference shares and the issue of any securities or transferable securities giving access to preference shares is excluded;

2. Resolve that the total amount of capital increases that may be carried out immediately and/or in the future may not exceed 10% of the share capital per 12-month period;

3. Resolves that the issue price of equity securities shall be determined by the Board of Directors in accordance with the following methods: either the weighted average price of Company shares on the day before the issue price is set, or the weighted average price of the shares selected from all or part of the last sixty sessions of the NYSE Euronext market in Paris preceding the setting of the issue price, which in both cases may be reduced by a maximum discount of 10%. In any event, the amount received for each share will be at least equal to the par value;

4. Resolve that the par value of the increase in the Company's share capital resulting from the implementation of this resolution would be offset against the ceiling proposed, where applicable, in the sixteenth or seventeenth resolutions before this Meeting;

5. Take note that this delegation automatically entails, in favour of the bearers of transferable securities issued on the basis of this authorisation, the shareholders' express waiver of their preferential right of subscription to the shares to which these securities give entitlement;

6. The Board of Directors shall report on the use of the present delegation, by way of an additional report certified by the Statutory Auditors, describing the definitive terms of the transaction and providing an assessment of the effective impact of the transaction on the shareholder's position;

7. Resolve that the Board of Directors, with the right to sub-delegate in accordance with legal requirements, shall establish the characteristics, amount and arrangements of any issue and of the securities issued, make any adjustments aimed at taking account of the impact of the transactions on the Company's share capital, establish the arrangements that ensure the protection of the rights of the holders of transferable securities giving access to the capital, allow the costs of capital increases to be charged against the amount of related premiums, deduct from such amount the necessary amounts for the legal reserve and, more generally, take any appropriate measure to implement these issues;

8. Give this authorisation, which supersedes the unused part of any preceding authority having the same purpose, for a period of 26 months from the date of this General Meeting of Shareholders.

NINETEENTH RESOLUTION *(DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS FOR THE PURPOSE OF PROCEEDING WITH AN INCREASE IN THE SHARE CAPITAL UP TO A MAXIMUM OF 10% TO PAY FOR CONTRIBUTIONS IN KIND MADE TO THE COMPANY, IN THE FORM OF EQUITY INSTRUMENTS OR OTHER TRANSFERABLE SECURITIES)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, having considered the Board of Directors' report and the Statutory Auditors' special report, and in accordance with the legal provisions governing commercial companies and notably those of article L. 225-147 of the French Commercial Code:

1. Delegate to the Board of Directors, with the right to sub-delegate under the legal and regulatory conditions in force, the powers necessary to issue, on the basis of the report of the contributions auditor and up to a maximum of 10% of the Company's share capital, with the percentage being assessed on the date that the Board of Directors makes use of the delegation, ordinary shares and/or financial securities giving access immediately or in the future to the Company's share capital, in order to pay for contributions in kind granted to the Company and comprising shares or financial securities giving access by any means to the capital, when the provisions of article L. 225-148 of the French Commercial Code are not applicable.

Financial securities giving access to the Company's capital may consist of, in particular, debt securities or be associated with the issue of such securities, or allow them to be issued as intermediary securities. They may, in particular, take the form of subordinated or unsubordinated securities, be for a fixed or indefinite term, and be issued in euros, in foreign currency or in any monetary units calculated by reference to a basket of currencies.

It is specified that the issue of preference shares and the issue of any securities or transferable securities giving access to preference shares is excluded;

2. Resolve that:

a) the total par value of capital increases, whether immediate or in the future, from all of the issues carried out by virtue of this delegation, may not exceed the legal limit of 10% of the Company's share capital, with this percentage being calculated on the date that the Board of Directors makes use of the delegation, it being specified that the par value of any additional shares to be issued in order to protect the rights of the bearers of transferable securities or of other rights giving access to capital, in accordance with the law, and, where necessary, any other contractual provisions relating to other instances of adjustment, shall be added to this ceiling where applicable,

b) the maximum par value of the debt securities that may be issued by virtue of this delegation is €500,000,000 (five hundred million) or its equivalent in any other authorised currency or unit, it being specified that this amount does not include the reimbursement of premiums above par, if any were provided for.

These amounts shall be offset against the amounts of overall ceilings set in the twenty-fifth resolution;

3. Take note that this delegation automatically entails the shareholders' express waiver of their preferential right of subscription to the shares to which the transferable securities issued on the basis of this delegation may give entitlement;

4. Give the Board of Directors full powers to implement or to sub-delegate this authorisation in accordance with legal provisions and, in particular, to:

a) approve the report of the contributions auditor on the assessment of the contributions and the granting of special advantages and their value, to set the exchange ratio and, where appropriate, the amount of the balance to be paid in cash, to set the dates, terms and conditions and methods for the issue,

b) provide for the option to suspend the exercise of rights attached to the transferable securities in accordance with the regulations in force,

c) make any adjustments in order to take account of the impact of the transaction on the Company's capital and to establish the arrangements for ensuring that the rights of the holders of transferable securities or other rights giving access in the future to the share capital are protected in accordance with the applicable legal and regulatory provisions and, where applicable, with contractual provisions providing for other types of adjustments,

d) at its sole discretion, charge the cost of capital increases against the contribution premium arising thereon, and deduct from this contribution premium the necessary amounts so that the legal reserve is equal to one-tenth of the new amount of share capital after each increase, and

e) generally, enter into all agreements, take all measures and complete all formalities required for the issue and listing of the shares, for the successful conclusion and for the financial servicing of transferable securities issued by virtue of this authorisation and for the exercise of rights attached thereto, place on record the completion of each capital increase and make any corresponding amendments to the articles of association;

5. Give this authorisation, which supersedes the unused part of any preceding authority having the same purpose, for a period of 26 months from the date of this Meeting.

TWENTIETH RESOLUTION *(DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS FOR THE PURPOSE OF ISSUING TRANSFERABLE SECURITIES GIVING ACCESS TO CAPITAL IN A PUBLIC EXCHANGE OFFER INITIATED BY THE COMPANY)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, having considered the Board of Directors' report and the Statutory Auditors' special report, and in accordance notably with articles L. 225-129 to L. 225-129-6, L. 225-148 and L. 228-91 et seq. of the French Commercial Code:

1. Delegate to the Board of Directors their authority, for a term of 26 months from the date of this General Meeting, to decide to issue equity securities in the Company and/or financial securities, of any kind, giving access, immediately or in the future, to a portion of the Company's share capital or giving rights to the allocation of debt securities as consideration for the securities contributed to (i) any public offer involving an exchange component initiated by the Company in respect of the securities of another company whose shares are traded on one of the markets covered by article L. 225-148 of the French Commercial Code or of its own shares and (ii) any other transaction having the same purpose as a public offer as described in (i) the above initiated by the Company in respect of the securities of another company whose securities are traded on a market governed by foreign law (for example, as part of a "reverse merger" or of an Anglo-Saxon type "arrangement scheme"); and resolve, where appropriate, to waive shareholders' preferential subscription rights to the securities to be issued;

2. Take note that this delegation automatically entails, in favour of the bearers of financial securities that may be issued and giving access, immediately or in the future, to the Company's equity securities, the shareholders' express waiver of their preferential right of subscription to the shares to which these equity securities give entitlement;

3. Resolve that the ceiling of the total par value of capital increases, whether immediate or in the future, from all of the issues carried out by virtue of this delegation, is set at €30,000,000 (thirty million), an amount to which shall be added the par value of any additional shares to be issued in order to protect the rights of the bearers of transferable securities or of other rights giving access to capital in accordance with the law, and, where applicable, with the contractual provisions relating to other instances of adjustment.

This amount shall be offset against overall ceiling set by the twenty-fifth resolution;

4. Confer full powers on the Board of Directors, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this delegation of authority and, in particular:

a) to set the exchange ratio and, where applicable, the amount of the balance to be paid in cash,

b) to record the number of securities contributed in exchange,

c) to sell securities which it has not been possible to allocate individually and corresponding to fractional allotment rights,

d) to set the dates and terms and conditions of issue, notably the price and the dividend entitlement date of the equity securities or, where applicable, of the financial securities giving access immediately and/or in the future to the capital,

e) to take any measures necessary in order to protect the holders of securities issued by virtue of this delegation in accordance with the laws and regulations in force, and, where necessary, any other contractual provisions relating to any other adjustments,

f) to record among the liabilities under the item "Contribution premium", relating to the rights of all shareholders, the difference between the issue price of the equity securities and their par value,

g) at its sole discretion, charge the costs, duties and fees of any issue against the contribution premium, and deduct from this premium the necessary amounts so that the legal reserve is equal to one-tenth of the new amount of the Company's share capital, and

h) generally, do everything necessary to carry out the transaction and to make the corresponding amendments to the articles of association;

5. Give this authorisation, which supersedes the unused part of any preceding authority having the same purpose, for a period of 26 months from the date of this Meeting.

TWENTY-FIRST RESOLUTION *(AUTHORISATION FOR THE BOARD OF DIRECTORS TO INCREASE THE NUMBER OF SHARES TO BE ISSUED IN THE EVENT OF AN ISSUE, WITH OR WITHOUT SHAREHOLDERS' PREFERENTIAL SUBSCRIPTION RIGHTS)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, having considered the Board of Directors' report and the Statutory Auditors' special report, and voting in accordance with article L. 225-135-1 of the French Commercial Code, authorise, for a term of 26 months from the date of this Meeting, the Board of Directors to decide, within the time frame and limits provided by the law and regulations applicable on the day of issue (currently, within the thirty days of the closure of the subscription, up to a maximum of 15% of the initial issue and at the same price as that set for the initial issue), for each of the issues decided pursuant to the preceding fifteenth, sixteenth, seventeenth and eighteenth resolutions, to increase the number of shares to be issued, subject to complying with the ceiling(s) proposed in the resolution under which the issue is decided.

This authorisation is granted for a term of 26 months from the date of this Meeting and supersedes the unused part of any preceding authority having the same purpose.

TWENTY-SECOND RESOLUTION *(AUTHORISATION TO THE BOARD OF DIRECTORS TO ISSUE EQUITY SECURITIES RESERVED FOR MEMBERS OF A COMPANY SAVINGS PLAN)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, having considered the Board of Directors' report and the Statutory Auditors' special report, in the context of the provisions of articles L. 3332-1 et seq. of the French Labour Code relating to employee share ownership and article 225-138-1 of the French Commercial Code and in accordance with the provisions of articles L. 225-129, L. 225-129-2 and L. 225-129-6 of the French Commercial Code:

1. Delegate to the Board of Directors, with the right to sub-delegate under the legal and regulatory conditions in force, their authority to decide to increase the Company's capital, on one or more occasions and at its sole discretion, in the proportions and at that the times it deems fit, by the issue, for a consideration or free of charge, of ordinary shares, securities and/or any transferable securities of the Company giving access by any means, immediately or in the future, at any time or on fixed dates, up to a maximum of €400,000 (four hundred thousand) par value or its equivalent in foreign currencies, to ordinary shares in the Company reserved for:

   * employees, former employees and/or corporate officers, within the scope of the applicable legal and regulatory provisions, of the Company and/or companies or groupings, whether French or outside France, which are related to it within the meaning of article L. 225-180 of the French Commercial Code, and

   * employees, former employees and/or corporate officers, when the latter are members of a company savings plan put in place within the Company or the Group comprising companies and groupings related to it within the meaning of article L. 225-180 of the French Commercial Code and also fulfil other conditions that may be imposed by the Board of Directors.

   This ceiling shall be offset against the overall ceiling set in the twenty-fifth resolution, it being specified that this ceiling does not take account of consequences on the amount of capital from adjustments that may be made, in accordance with legal and regulatory provisions, in order to protect the holders of rights attached to transferable securities giving access to shares in the Company;

2. Resolve to remove shareholders' preferential subscription rights to the new shares in favour of the aforementioned beneficiaries, which would entail shareholders waiving their preferential subscription rights to the shares to which the securities issued, on the basis of this delegation, give entitlement;

3. Take note, in the event of an issue free of charge, the shareholders' express waiver of any right over the securities thereby issued;

4. Authorises the Board of Directors, on the terms and conditions of this delegation, to proceed to sell shares, as provided by the last paragraph of article L. 3332-24 of the French Labour Code;

5. Resolve that the subscription price of shares issued by virtue of this delegation will be determined according to the requirements established by the provisions of articles 3332-19 et seq. of the French Labour Code;

6. The Board of Directors may allocate, free of charge to the aforementioned beneficiaries, in addition to the shares subscribed for in cash, new or existing shares, whether or not of the same nature as those subscribed for in cash, as a replacement for (i) all or some of the aforementioned discount and/or (ii) the employer's contribution which could be made pursuant to the regulations of the company or group savings plan, on the understanding that the benefit arising from this contribution may not exceed the applicable legal or regulatory limits. The par value of capital increases carried out immediately or in the future from the allocation of shares shall be offset against the aforementioned ceiling of €400,000 (four hundred thousand);

7. Confer full powers on the Board of Directors, with the right to sub-delegate under the conditions set by law, to exercise this delegation of authority and, in particular:
   - **a)** to determine the companies whose employees may benefit from the offer to subscribe for the issues under this delegation,
   - **b)** to set the terms and conditions, in particular length of service, which must be met by the beneficiaries of these subscription offers,
   - **c)** to set the conditions and methods for the issue(s), the number of shares to be issued (within the aforementioned limit) and the number of shares allocated to each beneficiary in question, to place on record the completion of the resulting capital increases and to make the corresponding amendment to the articles of association,
   - **d)** to determine, where necessary, the amount of the sums to be incorporated in the capital within the limit set above, the shareholders' equity reserves, from which they shall be drawn and the dividend entitlement date of the shares thus created,
   - **e)** to decide whether the subscriptions may be made directly and/or indirectly by means of employee shareholding funds ("*fonds communs de placement d'entreprise*"),
   - **f)** to set, for the issues that are the subject of this delegation, the methods and conditions of membership of the company savings plans, establish their rules or, where there are pre-existing plans, amend their rules,
   - **g)** at its sole discretion, charge the cost of capital increases against the premiums arising thereon, and deduct from this amount the necessary amounts so that the legal reserve is equal to one-tenth of the new amount of share capital after each increase,
   - **h)** make any adjustments in accordance with legal and/or contractual provisions and to establish the arrangements for ensuring, where applicable, that the rights of the bearers of transferable securities or other rights giving access to the share capital, which might exist on the day that the issue in question is made, are protected, and
   - **i)** take all measures, enter into any agreements, complete all formalities and do what is necessary for the successful conclusion of the proposed issues and, in particular, those relating to the admission to trading of the securities created, and make the amendments to the articles of association related to these capital increases;
8. Give this authorisation, which supersedes the unused part of any preceding authority relating to the same purpose, for a period of 26 months from the date of this Meeting.

TWENTY-THIRD RESOLUTION *(AUTHORISATION TO BE GIVEN TO THE BOARD OF DIRECTORS TO AWARD EXISTING OR NEW SHARES FREE OF CHARGE TO SALARIED EMPLOYEES AND/OR CORPORATE OFFICERS OF THE COMPANY OR OF RELATED COMPANIES; WAIVER BY THE SHAREHOLDERS OF THEIR PREFERENTIAL SUBSCRIPTION RIGHTS; DURATION OF THE AUTHORISATION; CEILING; DURATION OF THE VESTING PERIOD)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, having considered the Board of Directors' report and the Statutory Auditors' special report, and in accordance notably with articles L. 225-197-1 et seq. of the French Commercial Code:

1. Authorise the Board of Directors, with the right to sub-delegate in accordance with the laws and regulations in force, to allocate existing or new free shares (excluding preferential shares), in one or more transactions, to the beneficiaries or categories of beneficiaries that it may choose amongst the salaried staff of the Company or its related groupings pursuant to article L. 225-197-2 of the same Code and the corporate officers of the Company or its related companies or groupings, who meet the conditions established by section II of article L. 225-197-1 of the same Code, under the following conditions;
2. Resolve that:
   - **a)** the total number of free shares allocated by virtue of this authorisation, 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 specified that the par value of any additional shares issued in order to preserve the rights of the holders of transferable 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,
   - **b)** the allocation of free shares, under this resolution, to corporate officers of the Company or companies or groupings related to it in accordance with the provisions of article L. 225-197-2 of the French Commercial Code 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. Resolve 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 one year, following which beneficiaries are required to retain their shares for a further year, at least, from the expiration of the vesting period, or (ii) following a vesting period of minimum two years after which beneficiaries are not required to retain their shares for a further period, it being specified 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 shares will be freely negotiable as soon as they are vested;
5. 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;
6. Acknowledge that in the event of the free allocation of new shares this authorisation will entail, to the extent the shares are definitively allocated, an increase in capital through the capitalisation of reserves, earnings or share premiums for the benefit of the shares' beneficiaries, and the corresponding express 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;
7. 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;

8. Take note that, should the Board of Directors exercise this authority, it will inform the Ordinary General Meeting every year 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;
9. Resolve 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:
   a) determine whether the freely allocated shares are existing or newly-issued shares,
   b) 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,
   c) 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 vesting period and the conservation period required for each beneficiary under the conditions provided for above, it being specified 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,
   d) include a provision to temporarily suspend the rights of allocation,
   e) verify the definitive allocation dates, and the date from which the shares can be freely transferred, taking into account the legal restrictions,
   f) 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, carry out and place on record the capital increases made in application of this authorisation, make the corresponding amendments to the articles of association, and
   g) in general, in the context of the legislation in force, carry out all the necessary formalities that the implementation of this authorisation requires;
10. Give this authorisation, which supersedes the unused part of any preceding authority relating to the same purpose, for a period of 26 months from the date of this General Meeting of Shareholders.

TWENTY-FOURTH 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, having considered the Board of Directors' report and the Statutory Auditors' special report, and in accordance notably with articles L. 225-177 to 225-186-1 of the French Commercial Code:

1. Authorise the Board of Directors to award, on one or more occasions, 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 for 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;
2. Resolve that the total number of options which may be granted by virtue of this authorisation may not give rights to subscribe for or purchase more than 460,000 shares on the allotment date, it being specified that, if applicable, the par value of any additional shares to be issued in order to preserve the rights of the bearers of transferable 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, shall be added to this ceiling;
3. Resolve that the allocation of options for the subscription and/or purchase of shares to corporate officers of the Company and/or directly or indirectly related companies or groupings under article L. 225-180 of the French Commercial Code, cannot exceed a ceiling of 0.2% under this resolution;
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. Resolve that in the event share subscription or share purchase options are granted, the subscription or purchase price shall 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. Resolve 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 authorisation 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 where shares are granted to the executive officers within the meaning of article L. 225-185, paragraph 4, of the French Commercial Code, they may only be granted 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:

a) 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,

b) 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,

c) 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,

d) determine the dividend entitlement date, including retroactively, of new shares resulting from the exercise of the options,

e) for the options granted to the corporate officers of the Company, ensure that the options are not exercised prior to the termination of their duties, or set the number of shares that must be kept until termination of their duties,

f) provide an option to temporarily suspend the exercise of options in the event of financial or share-related operations,

g) 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 options, and involving all or some of the beneficiaries,

h) authorise any agreement, take any measure, carry out or arrange the completion of any formalities needed to render definitive the capital increase(s) which might be carried out by virtue of this authorisation, amend the articles of association accordingly and generally do all that it necessary to implement these issues, and

i) 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 having the same purpose, for a period of 26 months from the date of this General Meeting of Shareholders.

TWENTY-FIFTH RESOLUTION *(OVERALL CEILING ON CAPITAL INCREASES)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, having considered the Board of Directors' report, and as a consequence of the adoption of resolutions fifteen to twenty-two, set, in accordance with article L. 225-129-2 of the French Commercial Code:

* at €30,000,000 (thirty million) or its equivalent in foreign currencies, the total par value of share capital increases, whether immediate or in the future, that may be carried out by virtue of the above resolutions, it being specified that the par value of any additional shares to be issued in order to protect, in accordance with the law, the rights of the bearers of transferable securities or of other rights giving access to capital shall be added to this ceiling; and
* at €1,000,000,000 (one billion), or its equivalent in foreign currencies, the ceiling of the maximum par value of debt securities that may be issued by virtue of the above resolutions.

TWENTY-SIXTH RESOLUTION *(DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS FOR THE PURPOSE OF PROCEEDING WITH A CAPITAL INCREASE THROUGH THE CAPITALISATION OF PREMIUMS, RESERVES, PROFIT OR OTHER ITEMS)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, having considered the Board of Directors' report and in accordance with the legal provisions relating to commercial companies, in particular articles L. 225-129, L. 225-129-2 and L. 225-130 of the French Commercial Code:

1. Delegate to the Board of Directors their authority to decide to increase the Company's capital, on one or more occasions, at its sole discretion, in the proportions and at that the times it deems fit, through the capitalisation of premiums, reserves, profit or other items that may be capitalised under the law and the articles of association, in the form of the allocation free of charge of equity securities or through increasing the par value of existing equity securities, or by a combination of the two methods;

2. Resolve that fractional allotment rights shall be neither negotiable or transferable and that the corresponding securities shall be sold, with the proceeds of the sale being allocated within a period set by decree of the French Conseil d'État, either on that day, or no later than thirty days after the date of registration of the number of whole shares allocated to their account;

3. In the event that the Board of Directors makes use of this delegation, resolve that the maximum par value of the capital increases, that may arise from all of the issues carried out by virtue of this resolution, may not exceed the amount of the premiums, reserves, profits or other accounts that exist at the time of the capital increase, up to a maximum par value of €30,000,000 (thirty million). This ceiling is independent of the overall ceiling set in the twenty-fifth resolution, it being specified that this ceiling does not take account of the consequences on the amount of capital from adjustments that may be made, in accordance with legal and regulatory provisions, in order to protect the holders of rights attached to transferable securities giving access to the Company's capital;

4. Give the Board of Directors 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:

a) set the amount and the type of the sums to be capitalised, to set the number of shares to be issued or the amount whose par value will be increased,

b) make, where applicable, adjustments related to any financial transactions on the Company's capital,

c) at its sole discretion, charge the cost of capital increases against the premiums arising thereon, and deduct from this amount the necessary amounts so that the legal reserve is equal to one-tenth of the new amount of share capital after each increase, and

d) generally, enter into all agreements, take all measures and complete all formalities required for the issue and listing of the shares, for the successful conclusion and for the financial servicing of shares issued by virtue of this authorisation and for the exercise of rights attached thereto, place on record the completion of each capital increase and make any corresponding amendments to the articles of association;

5. Give this authorisation, which supersedes the unused part of any preceding authority having the same purpose, for a period of 26 months from the date of this General Meeting of Shareholders.

TWENTY-SEVENTH RESOLUTION *(DELEGATION OF AUTHORITY GRANTED TO THE BOARD OF DIRECTORS TO ISSUE TRANSFERABLE SECURITIES CARRYING RIGHTS TO THE ALLOTMENT OF DEBT SECURITIES AND NOT LEADING TO AN INCREASE IN THE COMPANY'S SHARE CAPITAL)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, having considered the Board of Directors' report and in accordance with the provisions of articles L. 225-129 to L. 225-129-6 and L. 228-91 of the French Commercial Code:

1. Delegate to the Board of Directors their authority to issue, on one or more occasions, in France or abroad and/or on the international market, in euros or in any monetary units established by reference to a basket of currencies, of bonds with bond warrants attached and, more generally, transferable securities giving rights to the allocation, immediately or in the future, of debt securities such as bonds, equivalent securities, subordinate securities with or without a fixed term or any other securities giving, in a single issue, the same claims on the Company.

The par value of all of the transferable securities to be issued and listed above may not exceed €500,000,000 (five hundred million), or the equivalent value to this amount in foreign currency or in any monetary units established by reference to a basket of currencies, it being specified that this maximum par value is independent of the amount of debt securities that would be issued on the basis of resolutions fifteen, sixteen and seventeen and of the overall ceiling set under the twenty-fifth resolution and that this amount shall be increased by any redemption premium above par;

2. Resolve that the Board of Directors shall have full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to implement this resolution and, in particular:

a) to carry out these issues within the limit stipulated above, and to set the date, type, amounts and currency of issue,

b) to determine the characteristics of the transferable securities to be issued and the debt securities to which the transferable securities will give an allocation entitlement, and in particular their nominal value and dividend entitlement date, including retroactively, their issue price, with a premium where applicable, their interest rate, which may be fixed or variable and payment date, and for floating-rate securities, the methods for setting their interest rate, or the terms for capitalising the interest,

c) to set, in accordance with market conditions, the methods of amortisation and/or of early redemption of the transferable securities to be issued and the debt securities to which the transferable securities would give an allocation entitlement, with a fixed or variable premium where applicable, or even repurchase by the Company,

d) where appropriate, resolve to grant a guarantee or sureties for the transferable securities to be issued and the debt securities to which the transferable securities would give an allocation entitlement, and to set the type and characteristics, and

e) in general, determine all of the terms and conditions for each issue, enter all agreements, conclude any agreements with any banks and any organisations, make any arrangements, complete the requisite formalities and, generally, take any appropriate measure to carry out these issues;

3. Give this authorisation, which supersedes the unused part of any preceding authority having the same purpose, for a period of 26 months from the date of this General Meeting of Shareholders.

TWENTY-EIGHTH RESOLUTION *(AMENDMENT TO ARTICLE 25 OF THE ARTICLES OF ASSOCIATION – DELETION OF THE REFERENCE TO THE LEGAL DEADLINE FOR PREPARING THE LIST OF PERSONS ENTITLED TO PARTICIPATE IN GENERAL MEETINGS OF SHAREHOLDERS)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report, resolve to amend article 25, sub-paragraph 25.1, of the articles of association, in order to delete the reference to the legal deadline for preparing the list of persons entitled to participate in General Meetings of Shareholders.

Consequently, article 25, sub-paragraph 25.1 is now worded as follows:

New version article 25 – Composition of General Meetings of Shareholders	*Old version* article 25 – Composition of General Meetings of Shareholders
25.1. All shareholders are entitled to attend Ordinary and Extraordinary General Meetings of Shareholders 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/her behalf if the shareholder is resident abroad ***before the legal deadline***: ● 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. The rest of the article is unchanged.	25.1. All shareholders are entitled to attend Ordinary and Extraordinary General Meetings of Shareholders 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.

TWENTY-NINTH RESOLUTION *(AMENDMENT TO ARTICLE 29 OF THE ARTICLES OF ASSOCIATION – INTRODUCTION INTO THE ARTICLES OF ASSOCIATION OF THE OPTION TO ELECT DIVIDEND PAYMENTS IN CASH OR IN SHARES)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report, resolve to amend article 29, in order to offer shareholders, with respect to dividends, the choice between payment in cash and payment in shares.

Consequently, article 29, is now worded as follows:

New version article 29 – Profits and losses	*Old version* article 29 – Profits and losses
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. ***Addition:*** **The General Meeting has the option to offer shareholders the choice between payment in cash and/or in Company shares for all or part of the interim dividend or dividend while complying with legal and regulatory requirements.** 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 the future years until extinguished.	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 the future years until extinguished.

8.3.3 Resolution submitted to the Ordinary General Meeting of Shareholders

THIRTIETH 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.

8.4 STATUTORY AUDITORS' REPORTS ON THE CAPITAL TRANSACTIONS PROPOSED IN THE RESOLUTIONS SUBMITTED TO THE VOTE OF THE COMBINED GENERAL MEETING OF 23 JUNE 2016

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.

Dear Shareholders,

In our capacity as Statutory Auditors of your company (the "Company") and in accordance with the assignments entrusted to us by the French Commercial Code, we hereby present our reports on the capital transactions submitted for your approval.

1. Report on the capital reduction (fourteenth resolution)

In accordance with the engagement under 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. Report on the issue of shares and/or various transferable securities with and/or without shareholders' preferential subscription rights (fifteenth to twenty-first resolutions)

In accordance with engagement under the articles L. 228-92 and L. 225-135 of the French Commercial Code, we hereby present our report on the proposed delegations of authority to the Board of Directors for various share and/or transferable securities issues, transactions on which you are being asked to vote.

Your Board of Directors is asking you, on the basis of its report, to:

- to delegate to it, with the right to sub-delegate, for a term of 26 months from the date of this General Meeting of Shareholders, the authority to carry out the following transactions and to stipulate the final conditions of these issues, and is asking you, where applicable, to waive your preferential subscription rights:
  - rights issue (fifteenth resolution) on one or more occasions of ordinary shares in the Company, of any financial securities and/or other transferable securities of any nature, giving access immediately or in the future to new or existing ordinary shares in the Company or giving rights to the allocation of debt securities, it being specified that this delegation may allow one or more issues pursuant to article 228-93 of the French Commercial Code,
  - non-rights issue by means of a public offer (sixteenth resolution), on one or more occasions, of ordinary shares in the Company or any other financial securities and/or other transferable securities of any nature, giving access immediately or in the future, to new or existing ordinary shares in the Company or giving rights to the allocation of debt securities, it being specified that this delegation may allow one or more issues pursuant to article 228-93 of the French Commercial Code, or of a related company within the meaning of the same article (a "Subsidiary"), subject to the authorisation of the Extraordinary General Meeting of the Subsidiary in which the rights will be exercised,

- non-rights issue by means of a private placement with qualified investors or with a restricted circle of investors in accordance with section II of article L. 411-2 of the French Monetary and Financial Code (seventeenth resolution), on one or more occasions, of ordinary shares, any financial securities and/or any other transferable securities of any nature, giving access immediately or in the future, to new or existing ordinary shares in the Company or giving rights to the allocation of debt securities, it being specified that this delegation may allow one or more issues pursuant to article 228-93 of the French Commercial Code; issue in the event of a public exchange offer initiated by your Company (twentieth resolution) of Company equity securities and/or financial securities giving access, immediately or in the future, to a share of the Company's share capital or giving entitlement to the allocation of debt securities;

- authorise it, by the eighteenth resolution and in the context of the exercise of the delegations under the sixteenth and seventeenth resolutions, to set the issue price up to a legal limit of 10% of the share capital per 12-month period;
- delegate to it, for a term of 26 months from the date of this Meeting, the powers necessary for it to issue ordinary sharers and/or financial securities giving access immediately or in the future to the Company's share capital, in order to pay for contributions in kind granted to the Company and comprising shares or financial securities giving access to the capital (nineteenth resolution) up to a limit of 10% of the Company's share capital.

The maximum par value of capital increases that may be carried out immediately or in the future under the fifteenth to twenty-first resolutions, and under the twenty-second resolution referenced below, may not exceed, in accordance with the twenty-fifth resolution, €30 million, it being specified that the individual ceiling for the par value of the capital increases that may be carried out immediately or in the future may not exceed:

- €30 million for the fifteenth and twentieth resolutions; and
- €7,534,000 for the sixteenth and seventeenth resolutions.

The overall par value of debt securities that may be issued may not exceed, in accordance with the twenty-fifth resolution, €1 billion under the fifteenth to twenty-first resolutions, and under the twenty-second resolution referenced below, it being specified that the individual ceiling for the par value of the debt securities that may be issued may not exceed:

- €750 million for the fifteenth and sixteenth resolutions;
- €500 million for the seventeenth and nineteenth resolutions.

These platforms take account of the additional number of transferable securities to be created in the context of implementing the delegations under the fifteenth to eighteenth resolutions, in accordance with article L. 225-235-1 of the French Commercial Code, if you adopt the twenty-first resolution.

It is the responsibility of your Board of Directors to prepare a report in accordance with articles R. 225-113 et seq. of the French Commercial Code. Our responsibility is to give our opinion on the fairness of the financial information extracted from the financial statements, on the proposal to waive preferential subscription rights and on certain other information concerning these transactions, as provided in this report.

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 content of the report of the Board of Directors relating to these transactions and the methods for setting the issue price of equity securities to be issued.

Subject to the further examination of the terms and conditions of issues that are to be decided, we have no matters to report as to the methods used to determine the issue price of the equity securities to be issued, as disclosed in the report of the Board of Directors under the sixteenth, seventeenth and eighteenth resolutions.

Moreover, as this report does not stipulate the methods for determining the issue price of the equity securities to be issued in the context of the implementation of the fifteenth, nineteenth and twentieth resolutions, we are not able to give our opinion on the choice of the items used to calculate the issue price of the equity securities to be issued.

As the final terms and conditions of the issue(s) have not been set, we express no opinion on them and, consequently, on the proposal to waive the preferential rights of subscription made to you in the sixteenth, seventeenth and eighteenth resolutions.

In accordance with article R. 225-116 of the French Commercial Code, we will prepare an additional report, where applicable, when use is made of these delegations by your Board of Directors, in the event that (i) transferable securities are issued which are equity securities giving access to other equity securities or giving entitlement to the allocation of debt securities, (ii) transferable securities are issued giving access to equity securities to be issued and (iii) t ordinary shares are issued without preferential subscription rights.

3. Report on the issue of shares and/or transferable securities giving access to share capital reserved for members of a company savings plan (twenty-second resolution)

In accordance with the engagement described particularly in articles L. 228-92 and L. 225-135 of the French Commercial Code, we hereby present our report on the proposed delegation to the Board of Director, with the right to sub-delegate, of the authority to decide, on one or more occasions, to issue ordinary shares, securities and/or any transferable securities of the Company giving access, immediately or in the future, to ordinary shares in the Company, with the waiver of preferential subscription rights, reserved (i) for employees, former employees and/or corporate officers, in accordance with the applicable legal and regulatory provisions, of the Company and/or companies or groupings, whether French or foreign, which are related to it within the meaning of article L. 225-180 of the French Commercial Code and (ii) for employees, former employees and/or corporate officers when the latter are members of a company savings plan set up within the Company or the Group comprised of companies or groupings which are related to it within the meaning of article L. 225-180 of the French Commercial Code and which also meet other terms and conditions imposed by the Board of Directors, a transaction on which you are asked to vote.

The maximum par value of capital increases that may be carried out immediately or in the future is set at €400,000, it being specified that this amount shall be added to the overall ceiling set in accordance with the twenty-fifth resolution of this Meeting.

This issue is submitted for your approval pursuant to the provisions of articles L. 225-129-6 of the French Commercial Code and L. 3332-18 et seq. of the French Labour Code.

Your Board of Directors is asking you, on the basis of its report, to delegate to it, for a term of 26 months from the date of this Meeting, the authority to decide on one or more issues and to waive your preferential subscription rights to the shares and transferable securities to be issued. Where applicable, it will be the Board's responsibility to set the final terms and conditions for this transaction.

It is the responsibility of your Board of Directors to prepare a report in accordance with articles R. 225-113 et seq. of the French Commercial Code. Our responsibility is to give our opinion on the fairness of the financial information extracted from the financial statements, on the proposal to waive preferential subscription rights and on certain other information concerning the issue, as provided in this report.

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 content of the report of the Board of Directors relating to this transaction and the methods for setting the issue price of equity securities to be issued.

Subject to the further examination of the terms and conditions of issues that are to be decided, we have no matters to report as to the methods used to determine the issue price of the equity securities to be issued as disclosed in the report of the Board of Directors.

As the final terms and conditions of the issue(s) have not been set, we express no opinion on them and, consequently, on the proposal to waive the preferential rights of subscription.

In accordance with article R. 225-116 of the French Commercial Code, we will prepare an additional report, where applicable, when use is made of this delegation by your Board of Directors, in the event that (i) shares are issued, (ii) transferable securities are issued which are equity securities giving access to other equity securities and (iii) transferable securities are issued giving access to equity securities to be issued.

4. Report on the allocation of existing or new shares free of charge (twenty-third resolution)

In accordance with the engagement under article L. 225-197-1 of the French Commercial Code, we hereby present our report on the proposed allocation free of charge of existing or new shares to beneficiaries or categories of beneficiaries to be determined by your Board of Directors from members of the salaried employees of the Company or of companies or groupings related to it within the meaning of article L. 225-197-2 of the same Code and the corporate officers of the Company or of companies or groupings related to it and which comply with the provisions of 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 the allocation of free shares to the corporate officers of the Company or companies or groupings related to it may not exceed a sub-ceiling of 0.2%.

Your Board of Directors is asking that you authorise it, for a term of 26 months from the date of this General Meeting, 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.

5. Report on the authorisation to grant subscription and/or share purchase options (twenty-fourth resolution)

In accordance with the engagement described particularly in articles L. 225-177 and R. 225-144 of the French Commercial Code, we hereby present our report on the authorisation to award share subscription and/or purchase options to salaried employees, corporate officers or some of among them, of the Company and/or directly or indirectly related companies or groupings according to the provisions of article L. 225-180 of the same Code, a transaction on which you are asked to vote.

The total number of options which may be granted by virtue of this authorisation may not give rights to subscribe for or purchase more than 460,000 shares as of the grant date.

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 of the shares 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 matters to report as to the proposed methods for setting the share subscription or exercise price.

The Statutory Auditors
Paris and Neuilly-sur-Seine, 10 May 2016

Saint-Honoré BK&A
Emmanuel KLINGER

Deloitte & Associés
Joel ASSAYAH

ADDITIONAL INFORMATION

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9.1 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND STATEMENT

9.1.1 Persons responsible for the Registration Document

Dr Jean-Claude Marian, Chairman of the Board of Directors.

Mr Yves Le Masne, Chief Executive Officer.

9.1.2 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 113 to 145 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.

The Statutory Auditors' reports on the consolidated and statutory financial statements for the year ended 31 December 2015, included in this Registration Document, appear on pages 182 and 203-204 respectively of this Registration Document. These reports contain no matters to report.

The Statutory Auditors' reports on the consolidated and statutory financial statements for the year ended 31 December 2014, incorporated by reference in this Registration Document, appear on pages 292–293 and 318-319 respectively of the 2014 Registration Document filed with the AMF on 19 May 2015. These reports contain no matters to report.

The Statutory Auditors' report on the consolidated financial statements for the year ended 31 December 2013, incorporated by reference in this Registration Document, appears on pages 292–293 of the 2013 Registration Document filed with the AMF on 16 May 2014. It contains an observation relating to the first-time application of the revised IAS 19 on employee benefits. The Statutory Auditors' report on the statutory financial statements for the same year, incorporated by reference in this Registration Document, appears on pages 318–319 of the 2013 Registration Document. It contains no matters to report.

Puteaux, 19 May 2016

9.1.3 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

9.2 STATUTORY AUDITORS

9.2.1 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.

9.2.2 Alternate Statutory Auditors

- SAINT HONORÉ 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 Françoise Vainqueur, joint alternate statutory auditor, who resigned for personal reasons.

9.2.3 Statutory Auditors' Fees

Budgeted auditors' fees with respect to 2015 and 2014

	Deloitte & Associés				Saint-Honoré BK&A			
	2015		2014		2015		2014	
	(in thousands of euros)	*(%)*	*(in thousands of euros)*	*(%)*	*(in thousands of euros)*	*(%)*	*(in thousands of euros)*	*(%)*
1. Audit								
1.1 Statutory audit, certification and review of the separate and consolidated financial statements								
● Issuer of statements	843	56%	843	57%	730	74%	730	79%
● Fully-consolidated subsidiaries	629	42%	603	41%	256	26%	189	21%
1.2 Work and services directly related to the duties of the Statutory Auditors								
● Issuer of statements	30	2%	30	2%				
● Fully-consolidated subsidiaries								
Sub-total	**1,502**	**100%**	**1,476**	**100%**	**986**	**100%**	**919**	**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**
TOTAL	**1,502**	**100%**	**1,476**	**100%**	**986**	**100%**	**919**	**100%**

9.3 DOCUMENTS ON DISPLAY

This list comprises the annual information document published between 13 May 2015 and 1 April 2016, 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.

9.3.1 Publications on the AMF 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
27/04/2016	Declaration of net short positions no. 2016E427354
06/04/2016	Declaration of net short positions no. 2016E423426
17/03/2016	Declaration of net short positions no. 2016E420497
10/03/2016	Declaration of net short positions no. 2016E419245
07/03/2016	Prospectus approved with a view to the admission on Euronext Paris of bonds of €100,000 for a total of €13,000,000, fungible with an existing tranche
01/03/2016	Declaration of net short positions no. 2016E417409
16/02/2016	Crossing of Threshold Declaration no. 216C0507
10/02/2016	Crossing of Threshold Declaration no. 216C0468
02/02/2016	Crossing of Threshold Declaration no. 216C0371
29/01/2016	Crossing of Threshold Declaration no. 216C0334
24/01/2016	Directors' Declaration no. 2016DD410566
21/01/2016	Crossing of Threshold Declaration no. 216C0233
24/12/2015	Publication of net short positions no. 2015E406409
21/12/2015	Prospectus approved with a view to the admission on Euronext Paris of bonds of €100,000 for a total of €26,000,000
20/05/2015	2015 Registration Document

9.3.2 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
19/10/2015	Notice to attend the EGM of 6 November 2015
02/10/2015	Notice of the EGM of 6 November 2015
22/07/2015	Adjustment of the ORNANE conversion rate
01/07/2015	Notice of approval of the 2014 statutory and consolidated financial statements
05/06/2015	Notice to attend the CGM of 23 June 2015
15/05/2015	Notice of the CGM of 23 June 2015

9.3.3 Publications on the Company's website

Published on the ORPEA website (www.orpea-corp.com).

Publication date	Heading	Type of document
04/05/2016	Announcements	Strong growth in Q1 2016 revenues: up 26.5% to €680.5 million
30/03/2016	Announcements	2015 annual results
30/03/2016	Documentation/Presentations	2015 annual results
10/03/2016	Documentation/Other regulated information	Number of shares and voting rights at 29/02/2016
04/03/2016	Documentation/Other regulated information	Euro PP prospectus, AMF approval no. 16-069 (€13 million)
16/02/2016	Documentation/Other regulated information	Standard Life Crossing of Threshold Declaration
10/02/2016	Announcements	Sharp rise in 2015 revenues ahead of guidance: up 22.8% to €2,393 million
10/02/2016	Documentation/Other regulated information	Jean-Claude Marian Crossing of Threshold Declaration – amended
04/02/2016	Documentation/Other regulated information	Number of shares and voting rights at 29/01/2016
02/02/2016	Documentation/Other regulated information	FFP Invest Crossing of Threshold Declaration
29/01/2016	Documentation/Other regulated information	CPPIB Crossing of Threshold Declaration
27/01/2016	Documentation/Other regulated information	Number of shares and voting rights at 27/01/2016
21/01/2016	Documentation/Other regulated information	SOFINA Crossing of Threshold Declaration
20/01/2016	Documentation/Other regulated information	Jean-Claude Marian Crossing of Threshold Declaration
19/01/2016	Documentation/Other regulated information	Number of shares and voting rights at 18/01/2016
05/01/2016	Documentation/Other regulated information	Number of shares and voting rights at 31/12/2015
05/01/2016	Documentation/Other regulated information	Interim report on the liquidity contract at 31/12/2015
04/01/2016	Announcements	Acquisition of MEDI-SYSTEM, Poland's No. 1 long-term care operator
18/12/2015	Documentation/Other regulated information	Euro PP prospectus, AMF approval no. 15-635 (€26 million)
08/12/2015	Documentation/Other regulated information	Number of shares and voting rights at 30/11/2015
13/11/2015	Documentation/Other regulated information	Number of shares and voting rights at 30/10/2015
04/11/2015	Announcements	New quarter of strong growth: Q3 2015 revenues up 18.2% to €620 million
19/10/2015	Documentation/Other regulated information	Availability of draft documents relating to the Extraordinary General Meeting of 06/11/2015
12/10/2015	Documentation/Other regulated information	Number of shares and voting rights at 30/09/2015
12/10/2015	Documentation/Financial Reports	2015 Interim Financial Report Reports
23/09/2015	Announcements	Solid H1 2015 earnings growth
23/09/2015	Documentation/Presentations	Half-year 2015 results
04/09/2015	Documentation/Other regulated information	Number of shares and voting rights at 31/08/2015
21/07/2015	Announcements	Strong increase of +26.1% in H1 2015 revenue and acquisition of the German group Residenz Gruppe Bremen
16/07/2015	Documentation/Other regulated information	Adjustment of the conversion ratio of the ORNANE
02/07/2015	Documentation/Other regulated information	Number of shares and voting rights at 30/06/2015
01/07/2015	Documentation/Other regulated information	Interim report on the liquidity contract at 30/06/2015
08/06/2015	Documentation/Other regulated information	Number of shares and voting rights at 29/05/2015
08/06/2015	Documentation/Other regulated information	Number of shares and voting rights at 30/04/2015
19/05/2015	Announcements	Publication of the 2014 Registration Document
19/05/2015	Documentation/Financial Reports	2014 Registration Document
18/05/2015	Announcements	Acquisition of CELENUS KLINIKEN in Germany
31/03/2015	Documentation/Presentations	Acquisition of CELENUS KLINIKEN

9.3.4 Publications on an AMF-approved newswire

Published on the newswire (www.businesswire.fr/portal/site/).

Publication date	Type of document
04/05/2016	Strong growth in Q1 2016 Revenues, up 26.5% to €680.5 million
30/03/2016	2015 annual results
10/03/2016	Monthly information on the total number of voting rights and shares comprising the share capital
10/02/2016	2015 Revenue rose sharply and above objective: up +22.8% to €2,393 million
04/02/2016	Monthly information on the total number of voting rights and shares comprising the share capital
27/01/2016	Monthly information on the total number of voting rights and shares comprising the share capital
19/01/2016	Monthly information on the total number of voting rights and shares comprising the share capital
05/01/2016	Monthly information on the total number of voting rights and shares comprising the share capital
04/01/2016	Acquisition of MEDI-SYSTEM, Poland's No. 1 long-term care operator
05/01/2016	Annual review of the liquidity contract with the stock exchange company Gilbert Dupont
08/12/2015	Monthly information on the total number of voting rights and shares comprising the share capital
13/11/2015	Monthly information on the total number of voting rights and shares comprising the share capital
04/11/2015	Strong growth with Q3 Revenues up 18.2% to €620.2 million
19/10/2015	Procedures for making available or viewing the information relating to the Extraordinary General Meeting of 6 November 2015
12/10/2015	Press release announcing availability of the interim financial statements at 30 June 2015
12/10/2015	Monthly information on the total number of voting rights and shares comprising the share capital
23/09/2015	Solid H1 2015 Earnings Growth
07/09/2015	Monthly information on the total number of voting rights and shares comprising the share capital
21/07/2015	Strong increase of +26.1% in H1 2015 revenue and acquisition of the German group Residenz Gruppe Bremen
16/07/2015	Adjustment of the conversion rate of bonds redeemable in cash and/or new or existing shares (ORNANES)
02/07/2015	Monthly information on the total number of voting rights and shares comprising the share capital
01/07/2015	Bi-annual review of the liquidity contract with stock exchange company Gilbert Dupont
08/06/2015	Monthly information on the total number of voting rights and shares comprising the share capital
08/06/2015	Monthly information on the total number of voting rights and shares comprising the share capital
19/05/2015	Publication of the 2014 Registration Document
18/05/2015	New strategic acquisition in Germany

9.4 TABLE OF CORRESPONDENCE

9.4.1 Table of correspondence between the Registration Document and the Management Report

This Registration Document includes all of the Management Report information required under law and regulations. The table below states the page numbers of this Registration Document that contain the main information from the Management Report.

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9.4.2 Table of correspondence of the annual financial report

In order to facilitate the reading of this Registration Document, the table of correspondence below identifies the information in the Registration Document that constitutes the annual financial report that must published by listed companies in accordance with the provisions of the French Monetary and Financial Code following the transposition of Directive n° 2004/109/EC on transparency.

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9.4.3 Table of correspondence of the Registration Document

The table of correspondence of the Registration Document identifies the information specified by Annex I of EU Regulation No. 809/2004 of 29 April 2004.

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Designed & published by LABRADOR +33 (0)1 53 06 30 80

Translated by LABRADOR TRANSLATIONS +33 (0)1 53 06 80 20

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