REGISTRATION DOCUMENT

including the annual financial report

2016

ORPEA GROUP

life goes on with us.

CONTENTS

REGISTRATION DOCUMENT

including the annual financial report

ORPEA GROUP

The ORPEA Group provides an integrated range of services and additional medium- and long-stay care covering the full spectrum of patient ages and conditions in:

- nursing homes;
- post-acute and rehabilitation hospitals;
- psychiatric hospitals looking after people with mental health conditions;
- homecare and services;
- senior assisted-living residences.

AUTORITÉ DES MARCHÉS FINANCIERS AMF

This Registration Document was filed with the Autorité des Marchés Financiers on 19 May 2017 in accordance with Article 212-13 of its General Regulation. It may be used in support of a financial transaction if accompanied by a securities note approved by an AMF visa. It has been prepared by the issuer, and its signatories are responsible for its contents.

Pursuant to Article 28 of Regulation (EC) 809/2004 of the European Commission, this Registration Document incorporates by reference the 2014 Registration Document filed on 19 May 2015 under number D.15-0510 and the 2015 Registration Document filed on 19 May 2016 under number D.16-0509.

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

GROUP PROFILE

The ORPEA Group offers integrated care services at home or in residential facilities for individuals with physical or mental health conditions. Our goal is to deliver continuity of care and a high quality of life, so that we meet the expectations of our residents and patients and the standards set by supervisory authorities.

Since our foundation in 1989, we have always made the quality of our care and services the cornerstone of our development strategy. We have undertaken to devote all the requisite human and technical resources to ensure the well-being of our patients and residents and to provide them with the best possible care with:

- comfortable accommodation supported by maintenance and redevelopment of our network of facilities;
- staff training to raise the quality of the support we provide;
- meticulous procedures to maintain our standards of comfort and safety each and every day;
- efforts to develop new treatment approaches to keep pace with the latest developments and cultivate new ideas.

Over the past 28 years, we have grown to become one of the European leaders in our sector of activity by building a unique network of specialised facilities amid the more rapid ageing of populations, not just in Europe, but also worldwide.

By harnessing our organisation structure built and scaled for international expansion, our financial flexibility, and our operations in nine European countries and in China, we aim to continue expanding both in countries where we are already present and also in new territories. At the same time, we will continue to enrich our integrated offering, by adding homecare and services, assisted-living facilities and outpatient services to broaden the spectrum of care we provide.

HEALTH FOR ALL

77,094
BEDS

9,115 BEDS UNDER CONSTRUCTION
AND REDEVELOPMENT
110% INCREASE OVER 5 YEARS

751
FACILITIES

STRATEGIC GEOGRAPHICAL LOCATIONS
HIGH-QUALITY REAL ESTATE
HIGH PRIVATE ROOM RATE

49,200
EMPLOYEES

MAINTAIN HIGH PROFESSIONAL STANDARDS
AND A POSITIVE ATTITUDE TOWARDS RESIDENTS
AND PATIENTS IN ALL ASPECTS OF CARE,
ACCOMMODATION AND CATERING, EVENTS
AND ENTERTAINMENT, AND MANAGEMENT

10
COUNTRIES

43% OF THE NETWORK IN FRANCE
57% OF THE NETWORK IN AUSTRIA, BELGIUM,
CHINA, CZECH REPUBLIC, GERMANY, ITALY,
POLAND, SPAIN AND SWITZERLAND

ETHICAL AND SOCIETAL COMMITMENTS FOR 2016

Strong commitment to supporting life in the regions

The ORPEA Group is firmly entrenched in regional life and the regional economies. It has created thousands of jobs, and through its efforts to promote health and education and its support for local charities, it makes a truly positive contribution to society.

HIRING AND DEVELOPING FUTURE TALENT

2016 was another busy year for ORPEA on the recruitment and job creation front thanks to its active expansion policy. In France, the Group recruited close to 8,472 new employees.

These sustainable jobs, which cannot be relocated abroad, provide many career development opportunities by virtue of the Group's ambitious training policy.

To enrich the core skills of its employees and to promote the jobs in the services for the Elderly sector and attract new talent to the Group, ORPEA has continued to establish local partnerships with schools and universities in a number of areas, such as care, management, accommodation and catering.

ORPEA also takes part in and designs vocational training programmes to spread the knowledge it has gained. Two new programmes were set up in 2016:

- a joint diploma awarded by ORPEA and Peking Union Medical College Hospital (PUMCH) for training in geriatric care;
- an induction course backed up by an educational programme providing entry to the Care Facility Management university diploma run by the University of Nice.

CONTRIBUTION TO LOCAL CHARITABLE LIFE

Every facility and subsidiary of the ORPEA Group undertakes numerous charitable initiatives for the benefit of local organisations to help play a role in community life. These initiatives chiefly focus on:

- childhood;
- disabilities and medical research;
- solidarity and social inclusion to help people who feel cut-off from society or are experiencing financial difficulties.

In 2016, ORPEA's teams supported Imagine for Margo, a charity that raises funds for research programmes aiming to develop therapies for children with cancer. Over 500 employees rallied behind the cause, a hundred or so events were held at the Group's facilities and close to €130,000 in funds were raised.

Every year, the Group also supports charities such as France Alzheimer, and participates in major events such as the Telethon.

A strong commitment to research and innovation

In 2016, ORPEA steadfastly implemented its innovative initiatives and provided active support for research programmes in an effort to enhance the quality of life and standard of care for residents with impaired independent living skills:

- ORPEA conducted the first scientific study into the benefits of light for the quality of life of patients with Alzheimer's disease under a partnership with Nice teaching hospital, the CIUS centre for healthcare innovation and practices and Trilux, which designed the dynamic lighting system tested. By varying lighting levels according to the time of day to replicate the circadian rhythm and tweaking the colour/warmth of the light source, the ORPEA study demonstrated a significant improvement in the quality of residents' sleep. There was also an improvement in behavioural disorders, and anxiety levels declined.
- In the psychiatric segment, ORPEA began rolling out Deep TMS (Deep Transcranial Magnetic Stimulation) in 2016. This new therapeutic tool helps to remedy and prevent relapses in adult sufferers of depression, addictive behaviours and obsessive-compulsive disorders (OCD). This non-invasive technique induces increases or decreases in excitability in specific parts of the brain, depending on the condition being treated.
- ORPEA continued to develop the Promotion of Psychiatric Care in Facilities (APSPI), which was set up by the ORPEA Group's Panel of Psychologists. In 2016, the association organised its second scientific symposium on repetition in institutions. The event was attended by over 400 professionals, with 60% of them from outside the Group. It also continues to coordinate publication of the Clinics review by Érès.

The ORPEA Group's International Scientific & Ethics Council (ISEC) holds the ORPEA Excellence Awards every year to sustain this innovation and research campaign. In 2016, 24 projects were entered by the Group's subsidiaries in eight countries for the second edition of the awards. Four prizewinners were ultimately chosen in the following categories:

- The Clinical Ethics award went to Cine-Ethics, an evening film screening initiative for patients and their friends and family followed by a debate, to start a dialogue between professionals and service users;
- The Research award was given to a study that established a link between chronic pain and post-traumatic stress disorder in the elderly;
- The Care Innovation award was bestowed on Fit & Mobile 77, a physical conditioning programme developed by the Group's Austrian facilities to build up muscle strength, endurance, coordination and balance in the elderly;
- The Judges' Special Prize was awarded to the Group's Panel of Psychologists for all its work since its inception in 2004. It promotes collaboration between the Group's psychiatric, post-acute and rehabilitation, and geriatrics practitioners that cuts across departmental lines, supports professionals in their clinical approach and delivers continuous professional development.

PRESENTATION OF THE ORPEA GROUP AND ITS MARKETS

The ORPEA Group offers integrated care services at home or in residential facilities for individuals with physical or mental health conditions. It meets the needs of residents and patients for better and easier access to care, complying with the standards set by the European supervisory authorities. ORPEA now possesses an integrated range of services and additional care covering the full spectrum of patient ages and conditions in:

- nursing homes;
- post-acute and rehabilitation hospitals;
- psychiatric hospitals looking after people with mental health conditions;
- homecare and services;
- senior assisted-living residences.

ORPEA's core business is to look after people with physical or mental health conditions impairing their independent living skills by providing them with the essential care they require for their well-being and by supporting them in their everyday life so they can live with dignity in a manner suited to their own personality.

Since it was founded in 1989, ORPEA has always made the quality of its care and services the cornerstone of its development strategy. The ORPEA Group has undertaken to devote all the requisite human and technical resources to ensure the well-being of its patients and residents and to provide them with the best possible care.

Against a background of more rapidly 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 28 years become one of the European leaders for long-term care with 77,094 beds in 751 facilities across ten countries.

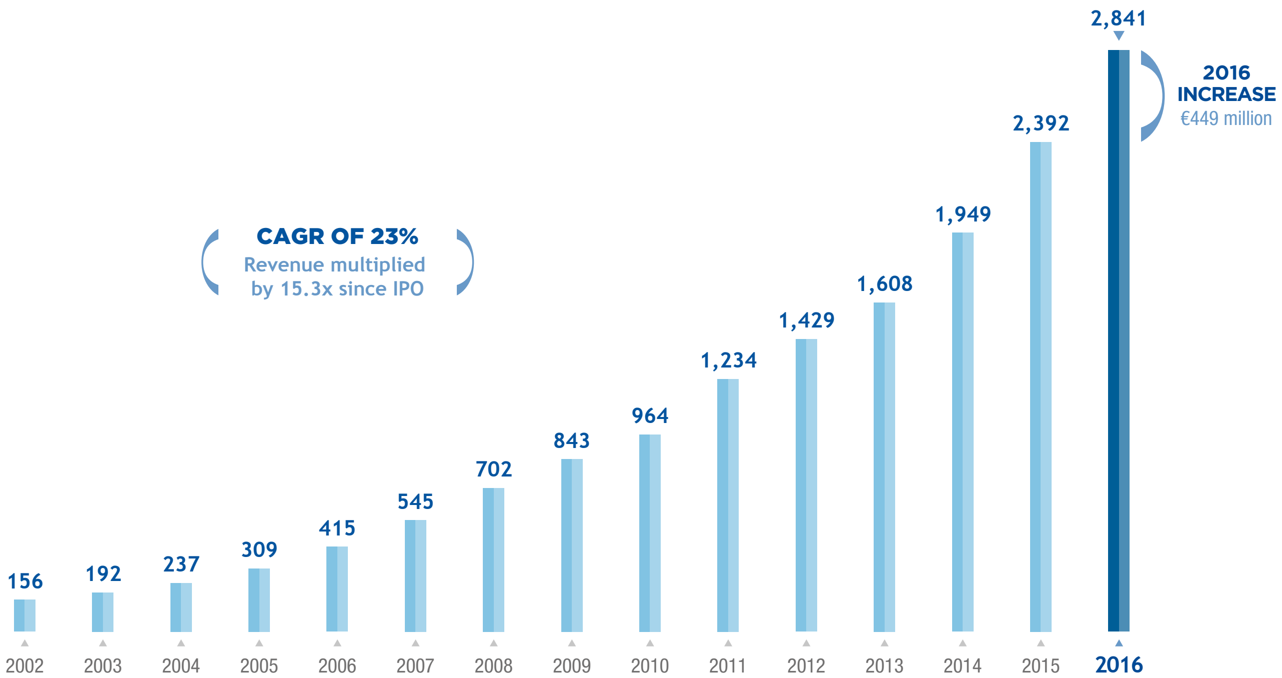
Thanks to an organisation structure built and scaled for international expansion, its financial flexibility, and its footprint in nine European countries and in China, ORPEA is set to continue rising to the challenges posed by population ageing around the world by offering high-quality care for the elderly.

1.1 ORPEA'S KEY FIGURES

1.1.1 REVENUE

GROWTH IN THE GROUP'S REVENUE SINCE THE IPO

(in millions of euros)



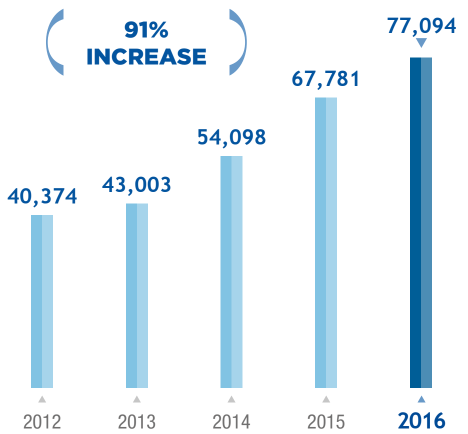
CAGR: Compound annual growth rate.

(in millions of euros)	2016	2015	2014
France	1,695.4	1,596.6	1,499.8
% of total revenue	*60%*	*67%*	*77%*
International	1,145.8	795.0	448.8
% of total revenue	*40%*	*33%*	*23%*
Germany	501.0	287.5	102.2
Austria	176.3	109.8	-
Belgium	162.1	157.8	164.9
China	0.4	-	-
Spain	101.7	63.9	55.6
Italy	48.5	45.9	41.6
Poland	11.3	-	-
Switzerland	142.9	130.1	84.4
Czech Republic	1.7	-	-
TOTAL	**2,841.2**	**2,391.6**	**1,948.6**

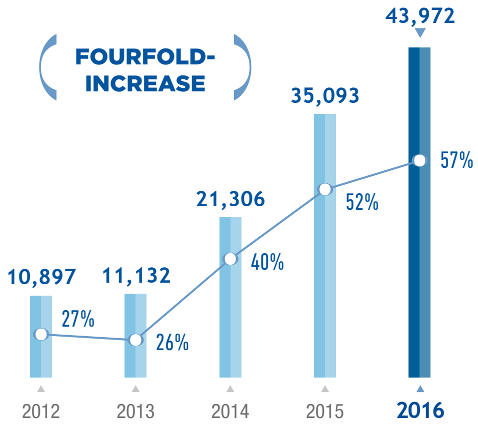
1.1.2 NETWORK EXPANSION

▸ NETWORK'S GROWTH MOMENTUM

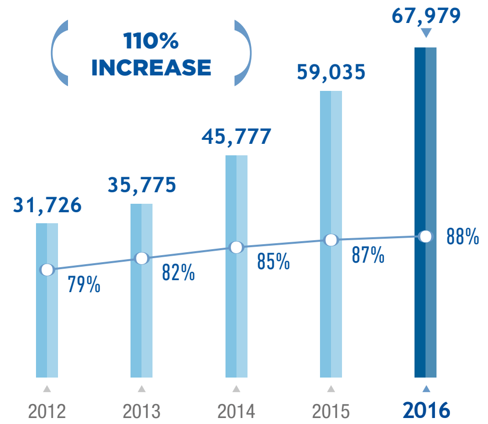
Total network
(number of beds)



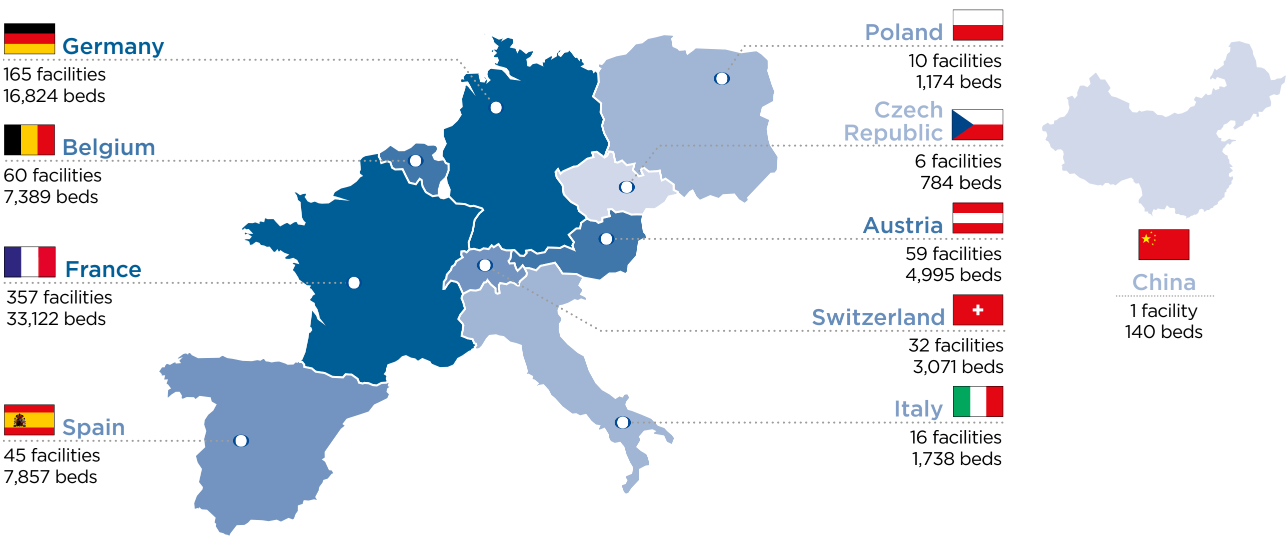
International network
(number of beds and as a % of the total network)



Network maturity
(number of mature beds and as a % of the total network)



▸ PAN-EUROPEAN NETWORK OF 77,094 BEDS IN 751 FACILITIES



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

N.B. Beds under construction are not in operation, while beds under redevelopment are only partially in operation.

	Number of facilities*	Number of beds*	2016 revenue	% 2016 revenue	Beds* of which operational beds excluding beds under redevelopment	of which beds under redevelopment	of which beds under construction
France	357	33,122	1,695.4	59.7%	30,713	1,030	1,379
Germany	165	16,824	501.0	17.6%	14,518	-	2,306
Austria	59	4,995	176.3	6.2%	4,776	-	219
Belgium	60	7,389	162.1	5.7%	5,412	239	1,738
China	1	140	0.4	0.0%	140	-	-
Spain	45	7,857	101.7	3.6%	7,697	-	160
Italy	16	1,738	48.5	1.7%	1,271	60	407
Poland	10	1,174	11.3	0.4%	704	-	470
Switzerland	32	3,071	142.9	5.0%	2,538	-	533
Czech Republic	6	784	1.7	0.1%	210	-	574
TOTAL	**751**	**77,094**	**2,841.2**	**100.0%**	**67,979**	**1,329**	**7,786**

* *Figures at 31 December 2016.*

	Number of facilities**	Number of beds**	2015 revenue	% 2015 revenue	Beds** 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
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
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
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**

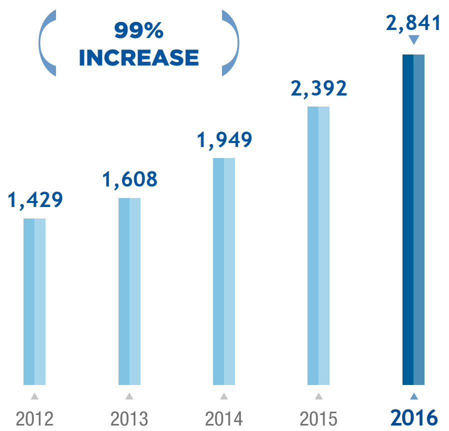
** *Figures at 31 December 2015.*

	Number of facilities***	Number of beds***	2014 revenue	% 2014 revenue	Beds*** 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
Germany	66	6,372	102.2	5.2%	5,845	0	527
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
TOTAL	**545**	**54,098**	**1,948.6**	**100.0%**	**45,777**	**2,232**	**6,089**

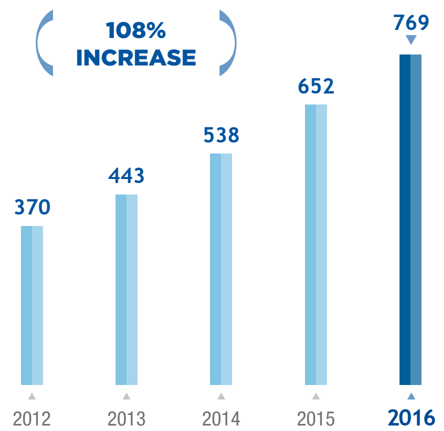
*** *Figures at 1 March 2015.*

1.1.3 SELECTED FINANCIAL INFORMATION

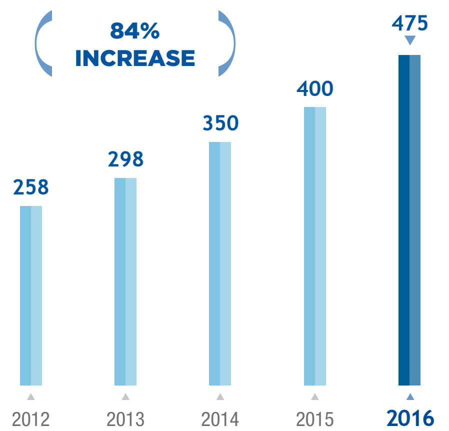
Revenue
(in millions of euros)



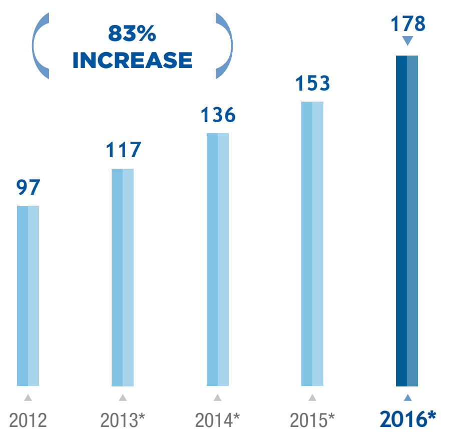
EBITDAR
(in millions of euros)



EBITDA
(in millions of euros)



Net profit
(in millions of euros)



* *Excluding changes in the fair value of the entitlement to the allotment of shares embedded in the ORNANE and for 2016, excluding the impact of the measurement of deferred taxes at the rate expected to apply.*

Selected financial information from the consolidated income statement

(in millions of euros) **(IFRS)**	**31/12/2016**	**31/12/2015**	**31/12/2014**
Revenue	2,841.2	2,391.6	1,948.6
EBITDAR**	769.4	652.5	537.8
EBITDAR***	474.5	400.5	350.1
Recurring operating profit (EBIT)	348.1	303.6	271.2
Operating profit	371.0	323.0	308.9
Net interest expense	(111.6)	(96.8)	(99.2)
Change in the FVO*	(1.8)	(43.0)	(25.1)
Attributable net profit excluding net changes in the FVO* and excluding the discounting of deferred taxes****	177.6	153.3	136.3
Impact of the measurement of deferred taxes at the rate expected to apply in France****	80.0	0.0	0.0
NET PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	**256.4**	**126.6**	**120.8**

* *FVO = Fair value of the entitlement to the allotment of shares embedded in the ORNANE bonds.*
** *EBITDAR = Recurring EBITDA before rents, including provisions related to external charges and staff costs.*
*** *EBITDA = Recurring operating profit before net additions to depreciation and amortisation, including provisions related to external charges and staff costs.*
**** *Deferred taxes payable from 2020 onwards have been discounted based on the statutory rate expected to apply to this period for ORPEA SA and its French subsidiaries (28.92% rather than 33.33%).*

Selected financial information from the consolidated statement of cash flows

(in millions of euros)	31/12/2016	31/12/2015	31/12/2014
Gross cash flow from operations	386	301	260
Net cash generated by operating activities	347	314	290
Net cash generated/(used) by investing activities	(787)	(1,014)	(587)
Net cash generated by financing activities	461	597	450
Change in cash and cash equivalents	21	(103)	154
Cash and cash equivalents at end of period	540	519	622

Selected financial information from the consolidated balance sheet

(in millions of euros)	31/12/2016	31/12/2015	31/12/2014
Equity attributable to owners of the parent	**2,076**	**1,810**	**1,498**
Current financial liabilities*	559	514	522
Non-current financial liabilities	3,801	3,219	2,479
■ Cash and cash equivalents	(540)	(519)	(622)
Net debt	**3,820**	**3,214**	**2,379**
Goodwill	982	842	677
Intangible assets**	1,963	1,824	1,619
Property, plant and equipment***	4,142	3,572	2,907
TOTAL ASSETS	**8,326**	**7,371**	**6,286**

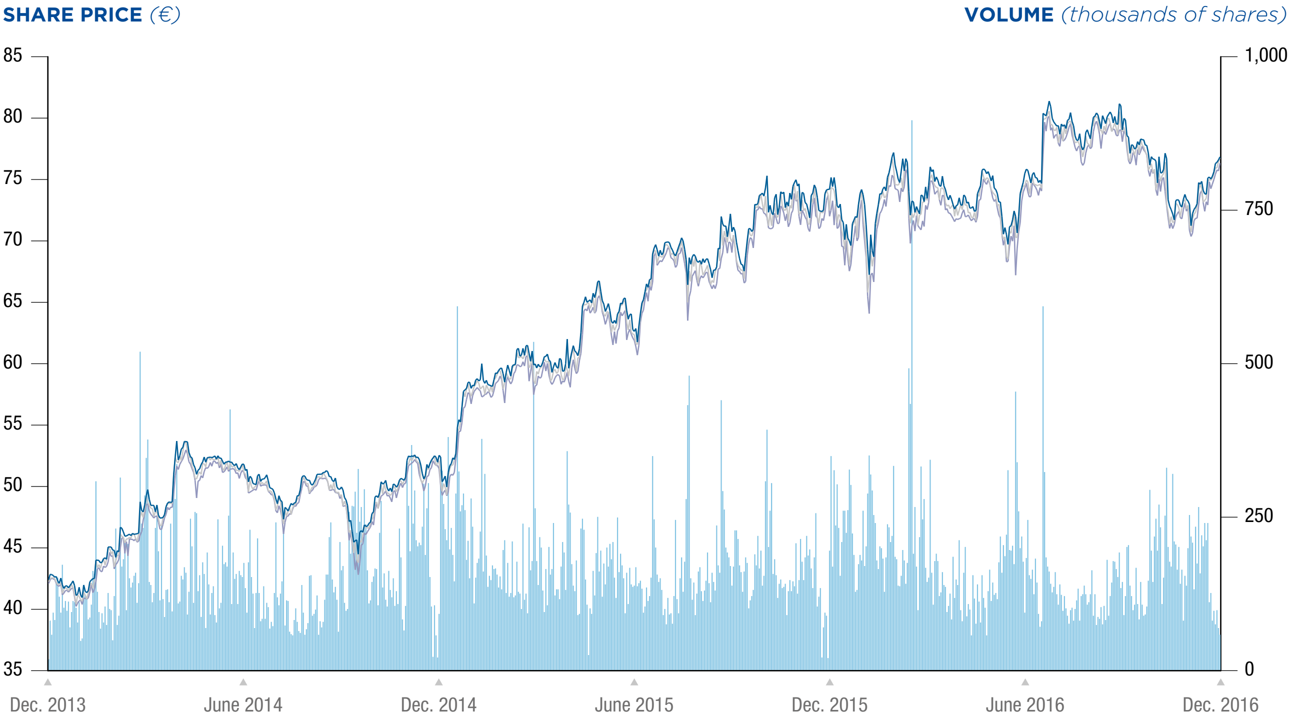
* *o/w liabilities associated with assets held for sale.*
** *Including €73 million in intangible assets held for sale in both 2015 and 2016.*
*** *Including €127 million in property, plant and equipment held for sale in 2015 and €67 million in 2016.*

Selected financial information per share

(in euros)	31/12/2016	31/12/2015	31/12/2014
Basic earnings per share	4.26	2.12	2.18
Dividend (proposed at the General Meeting for 2016)	1.00	0.90	0.80

1.1.4 SHARE DATA

▶ TRADING PERFORMANCE AND VOLUMES OVER PAST THREE YEARS



Indices

- Compartment A of Euronext Paris;
- Component of the CAC Mid 60, SBF 120, Stoxx Europe 600 and the MSCI Small Cap Europe indices;
- Eligible for the deferred settlement service.

Historical performance data

	2016	2015	2014
Closing price at 31 December	€76.76	€73.78	€51.88
12-month closing high	€81.39	€74.53	€53.70
12-month closing low	€64.08	€49.31	€40.24
Number of shares at 31 December	60,273,691	60,273,691	55,567,893
Market capitalisation at 31 December	€4,627 million	€4,447 million	€2,883 million
Annual performance	+4%	+42%	+23%
Average daily trading volume* *(in number of shares)*	174,266	175,085	151,258
Average daily trading volume* *(in millions of euros)*	€12.9 million	€11.2 million	€7.3 million
12-month turnover	75%	74%	69%

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

1.2 ORPEA'S BUSINESS ACTIVITIES

ORPEA cares for those with impaired independent living skills either at home or in the nursing homes, post-acute and rehabilitation hospitals, and psychiatric hospitals it runs.

Since it was founded in France in 1989, the ORPEA Group has expanded and is now present in nine other countries (Austria, Belgium, China, Czech Republic, Germany, Italy, Poland, Spain and Switzerland).

A rigorous and selective approach has guided this stunning pace of development. The Group has always made the quality of its care for all its residents, irrespective of the extent of their care needs, the cornerstone of its development. By pursuing a carefully managed combination of organic growth through the creation of new facilities and of growth through selective acquisitions, ORPEA has made sure that it can continue delivering a high standard of care and services to its residents and patients.

ORPEA's strategy has been to expand in countries providing a high level of visibility as a result of their ageing population, an insufficient and/or undeveloped care offering, high barriers to entry into the sector, including operating licences, and exacting standards.

Harnessing the experience it has gained in France, ORPEA has developed a powerful model, which it can now roll out across all the countries where it operates, giving due regard to specific local constraints and culture. Its goal is to deliver a carefully crafted range of care and related services geared to the needs of the population in each country.

1.2.1 STEP-BY-STEP CREATION OF A EUROPEAN LEADER

The ORPEA Group has been built methodically from the ground up. Today it is able to deliver an integrated range of high-quality long-term care, and is a leading name in France and internationally in a fast-growing sector.

ORPEA has always replicated the same model in every country where it operates based on high-quality services attuned to the demands of local and national supervisory authorities and, of course, patients and residents.

- **1989:** The ORPEA Group is founded by Dr Jean-Claude Marian, now its Honorary Chairman.
- **1989-1995:** The Group expands in France largely through the creation of 46 facilities, representing 4,600 nursing home beds.
- **1995: The Group consolidates and fleshes out its organisation:** the ORPEA Group sets up its administrative headquarters in the Paris region to organise and oversee the ORPEA Group's accounting, financial and HR affairs. Standardised management methods are introduced at all the Group's sites and the initial stages of a systematic and enduring quality-led approach are formally laid out.
- **1999: Development of a medium-stay care offering:** ORPEA focuses on opening new and acquiring post-acute and rehabilitation hospitals and psychiatric hospitals.
- **2002: IPO:** ORPEA is floated successfully on the Second Marché of Euronext Paris on 16 April 2002. This natural, yet crucial step in the Group's history raises its profile in France and across Europe. The capital raised also helped to accelerate its expansion drive.
- **2004: Expansion across Europe** ORPEA opens its first two facilities in Italy, in partnership with Italian mutual insurance company Reale Mutua, which owns the buildings. ORPEA commences its drive to expand across Europe, while continuing to focus on its core business of building and managing post-acute and psychiatric hospitals and nursing homes.
- **2006: Further international expansion:** ORPEA acquires facilities in Switzerland (psychiatric hospital in Nyon on Lake Geneva), in Belgium (geriatric complex in central Brussels), and in Spain (Grupo Care, with 1,504 beds in 15 facilities).
- **2007: ORPEA joins the Deferred Settlement Service** (DSS), improving the stock's liquidity.

  The international growth strategy pays off, with 10% of consolidated revenue generated outside France (an increase of over 85%) for the first time.
- **2008-2009: ORPEA fleshes out its organisation in Europe:** functional headquarters are established in Belgium, Spain and Italy, and its Quality policy is rolled out across all its facilities in Europe, replicating the French management model.
- **2010: ORPEA completes the largest deal in its history,** with the strategically important acquisition of Mediter, which owns a majority stake in the Mieux Vivre Group, and establishes a 49% stake in Medibelge, which operates a total of 4,866 beds in 57 facilities.
- **2011: ORPEA carries out a €203 million capital increase** to strengthen its finances and accelerate its expansion in France and in internationally.
- **2012: ORPEA continues its international expansion drive**, acquiring Artevida in Spain (1,162 beds and places) and taking full 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: A strategic long-term shareholder comes on board**, with CPPIB, Canada's largest pension fund with around CAD 200 billion under management, becoming the Group's leading shareholder with 15.9% of the capital. This helps to raise ORPEA's profile and underpins the sustainability of its long-term development.
- **2014: ORPEA's international expansion drive accelerates** further, especially in German-speaking countries, with two strategic acquisitions – SENEVITA in Switzerland (2,293 beds in 21 nursing homes) and Silver Care in Germany (5,963 beds in 61 nursing homes). These acquisitions double the size of the Group's international network.
- **2015: ORPEA makes further international strides**, with acquisitions in Austria and the Czech Republic *via* the SENECURA group, adding 4,236 beds, and in Germany with the CELENUS KLINIKEN group, which operates 15 hospitals (2,602 beds), plus two regional groups ideally complementing Silver Care's existing network, namely RGB (3,006 beds) and VITALIS (2,487 beds). VITALIS was not consolidated until January 2016.
- **2016: ORPEA's international expansion reaches a new milestone**, with the acquisition of MEDI-System, Poland's leading long-term care provider with 704 beds, opening up fresh opportunities for ORPEA in Poland, and also of Sanyres (3,300 beds), bolstering the Spanish network. Late on in the year, the Group also expanded its range of care solutions in Switzerland by purchasing Spitex Ville et Campagne, the leading private Swiss provider of homecare services. Lastly, ORPEA opened a 140-bed facility in Nanjing, its first in China.

1.2.2 ORPEA'S CORE BUSINESS: AN INTEGRATED RANGE OF SERVICES COVERING THE FULL SPECTRUM OF LONG-TERM CARE REQUIREMENTS

The ORPEA Group has built its business around different types of long- and short-term care:

- loss of independent living skills due to ageing;
- rehabilitation after an acute attack;
- mental illness.

ORPEA delivers an integrated range of consistent care and services for people experiencing a loss of independence *via* its network of specialised facilities:

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

1.2.2.1 FACILITIES FOR THE ELDERLY

Diversified range of accommodation

Nursing homes

Most of ORPEA's facilities for the elderly are nursing homes. Long-term care accounts for the lion's share or ORPEA's facilities in every country where it is active.

That said, ORPEA facilities also provide complementary accommodation formulas to give the elderly losing their independent living skills appropriate life and care choices and to satisfy demand from public authorities including:

- Temporary accommodation: an elderly person may wish to have a temporary stay in one of the Group's facilities for reasons including:
  - to give a break to their family or professional care-givers who look after them in their home;
  - because of disruption to their care arrangements at home, because their partner is hospitalised, because their in-home care providers are away, because of an emergency or while care arrangements are put in place;
  - after a hospital stay when a return home is considered to be too much too soon by their family, either because they have not yet regained their strength or because arrangements need to be put in place.
- Day visits: these allow an elderly person living at home to enjoy the benefit of therapeutic and social activities tailored to their needs one or more times a week, plus events and entertainment building social ties. These solutions aim to ease the burden on family carers and to support in-home care as effectively as possible. Day visits can also help in the battle against family isolation, by creating places where they can spend time with relatives.

All in all, a nursing home offers the following services:

- personalised care and support services for each resident;
- logistical and residential services such as accommodation, a diverse range of meals, the vast bulk of which are prepared on-site, meeting European standards and served in the restaurant, laundry and room cleaning services, and various daily entertainment and therapeutic workshop activities, for individuals and for groups.

Special care for Alzheimer's sufferers

In all the countries served by the Group, ORPEA facilities are equipped to look after the needs of residents suffering from this and related conditions because they have either special protected living areas, or living areas or entire facilities specially designed to provide appropriate care.

The ORPEA Group gives the care requirements of this type of patient a great deal of consideration. ORPEA's Medical department has devised architectural principles for these units based on its knowledge of the issues associated with Alzheimer's disease and the following guidelines:

- patients are free to walk around as they please between living areas and their bedroom, with permanent passive and natural monitoring, appropriate therapeutic activities, and in certain facilities, position-tracking technology enabling residents to walk around in complete safety;
- families enjoy the peace of mind that comes with seeing their relative living in a calm and secure environment and sharing family time in a dedicated room where they can be alone;
- staff are able to work in a well thought-out and safe environment in which they are able to monitor all the residents while arranging in shared living areas therapeutic activities that require concentration, and peace and quiet. They are also given special training so that they can watch out for any deterioration in the behavioural disorders by taking appropriate professional measures.

Likewise, a range of furniture has been specially designed based on an understanding of the illness and the risks it poses in these accommodation units.

These protected units aim to maintain and nurture social relationships throughout a resident's stay and reduce all the environmental factors that may exacerbate their condition, to protect their safety and their well-being.

Assisted-living residences

In Belgium, Switzerland, Germany and to a lesser extent, in France, the Group has also developed special facilities for independent or semi-able-bodied elderly, who wish to take advantage of shared residential services (such as cleaning, events & entertainment and meals), and logistical assistance round-the-clock, seven-days-a-week, while retaining their independence. This what the senior assisted-living residences or sheltered housing provide.

These facilities consist of apartments in various bedroom configurations equipped with a basic kitchen and bathroom and on-call assistance. When help is required, the relevant homecare teams or healthcare professionals swing into action.

Care in retirement homes

Meticulous organisation is needed to look after the elderly requiring long-term care in a nursing home. Care consists of assistance with everyday tasks several times a day. It also comprises support, nursing and medical care delivered by the facility's multidisciplinary team (its precise composition varies according to each country's legislation) and the resident's own physician.

Staying true to the values implicit in best professional practice, these multidisciplinary teams provide the care prescribed by the doctors. The nursing teams overseen at least by a head nurse and, in certain countries, a coordinating doctor, consist of nurses, healthcare and psychosocial assistants. Their exact make-up and structure also vary from country to country.

External professionals (physiotherapists, speech therapists, and psychologists, etc.) may be called in based on medical advice to provide additional care.

Therapeutic workshops led by paramedical staff help to prevent and combat the risks inherent in later life and in residents requiring high levels of care.

The ORPEA Group is proactive in developing non-drug therapies in its nursing homes to combat the misuse of drugs and promote well-being.

The care requirements and risks of each new resident are assessed by a multidisciplinary team to establish a personalised care plan.

Integrating the nursing home with the local health and social community helps to make the overall care plan as effective as possible by opening up the possibilities for partnerships and exchanges in terms of continuous training and transfers of residents in emergencies.

Bringing in interns and student healthcare professionals can also help to enrich teams, while giving the future professionals additional motivation and insights.

Nursing home care plans

A personalised care plan is drawn up for each and every resident after discussions with the individual and their family. It takes into account their life history, their wishes and their interests.

Staff endeavour to create a pleasant and welcoming living environment by organising activities on a daily basis.

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

- social and entertainment activities (dressmaking, shows, days out, etc.) to sustain residents' interests: ORPEA's priority is to make all its facilities living places, so that residents can rebuild their often fragile ties with other people;
- occupational therapy workshops on keeping up physical and intellectual capabilities (press review, gentle gymnastics, visual arts, etc.) and sometimes even spa therapy and reminiscence areas, to act preventively against the risks linked to ageing.

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

Every ORPEA nursing home builds relationships with the local community by fostering ties with volunteer and Third Age organisations, and with schools and by hosting crèche sessions, bringing joy to all concerned.

1.2.2.2 POST-ACUTE AND REHABILITATION HOSPITALS

The ORPEA Group's post-acute and rehabilitation hospitals, which are located in France, Switzerland, Italy, Germany and Austria, provide rehabilitation for patients requiring care or treatment balancing overseen by medical or paramedical teams and technical units adapted to cater for each area of specialisation.

The aim is to maximise the patient's chances of recovery and of regaining as much of their former independence as possible, so that they can prepare to return to their social and working life and move back home.

In Germany, the fundamental role of a rehabilitation hospital (and also of a psychiatric hospital) is to help patients to get back to work.

Rehabilitation care services

ORPEA has developed an integrated rehabilitation offering, which comprises both in-patient and outpatient services to meet patient demand for rehabilitation allowing them to return home in the evening.

In addition to general rehabilitation, the Group's hospitals have developed specialisations providing the most appropriate care for patient needs. They selectively bring in professionals with the requisite skills, so that they are able to meet the regional and national health requirements in line with each country's public health targets.

ORPEA has developed the following specialisations:

- **Geriatrics**: dedicated to patients aged 75 years or over, with long-term or at risk of having long-term care requirements. These dedicated units cater to the complex health needs of elderly people, which are characterised by severe frailty caused by having multiple conditions, specific risks of decompensation, their impaired physical and intellectual independent living skills, plus psycho-social problems. The care team's gerontological analysis helps to provide personalised care and manage the greater risks facing the elderly. These geriatric beds cater for those who have been laid low by a health condition (surgical or medical), which caused them to be hospitalised and whose fragile state risks causing physiological decompensation.
- **Musculoskeletal conditions:** providing specialised care for patients from trauma, orthopaedic or rheumatological departments. These services look after patients suffering from disabling musculoskeletal conditions such as hip and knee replacements, knee ligament surgery, shoulder conditions and rehabilitation for rotator cuffs, post spinal surgery care or chronic back pain, inflammatory and degenerative rheumatism or sportspeople requiring intensive physiotherapy after surgery.
- **Nervous system diseases: taking care of patients:**
  - after strokes;
  - suffering from a degenerative neurological disease (multiple sclerosis, amyotrophic lateral sclerosis, Guillain-Barré syndrome, etc.) 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 arrangement of appropriate homecare and therapeutic assessment.

  The ORPEA Group also has units specialised in looking after patients in a persistent vegetative state or in a minimally conscious state. These special units house patients with serious neurological trauma requiring constant high-level care.
- **Cardiovascular conditions:** providing 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 consists of reintroducing physical activities, education and secondary prevention advice to help patients recover and learn about their condition and treatment. It improves patient outcomes, prevents deterioration and reduces the risks of future cardiac problems. It usually includes:
  - medical monitoring;
  - assessment of physical capacities;
  - analysis and assessment of risk factors, and reintroduction of physical effort;
  - therapeutic education about lifestyles, managing the treatment and nutritional advice.
- **Haematology and Oncology:** providing "follow-on" care for patients from acute oncology units, whose state of health does not allow them to return home immediately. In most cases, this care caters for:
  - a treatment interval between courses of chemotherapy for frail patients at high risk of decompensation;
  - patients who need to learn how to use medical devices fitted to them;
  - the balancing of pain treatments;
  - enteral or parenteral renutrition;
  - the monitoring of side effects of active or palliative treatments.

The Group's rehabilitation hospitals have qualified multidisciplinary medical and nursing teams on hand. They are made up of generalist and specialist physicians, nurses and professional healthcare assistants, rehabilitation and psychosocial professionals, plus pharmacists in certain countries. To implement the personalised treatment plans, teams make use of high-performance systems catering to each type of rehabilitation offered, depending on each facility's medical specialisation.

Patients are enrolled in conjunction with specialised centres and recognised hospital units, giving each rehabilitation hospital its own network to call on in its area of specialisation.

To create the right environment to promote well-being and convalescence, the Group's hospitals offer a diverse range of high-quality accommodation.

1.2.2.3 PSYCHIATRIC HOSPITALS

The Group's psychiatric facilities in France, Switzerland, Germany and Italy accommodate patients with mental illnesses.

These hospitals constantly strive to raise their standard of care and safety, and this is reflected by their high level of accreditation – also a requirement in certain countries.

To provide patients and those close to them with the best possible care, the ORPEA Group's hospitals are unrelenting in their determination to develop new techniques and innovate in mental health. In certain cases, they work independently, and in others they work with partners such as teaching hospitals, e-health companies, and institutes providing training in the latest therapies to be approved.

This strategy has led to implementation of complementary innovative techniques backed up by evidence such as mindfulness, EMDR, Deep TMS, Neuro-Feedback, virtual reality therapy and connected health.

To underpin this active treatment approach, the Group's hospitals have invested in a mental health education programme for patients and their friends and family. This aims to broaden their knowledge of conditions and enhance their ability to treat themselves, making them full partners in the process.

As part of the same drive to personalise care as far as possible, the Group has set up specialised, expert units dedicated to certain types of patient based on their condition or their age.

Aside from full hospital care, the Group provides patients with alternative solutions, such as day hospitals and night hospital units. These forms of hospitalisation provide better continuity of care and help to prevent relapses or re-occurrences of conditions.

Psychiatric care offering

The Group takes a resolutely multidisciplinary approach in the treatment provided at its hospitals. This allows each category of nursing staff to use the full breadth of their expertise, with a doctor overseeing the coordination aspects. Treatment is laid down in a personalised care plan, which is put together by a team to meet the patient's needs as effectively as possible.

In this approach, the referring physician coordinates the personalised care provided, as well as medical treatment and part of the psychotherapeutic treatment, which may involve psychotherapists, occupational therapists, art therapists, sports physiotherapists, etc., depending the facility and country.

Conditions treated in the Group's hospitals include:

- mood disorders;
- anxiety disorders;
- obsessive-compulsive disorders;
- addictions;
- eating disorders;
- sleep disorders;
- personality disorders;
- ageing-related psychiatric disorders;
- psychosis;
- overexhaustion or burn-out;
- recently discovered disorders, such as chronic fatigue syndrome, fibromyalgia;
- psychosomatic conditions.

With encouragement from the ORPEA Group, certain of its hospitals have developed specialist skills in certain areas. Several of its units have now gained real expertise and indeed excellence in the treatment of certain disorders or certain age groups with specific requirements:

- **geriatric psychiatry units** care for and treat elderly patients with age-related psychiatric pathologies, such as changes in the expression of their disorder as a result of the ageing process. They are cared for by geriatric psychiatrists, a geriatrician, a neuropsychologist, a neurologist and an enhanced paramedical team;
- **public/private units** in France, which look after patients from the public sector through close cooperation between the systems. These public-private partnerships are regarded as unique in France;
- **child psychiatry units**, which cater for children and teenagers between the ages of 8 and 15 who have mood, anxiety attention deficit and hyperactivity disorders;
- **young adult units**, which accommodate patients aged between 16 and 25 and are able to implement treatment plans specially geared for this age group;
- **parent-child units**, which aim to care for both parent and child where post-natal depression has occurred.

In France, a psychiatric provides logistical and methodological support to medical teams as part of a shared vision facilitating innovation to ensure a consistent approach and promote the widespread adoption of innovative initiatives. This role also encompasses corroborating the scientific foundations, compliance aspects and ethics of clinical practices.

Treatment

Treatment may be provided to patients individually or in groups, and the Group employs a combination of drug-based and various psychotherapeutic and technology-based approaches.

Depending on their country, culture and training, practitioners may use one or more of the psychodynamic, cognitive and behavioural, interpersonal, hypnosis-based, support and systemic models, as part of an institutional approach based on integrative psychotherapy.

This framework gives rise to a medical plan catering to the specific needs of the patients cared for and the conditions being treated.

To improve the efficacy of treatment, the Group's hospitals are equipped with innovative technology.

In France, for example, as well as electroconvulsive therapy, therapeutic options include:

- Deep TMS: deep transcranial magnetic stimulation of the parts of the brain implicated in the condition being treated. This technique is applied in the treatment of depression, obsessive–compulsive disorders, post-traumatic stress disorder syndrome and certain addictions;
- Neuro-Feedback: the effects of this may be beneficial in certain forms of depression and anxiety, as well as in sleep disorders and in hyperactivity;
- Virtual Reality Therapy: exposure in a VR environment, as part of cognitive and behavioural approaches to the treatment of specific anxiety disorders;
- e-health: connected wristbands used in the treatment of sleep disorders and consumption of benzodiazepines.

1.2.2.4 HOMECARE SERVICES

To meet the expectations and needs of people temporarily or permanently unable to live independently owing to health conditions or disabilities, the Group offers additional homecare services in France, Austria, Switzerland and Germany.

These services may be useful after a hospital stay or for the elderly, whether or not their independent living skills are impaired, and they provide personalised support tailored to their home.

An array of different services is available:

- Housekeeping services, including cleaning, meals, ironing, gardening and household errands;
- Daily life assistance services, including day or night supervision, assistance with hygiene tasks, meal-time assistance;
- Movement assistance services, either on foot or in a vehicle.

The Group's qualified and experienced carers are able to provide in-home support either as required or on a regular round-the-clock, seven-days-a-week basis, in a manner tailored to the needs, habits and lifestyle of each individual.

1.2.3 A EUROPEAN NETWORK

ORPEA, now one of Europe's leading long-term care providers, had a unique network made up of **77,094 beds** in **751 facilities** across **nine countries** in Europe and China at 31 December 2016.

France

The ORPEA Group was founded in France in 1989. The French network now has 357 facilities (33,122 beds), and is made up of:

- nursing homes;
- post-acute and rehabilitation hospitals;
- psychiatric hospitals;
- senior assisted-living residences.

ORPEA also provides homecare services through its DOMIDOM and ADHAP networks.

ORPEA has pursued a development strategy of setting up new facilities and making selective acquisitions.

The Group's facilities are spread across most of France, and its footprint has been crafted to give it a presence in departments with a high population density, in or close to major cities, where demand is strongest.

The Group's facilities are thus concentrated in the Île-de-France (Paris and its outer western suburbs), Provence-Alpes-Côte d'Azur, Aquitaine, Poitou-Charentes and Rhône-Alpes regions, where it has over 20 facilities per region.

Belgium

ORPEA Belgium has a network of 60 facilities with 7,389 beds, comprising:

- senior assisted-living facilities for those able to live independently;
- nursing and care homes for semi-able bodied, dependent and disoriented elderly people.

ORPEA first moved into the Belgian market in 2006 and has since 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 specialised in care for the elderly (and it is the leader in Brussels).

The majority of the facilities in Belgium are located in Flanders and Brussels, and, as elsewhere, most of its facilities are in town or city centres or close to large conurbations.

Since 2015, ORPEA Belgium has embarked on a major drive to open new facilities and to redevelop existing facilities. The new facilities will be large (150 to 200 beds), and built to a very high standard of quality. In many cases, they will provide a combination of nursing homes and assisted-living facilities, at locations in towns, cities and regions with high purchasing power.

Spain

ORPEA Ibérica has a network of 45 nursing homes, with 7,857 beds. ORPEA Ibérica doubled in size in 2016 with the acquisition of the Sanyres group and other acquisitions of independent facilities.

ORPEA began its expansion into Spain in 2006 when it acquired Grupo Care. It then continued its development through selective acquisitions, building up a network of high-quality and attractive facilities. ORPEA is now a leading player in Spain, providing:

- high-quality care services for the elderly;
- protected units specially geared to the needs of elderly sufferers of Alzheimer's disease;
- modern facilities with a far higher percentage of single rooms than the average for Spain's long-term care sector;
- prime locations with a majority of its beds in Madrid, Barcelona and Valencia.

Italy

ORPEA Italia's network of 1,738 beds in 16 facilities comprises:

- flexible residential facilities (RAF) providing various types of specialised care for the semi-able bodied, including convalescence, stabilised psychiatry, and treatment for mental health and physical disabilities;
- medical residence facilities: nursing home facilities for patients with Alzheimer's disease and patients in a coma;
- psychiatric hospitals.

ORPEA opened its first facilities in Italy in 2004 and then grew primarily by setting up new facilities.

The Group boasts a high-quality network in northern Italy (Piedmont and the Marches region), which stands out with its recently built, high-quality facilities offering almost exclusively private rooms.

Switzerland

In Switzerland, ORPEA has a network of 32 facilities accounting for 3,071 beds, comprising:

- a psychiatric clinic in Nyon, acquired in 2006 and completely redeveloped since, which has 150 years' experience of treating mental health disorders;
- a treatment and rehabilitation centre (CTR) for post-acute and rehabilitation care, built by the Group and opened in 2013;
- combined nursing home and assisted-living facilities at a single location, following on from the acquisition of the SENEVITA network in 2014, which exclusively covers areas in German-speaking Switzerland (Bern, Zurich, Basel, Aargau, Solothurn and Fribourg cantons);
- a range of homecare and services delivered *via* the Spitex Ville et Campagne network, which operates across 25 cantons. Thanks to this acquisition in late 2016, ORPEA is now Switzerland's leading private network of care and homecare services for the elderly.

Germany

In Germany, ORPEA's network of 16,824 beds in 165 facilities is made up of:

- nursing homes;
- post-acute and rehabilitation hospitals;
- psychiatric hospitals

ORPEA first established a presence in Germany in July 2014 when it acquired Silver Care, the leader in quality care for the elderly.

It is organised in 10 regional clusters (including Lower Saxony, Baden-Württemberg, and North Rhine-Westphalia), with each one operating under its own brand name, which fits with the regionalised German healthcare system.

In 2015 and 2016, ORPEA continued its development in Germany by acquiring:

- CELENUS KLINIKEN, Germany's third-ranked operator of post-acute care, rehabilitation and psychiatric facilities;
- Residenz Gruppe Bremen, a regional network of nursing homes, that complements Silver Care, expanding ORPEA's footprint in northern Germany;
- VITALIS, a regional network of nursing homes, expanding ORPEA's footprint in southern Germany.

In addition to these acquisitions, ORPEA continued to pursue organic growth in Germany. It has embarked on numerous projects to open new facilities, with 2,306 beds under construction and due to open over the next three years.

Its facilities in Germany are recently built, modern and boast some of the highest private room rates in the country at close to 80%.

Austria

ORPEA moved into Austria in January 2015 when it purchased the SENECURA Group, Austria's leading private-sector nursing home operator with an integrated range of services supporting people in their later lives and providing the care the elderly need:

- nursing homes;
- rehabilitation hospitals;
- homecare and services.

Pursuing the same approach as it does everywhere else, ORPEA has expanded SENECURA's network in Austria through selective bolt-on acquisitions, plus extensions and the opening of new facilities.

SENECURA operates a network of 4,995 beds in 59 facilities.

Czech Republic

ORPEA expanded into the Czech Republic through its acquisition of SENECURA, which was going ahead with three nursing home projects in the country when it was purchased. The first two facilities opened up in 2016, and have enjoyed great success in the country, where there is very little high-quality capacity.

In 2016, ORPEA launched several projects to build new nursing homes in the Czech Republic, and it now has six facilities in its network there, including two that have opened to residents, with a total of 784 beds.

Poland

ORPEA expanded into Poland in January 2016 when it bought the MEDI-System group (704 beds). MEDI-System is Poland's leading long-term care facility operator, and its multidisciplinary long-term care offering includes nursing homes, post-acute care and rehabilitation hospitals.

MEDI-System boasts a high-quality network with large-scale, recently built facilities (100 beds on average) located mainly in Warsaw that has established a first-class reputation.

With the new construction projects that began in 2016, MEDI-System's network now has 10 facilities with 1,174 beds.

China

In 2016, ORPEA opened a 140-bed facility in Nanjing, its first in China. This nursing home cares for highly dependent residents in high-end accommodation.

The facility provides a unique showcase for ORPEA's know-how in a country experiencing tremendous demand. As the first foreign group to open a high-end facility in China for elderly people requiring long-term care, ORPEA has gained an excellent reputation, attracting interest from major Chinese public- and private-sector investors. To expand further, while keeping its risk exposure under control, the Group is also planning to enter into management agreements and joint ventures with well-known local investors.

1.3 KEY PILLARS OF ORPEA'S BUSINESS MODEL

ORPEA's fast-paced expansion over the past 26 years, which is set to continue in the coming years thanks to the sector's robust fundamentals, is based on four unwavering key pillars:

- its core values of high ethical standards, respect, attentiveness, trust and a professional conscience;
- an unerring focus on quality through continuous improvements, which forms the basis for ORPEA's services;
- a centralised organisation to achieve efficiency and quality;
- a long-term real estate strategy geared towards ownership of a significant portion of the property portfolio.

1.3.1 STRONG CORE VALUES

Ever since its foundation, ORPEA has always aimed to deliver the highest standards of quality of life, care and accommodation to all its residents and patients.

As an operator providing services round-the-clock, seven days a week, ORPEA recognises that it will inevitably fall below its high standards and it may make mistakes on occasions. Mindful of this, ORPEA and all its staff relentlessly and regularly pursue any scope for efficiency gains or improvements to the services delivered to residents and patients.

To secure its business over the long term and safeguard the interests of its patients and residents, and also of its employees, the Group established a series of commitments from the very outset underpinned by the core values of attentiveness, trust, respect, mutual assistance and professional conscience, which it adapts to every country where it operates based on specific national requirements.

Value has both a financial and a moral sense.

ORPEA believes it cannot create any value without core values guiding its actions and forming the basis of its corporate culture.

Its ability to invest in people to enhance relationships and ethical standards, rather than in purely technical knowledge, is paying off. The Group's reputation rests on basic values such as kindness, compassion, empathy, approachability and human warmth, which are equally important as its technical skills and expertise.

Satisfaction surveys underline the essential nature of these values, with comments from residents, patients and their families focusing on the kindness of staff at least as often as they do on the quality of care. To sum up, the primary source of Group's value is unquestionably the human warmth provided by its employees.

Since ORPEA's business largely consists of dealing with flaws when they arise on a daily basis, any points of criticism that surface in questionnaires also represent potential areas of improvement for the Group. The Group's permanent quest for improvement is firmly anchored in its values.

High ethical standards on a daily basis

An attachment to high ethical standards underpins all these values and guides the Group in the formulation of its quality policy and training programmes.

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

While this approach has its merits, the number of staff members who actually read and take these guidelines to heart is open to question.

Mindful of this concern, the Group has embraced an original approach to developing ethical frameworks, which involves getting staff at each facility to produce their own code of ethics.

This approach began over 15 years, with the assistance of two independent consultants specialised in the ethics of healthcare. All teams are asked to choose values that seemed to them to be most important in their job and for ensuring the well-being of the people in their care (such as respect, attentiveness, skills, mutual assistance, trust, professional conscience).

Five to seven of these values are selected by staff as the most important. The next step is to invite each staff member to attend group workshops drawing up brief guidelines to explain each value, and then choosing a picture or image to illustrate it.

This method of producing a code of ethics is opened up to all members of staff – cleaners, nurses, invoicing clerks, receptionists, care assistants, waiting staff, doctors, chefs, directors and support staff. Overall, around 80% of employees attend on average 18 hours of ethical planning and analysis, representing around three hours per key concept/value.

Lastly, the results of this work are put together in charter form, which is displayed throughout the facility and formally adopted by all the staff.

New staff members are asked to read through and comment on these charters, with existing staff on hand to introduce it and provide context. Residents, patients and their families frequently comment in detail on these charters.

To some extent, ethics and values provide the real cement binding teams together at these facilities.

Once the staff at a facility have drafted, assimilated and firmly taken on board these values and ethics, their behaviour tends to be increasingly aligned with the principles laid down. This process is backed up by internal training modules on issues such as preventing mistreatment, and promoting the positive treatment of residents and patients are arranged on a regular basis.

In 2015, ORPEA set up an International Scientific and Ethics Council to entrench this approach and help foster a pragmatic culture of clinical ethics and innovation in caring. This Council is made up of leading European figures in the field of geriatrics, and its role is to answer ethical queries submitted by the Group's professionals.

1.3.2 QUALITY AT THE HEART OF DEVELOPMENT

For many years, ORPEA's quality-led approach has been a fundamental part of the Group's business, rather than actually being a regulatory requirement.

Because people are central to what we do, and because we believe that lasting growth cannot be achieved without quality, continuous quality improvements to our services and practices are central to the ORPEA Group's main strategic aims.

The ORPEA Group has implemented a pro-active and exacting Quality policy in all its facilities.

The ORPEA Group's Quality policy is predicated on:

- protocols and care procedures that are harmonised and continuously improved;
- satisfaction surveys;
- internal assessments and external appraisals;
- competitions and other awards;
- staff training.

The ultimate goal of all the Quality procedures in place within the Group is to give each employee a clear sense of purpose, so that they can establish the bonds that are needed for high-quality care.

1.3.2.1 STRUCTURE OF THE QUALITY PROGRAMME

The Quality Department in each country reports to the Chief Operating Officer and works closely with the operating divisions and the headquarters functions.

The Quality department's tasks are to:

- provide methodological support to facilities for the implementation and monitoring of their quality and risk management programme;
- support facilities with their external assessment processes (certification, accreditation);
- develop tools for:
  - training and assessment to improve team's knowledge,
  - planning and follow-up on procedures,
  - monitoring, such as scorecards, indicators, quality metrics;
- hold the Quality Awards;
- organise the annual satisfaction survey of residents;
- conduct audits, as a team training exercise, or to check on the quality of services delivered to residents/patients;
- keep track of regulatory changes and manage documentary resources as part of the quality, risk management or regulatory monitoring programme in relation to facilities' various activities.

The Quality department provides facilities with support and advice on implementing the programme, monitoring and controlling the measures taken, and methodological assistance with devising tools to help manage the programme consistently across the entire Group.

Facilities are asked to produce a quality dashboard every month and send it to the Quality and Operations departments, and this helps to track the programme's continuous improvement process, so that any potential risks can be detected and prevented.

In France, this quality approach is driven by a team of over 20 people led by the Head of Quality, working closely with the Medical department.

Elsewhere, one or more quality officers have been appointed to oversee facilities' programme. The quality officers keep in close touch with the Group's Quality department to ensure the Group's quality policy is applied consistently. This means ascertaining that values are respected and risks managed, in accordance with the local regulations.

For over 15 years, strict procedures – standardised across the network – have been implemented and are constantly evolving. These procedures are backed up by internal training in best professional practices (Alzheimer's disease, prevention of mistreatment, recommended movements and postures, safety, etc.), refresh and enhance teams' knowledge and share insights and experiences.

The monitoring and tracking of Group facilities by the Quality department and Medical department provide a secure environment for residents, patients and employees. As a result, all aspects of accommodation, comfort, care and safety can be controlled.

1.3.2.2 REGULAR FACILITY APPRAISALS

To track and verify progress made by the Quality programme across the Group, internal assessments and external appraisals are carried out all its facilities.

The benefits of the proactive Quality improvement programme ORPEA has implemented since 1998 are plain for all to see in the results of external appraisals of the Group's facilities.

Internal assessments

Internal assessments carried out by the Regional departments, Quality department, Medical department and/or Executive Management, provide an opportunity to check that the Group's procedures have been taken on board and are applied and that protocols are perfectly grasped.

They also ensure that remedial actions taken are followed up properly over the long term.

External appraisals

External appraisals and certifications represent a source of transparency for residents and their families, guaranteeing that facilities honour their commitments concerning the consistency and quality of the services provided over time.

The Quality Approach is a continuous, never-ending process, of which certification is just one part, with its actions continuing over the long term.

Hospitals

In France, a compulsory external inspection is carried out at all health facilities (both public and private) by the Haute Autorité de Santé (HAS), an independent public authority with a scientific remit. It covers all of 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 requires effective participation by all a facility's professionals in a self-assessment process, which is based on the certification handbook published by the HAS and inspections by HAS experts. A multi-disciplinary steering committee is thus tasked at each of the Group's hospitals with monitoring this quality programme on a permanent basis.

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

Satisfactory results have been achieved by the Group's hospitals that have already taken this certification. The HAS inspectors have highlighted some remarkable achievements at certain of the Group's hospitals as part of this process. These strengths are presented as noteworthy initiatives in the certification reports.

In Germany, hospitals also have to undergo a mandatory certification process that meets standards approved by the BAR (*Bundersarbeitsgemeinschaft für Rehabilitation*). This certification has to be renewed every three years, and is required to maintain a licence to operate. Annual inspections in the intervening years are also required.

In Italy, the accreditation process is carried out either by an approved inspection agency, the regional health department or an independent public authority, depending on the region.

In Austria, controls are carried out in hospitals by the health authorities in line with the regulatory requirements ("*Krankenanstalten – und Kuranstaltengesetz*" and "*Gesundheitsqualitätsgesetz*").

In Switzerland, there are no specific requirements, but the hospitals have decided to achieve ISO 9001:2008 certification.

Nursing homes

In France, nursing homes are obliged to commit to continuously improving activities and service quality, which entails implementation of self-assessments and an external appraisal by an independent organisation.

Every five years, a nursing home has to carry out a self-assessment of its activities evaluating the actions it has taken and their impact on residents. The internal assessment is participation-based, with residents, families and professionals all taking part. The resources allocated by the supervisory authorities (regional health agency and departmental council) under a tripartite agreement are contingent upon the results achieved and improvement projects.

In parallel, a nursing home must commission an external appraisal every seven years by consultants from outside the facility who have been approved by the ANESM (French national agency for quality and assessment of nursing homes). The appraisers consider very carefully whether service users' rights have been upheld and whether the nursing home's actions are aligned with its facility plan. The results of this appraisal determine whether the facility has its operating licence renewed.

At 31 December 2016, all ORPEA Group facilities obliged to have external assessments had fulfilled this obligation by submitting their external appraisal reports to the supervisory authorities by the allotted deadline.

In Spain, AENOR, the international certification body approved by the Spanish health ministry, conducts a multi-site certification audit (UNE Standard – EN – ISO 9001:2008) subject to renewal every three years. It awards an accreditation certificate for public display in each facility.

The administrative headquarters and facilities are audited by AENOR's specialist auditors.

At the headquarters, the auditors run the rule over the procurement and HR processes as well as the quality policy and continuous improvement process.

The facilities undergo a full on-site inspection covering:

- compliance with the regulations and standards in all areas of the facility's activities;
- customer satisfaction;
- handling of compliance failures, follow-up on remedial and preventative measures;
- monitoring and internal training.

In 2016, all of ORPEA Ibérica's sites had AENOR certification.

In Belgium and Switzerland, quality audits are implemented by the supervisory authorities to confirm that the quality standards applicable in each region are applied properly.

These audits cover best practices in care for residents and make sure that an appropriate 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). Likewise, an external audit conducted by the supervisory authorities covers health and safety aspects among others.

In Italy, an external appraisal is compulsory for all facilities, hospitals and nursing homes as part of an accreditation procedure. These appraisals encompass all aspects of a healthcare facility's operations and practices, and they aim to ensure that safety and quality of care requirements are actually met by the facility.

For nursing homes, the appraisal is carried out by an ASL (regional health agency) panel.

In Germany, all facilities undergo annual inspections by the medical services of health insurance funds. The MDK (*Medizinischer Dienst der Krankenkassen*) applies a methodology and framework defined in Book XI of the German Social Code and validated by the health ministry. These audits include a review of a sample of nine residents, with three taken from each level of care requirement *(Pflegestufe)*.

To promote transparency in care quality for the elderly, a synopsis of MDK inspections is published for each nursing home in Germany and has to be displayed conspicuously in the facility. This transparency report (*Transparenzbericht)* includes an overall rating of between 1.0 (very good) and 5.0 (inadequate), plus specific scores for the following areas:

- Personal care and medical care (up to 32 criteria analysed);
- Care of dementia patients (up to nine criteria);
- Entertainment and relationship building (up to nine criteria);
- Accommodation, meals, cleanliness and hygiene standards (up to nine criteria).

The 126 Silver Care facilities inspected in 2016 had an average rating of 1.3 (very good).

In Austria, nursing homes are subject to an annual audit by the authorities (*Pflegeaufsicht*) covering respect for residents' rights, the quality of care provided, and health and safety standards.

The Austrian ministry for labour, social affairs and consumer protection has created a national quality certificate (NQZ), which is awarded to facilities that have implemented a genuine quality programme and meet the highest quality standards. SENECURA is actively involved in this certification process that takes around two years. Its aim is to secure certification for all its facilities over the next few years.

In the Czech Republic, the quality system has only just been started, and is due to be fleshed out over the coming years. The quality-related obligations are laid down in the regional regulations, with inspections carried out by the city or municipal authorities.

In Poland, the ISO accreditation was achieved without any compliance issues being raised.

Homecare services

In France, ORPEA has set in motion the process of gaining Qualicert certification for its homecare services based on the SGS Services for individuals RE/SAP guidelines. This certification helps to builds trust among customers and partners, since it provides evidence of:

- standardised practice across the network;
- the professionalism of its employees;
- services tailored to customer needs;
- a willingness to deliver improvements in response to customer needs.

1.3.2.3 ORPEA-CLINEA QUALITY AWARDS

To make Quality a unifying management tool geared towards the well-being of residents and patients, the Quality department decided to introduce the Quality Awards.

Quality is also a state of mind, and so these Awards encourage all staff to stand up for a high quality of service and care, and to push continuously for further improvements.

These annual awards for internal participants are rated on external and internal regulatory requirements. The prizewinners are selected through a three-stage process:

- the Quality department, the Medical department and the regional department and/or divisions for hospitals are involved in selecting the finalists based on over 400 criteria;
- entries set aside at this stage undergo a control audit by the Quality and Medical departments;
- the Quality and Medical departments, plus a member of the senior management team (Chairman, Chief Operating Officer or Chief Financial Officer), use a different scorecard and scenario analysis to pick the eventual winners in the final round.

Each of the facilities that wins a prize receives a budget allocation enabling them to launch a specific original or innovative project to enhance the care provided to residents or patients. This project is drawn up with input from all the facility's teams.

At an evening awards ceremony held in their honour, the winners receive a trophy and a prize, underscoring the value of their daily activities and providing a token of the Group's appreciation.

In 2016, the prizewinners **in France** were:

- First prize: the Saint-Maur-des-Fossés nursing home (Val-de-Marne department) and the Paris-Méchain post-acute and rehabilitation hospital (Paris);
- Second prize: the Montpellier nursing home (Hérault department) and the Montmorency psychiatric hospital (Val-d'Oise department);
- Third prize: the Bordeaux nursing home (Gironde department) and the Bénodet post-acute and rehabilitation hospital (Finistère department).

In Belgium, the winners of the 2016 Quality awards were:

- First prize: the Adret nursing home in Gosselies;
- Second prize: the Paradis du Bouhay nursing home in Liège;
- Third prize: the Saint-François nursing home in Saint-Nicolas.

Lastly, **in Spain**, the ORPEA Carabanchel nursing home in Madrid was selected for an award.

In the other European countries where Quality Awards are not yet held, the numerous external awards received by the Group's teams is a testament to their quality.

In Switzerland, for example, the SENEVITA Burgdorf facility won the *Sozialstern* ethics award for its integration programme for people with disabilities.

In addition, the SENEVITA group won third prize in the Great Place to Work awards bestowed on the best employers in the healthcare sector.

In Austria, SENECURA was the nursing home operator that won most accolades in 2016. It claimed annual awards and plaudits for the quality of both its care and its teams (NQZ, Best employer in Vorarlberg, Quality of service, Championing health in the workplace, etc.).

1.3.2.4 SATISFACTION SURVEYS

ORPEA regularly conducts satisfaction surveys to make sure that the quality of support and services delivered by the Group's facilities is aligned with the standards it sets. And the views of residents and patients of whether it does so are crucially important.

This type of benchmarking illustrates the Group's determination to meet the needs of residents and patients as effectively as possible and to give their views even greater attention.

At the Group's hospitals, patients are given a questionnaire as a matter of course upon admission or shortly before they are discharged. Feedback from these questionnaires is analysed every month to keep track of the areas of strength requiring further reinforcement and areas for improvement, and the results are then displayed.

In Germany, pension funds conduct their own satisfaction survey of their members, but this takes place several weeks after the patient has been discharged. This has prompted CELENUS KLINIKEN to solicit patients' views while they are still in its care.

The 2016 satisfaction rates stood at over 90% in hospitals.

The Group's nursing homes conduct an anonymous survey every year measuring the satisfaction level of residents and their families. This survey by Quality department acts as a satisfaction indicator and gives residents and their families the chance to rate all aspects of a facility's services, including the accommodation, care, meals, approachability and attentiveness of staff, and events & entertainment. This indicator was designed to solicit the full range of views since residents and their families complete and return questionnaires on an anonymous basis to the Quality department. The forms are then analysed by an external company and the results certified as accurate by a court officer.

In all, 42,720 satisfaction questionnaires were sent out in 2016 to all the residents and their families at ORPEA facilities in France, Belgium, Spain, Italy, Switzerland, Austria and Germany.

24,825 questionnaires were returned and analysed, representing a response rate of 58.1% (an increase on the previous year's level of 55.8%). According to the results of the survey:

- 93.1% of residents and families are satisfied or very satisfied with the facilities' services (compared with 92.0% in the previous year);
- 94.3% of residents and families would recommend the Group's facilities to their friends and family (compared with 93.3% in 2015).

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 manager forms work groups to pinpoint areas for improvement in care plans, activities, accommodation or meals.

All the results and action plans are presented to families and residents at a discussion meeting.

For DOMIDOM's homecare services, a selection of each local office's customers is polled by phone as part of an annual satisfaction survey in France. The overall satisfaction rate for 2016 was 93%, with over 90% of customers willing to recommend DOMIDOM's offices.

In addition, a satisfaction survey is carried out every year of doctors who refer their patients to the Group's facilities for a hospital stay or a period of residence. The latest survey results show that 97% of these doctors are satisfied with the Group's facilities and would recommend them to their patients.

1.3.3 STREAMLINED AND EFFECTIVE QUALITY-DRIVEN ORGANISATION

1.3.3.1 ORGANISATION STRUCTURE GEARED FOR INTERNATIONAL EXPANSION

In 2014, ORPEA embarked on a strategy of rapid international expansion, and over 50% of its network is now outside France, and to support this strategy, it overhauled its organisation structure to ensure close scrutiny of the roll-out of its model in new territories and to safeguard quality standards and management efficiency.

The Group aims to strike the right balance in its organisation structure between:

- the level of decentralisation needed to establish a local connection, adapt to specific national requirements and keep in touch with expectations;
- the level of centralisation the Group wishes to achieve so that it can unlock synergies and facilitate controls, benchmarking and communication.

As a result, the Group is now organised in Business Units, with one set up in each country.

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

Each Business Unit has a free rein to manage its business plan as it sees fit and to arrange financing for selective development, with the approval and under the oversight of the Group's executive management.

It is also responsible for drafting and executing an annual road map for its operations and support functions, plus a strategic development plan.

In parallel, ORPEA has built a team of around 30 international managers, most of whom have come through its ranks, which gives them excellent knowledge of the Group's processes. These managers have been assigned to each corporate services support function, such as HR, Quality, management control and finance, business development, purchasing, construction and legal affairs. The goal behind this approach is to make sure the Business Units harness a shared repository of Group practices and procedures and to oversee the operation of each international BU.

Coordinated by an international project leader, these international managers have established the key rules in their respective areas of responsibility that all BUs must apply to ensure that the Group is able to manage its risks (quality, financial, reputational, etc.), further entrench its Quality programme, promote the free flow of information, conduct benchmarking and fulfil its regulatory requirements (especially given its status as a listed company). The Group Standards, which are supplemented by appropriate control arrangements, provide the Business Units with guidance on integration aspects and on the implementation of the Group's operating processes and procedures. The international managers are tasked with supporting all the BUs with the implementation of these Group Standards and ensuring that they are put into practice and upheld.

Their role is to set in motion, advise on, monitor and oversee the application of Group policies in each country and each area of expertise while adapting to the local culture and legislation.

The international managers can draw on their vast array of experience in their area of expertise. They also help to promote the integration of acquired entities and the flow of information within the Group.

1.3.3.2 A CENTRALISED ORGANISATION WITHIN EACH BUSINESS UNIT

Each Business Unit has its own well-organised headquarters providing the main support functions. This helps to relieve facility managers of administrative tasks, so that they are able to free up time and focus the bulk of their efforts on supporting residents and patients and on managing their teams.

Under this centralised system, costs can be pooled and efficiency gains unlocked in the operation of facilities, as well as in management control and finance.

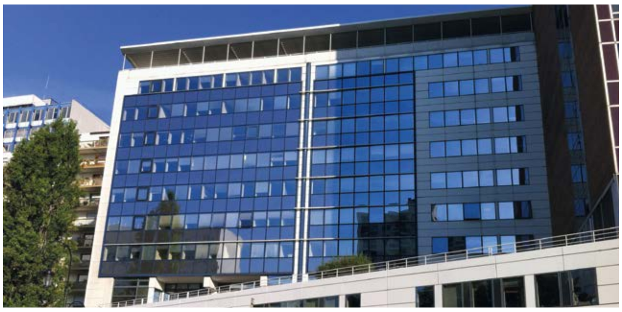
The role of each country headquarters is to provide support and guidance and to draft and circulate the various procedures applicable using the latest methods so that facility managers and staff can focus their skills and expertise on the well-being of residents and patients.

Accordingly, the Group's organisation is underpinned by two main principles:

- centralisation of all corporate services at the BU headquarters (accounting, purchasing, payroll, legal, invoicing, etc.);
- an operational structure geared to making the core business as nimble as possible, while complying with the Group's management control and Quality monitoring requirements.

1.3.3.3 GROUP IT AND INFORMATION SYSTEMS DEPARTMENT FORMING THE BACKBONE OF THE ORGANISATION

ORPEA's information systems department, which has over 100 employees, harnesses its vast array of skills to build and secure an information system that is genuinely tailor-made to manage and track the performance of the Group's organisation in France and abroad. This represents a vital tool for delivering continuous improvement in its performance.



The information systems department has been built to support the Group's international expansion, and it applies new methods to meet the imperatives of the core business and stay ahead of the game:

- it harnesses agile development and project management techniques to help ORPEA to shorten times to market and to maintain a close connection to actual usage in the field, while adjusting its approach to the maturity of its internal clients. Conventional development methods are still pertinent in certain circumstances, and so iterative cycles are used to avoid silo effects;
- by centralising certain activities, the information systems department is able to coordinate Group initiatives to roll out new developments and modernise tools and structures. This new organisation structure represents a major strength since it helps the Group to maintain the consistency of its information systems, enrich and streamline the application ecosystem and adopt the most efficient development approach possible in France and abroad.

ORPEA's information systems division is organised to meet three main priorities:

- strategic management (view provided by the information system aligned with the Group's priorities);
- functional management, which includes core business skills to ensure that IT systems are in lock-step with business imperatives;
- technical management, to deliver flawless quality standards in terms of production and through-life maintenance.

Make-or-Buy decisions between existing IT solutions on the market, to speed up deployment or harness external skills, where appropriate, or internal applications that set the Group apart in specific business areas, form a continuous part of its work. Expert staff analyse the business needs, the deficiencies in the market systems and recommend the most suitable solution based on numerous criteria (functional coverage, response to the Group's technical requirements, business model, skill sets, ease of use, statutory compliance, roadmap and ability to innovate, etc.). These design phases help it to stay closely in touch with users' needs and to implement appropriate tools, and in turn this fosters employee buy-in to changes introduced across all the Group's international units.

Internal hosting to maintain control over and the security of the information system

Given the rapid pace of its international expansion and the fact that many of its vertical applications have been developed internally, ORPEA wanted to be able to:

- roll out its management applications right across the Group where appropriate to unlock maintenance savings and reporting improvements;
- keep the tightest possible control over the information system, especially its data security;
- step up the oversight and controls on its various business units;
- meet the specific needs of users, both in France and everywhere else ORPEA operates;
- plan ahead for future requirements, in line with the Group's strategy.

To meet these imperatives, a new high-performance data center was set up in 2015 when the Group moved into new corporate headquarters. This data center houses all the information system's data and tools and delivers the highest possible level of application availability and continuity of operations, while offering a high standard of system security.

The Group opted to take internal data center option rather than pursuing external hosting. Aside from the major savings, this option provides the flexibility and control needed to keep its data secure.

The data center has a computer room with space for 40 bays, which builds in scope for a 150% increase in existing needs, or the equivalent of 10 years' development. It houses 250 servers and has a data storage capacity of 300 terabytes.

The data center is linked up to a Network and Security Operation Center, including a crisis management unit, right at the heart of the information system's offices.

The additions to the monitoring arrangements and administration system provide finer-grained supervision of IT production. Like the data center, this area will be subject to strict security arrangements so that it can operate round-the-clock, seven days a week.

The information systems division and the data center gained ISO 27001 certification in 2016.

Technology watch to harness the latest innovations and tighten up data security

The information systems division has stepped up its technology watch to keep pace with the latest developments in areas as diverse as e-health, the internet of things, business intelligence, new development models (DevOps, etc.). It is also placing greater emphasis on data security and protection. Its security unit and data protection officer maintain data security and confidentiality arrangements across the projects and applications rolled out.

Going forward, the ability to master new technologies, maintain privacy by design and achieve regulatory compliance will be top priorities.

The Group has made data security a major point of emphasis. The manner in which data concerning its patients, residents, employees and customers is used and protected reveals the value placed by the Group on the direct and indirect users of its information systems.

1.3.4 REAL ESTATE: A STRATEGIC ASSET

Ever since its inception, ORPEA has always placed great importance on its overall real estate strategy, and this extends to:

- the quality of buildings constructed and maintained by the Group;
- the quality of locations at the heart of cities and close to major urban centres;
- the internal architecture and project management unit, which designs buildings specially geared to the core business;
- ownership of a large proportion of its premises.

1.3.4.1 QUALITY BUILDINGS IN ATTRACTIVE LOCATIONS

Real estate represents a strategically important asset for the Group's business activities. ORPEA selects sites based on their intrinsic quality, which includes the site's quality and its location. Most of the Group's facilities are situated in town or city centres or in remarkable surroundings, and the aim is always to foster close ties with families and referring doctors, as these are essential for a high standard of care.

A study conducted in 2011 by DREES (Study no. 18 – Institutional living accommodation for the elderly from the perspective of residents and their families) of residents and their relatives illustrated the benefits of this strategy. It highlighted that the top selection criterion applied by residents and their families is a facility's location (69%).

In France, the Group's assets are in most cases located in buoyant regions, such as Île-de-France (Paris and the western suburbs), Provence-Alpes-Côte d'Azur (Mediterranean coast), Aquitaine and Poitou-Charentes. In Belgium, the majority of the network is in Brussels and Flanders, and over 50% of the Spanish network is in Madrid. The Italian network solely covers the north of the country, and the Polish network is concentrated in Warsaw.

In addition, the Group pays particular attention to:

- the architectural quality of buildings: the Group has built a large proportion of its properties, which means that it can design its facilities to meet its own quality-driven standards;
- the quality of internal services;
- compliance with environmental standards and the quest for energy savings.

1.3.4.2 STRATEGY OF REAL ESTATE OWNERSHIP

For many years, ORPEA's real estate strategy has been to retain ownership of a larger proportion of its properties to:

- keep a tight grip on its operating properties so that it can provide the highest quality of service while maintaining the flexibility to carry out any work needed;
- increase the value of the Group's asset portfolio with the addition of recently constructed assets in prime locations;
- underpin ORPEA's profitability in the medium to long term;
- endow ORPEA with financial security and flexibility in the form of assets that are not prone to volatility and readily marketable.

Over the past few years, ORPEA has acquired a number of groups that did not own their own real estate, but rented all the properties they used. These include Medibelge in Belgium, Mediter and Mieux Vivre in France, Silver Care, Residenz Gruppe Bremen, VITALIS and CELENUS KLINIKEN in Germany, SENEVITA in Switzerland. Overall, the Group's overall real estate ownership has now dropped below 50%. At year-end 2014, the Group owned just 30% of its properties.

Since 2015, it has endeavoured to raise its real estate ownership rate by acquiring properties it operates, by selling fewer properties and by focusing its acquisition policy on opportunities with scope for gaining ownership of properties.

As a result of this strategy, it raised its real estate ownership rate to 39% at year-end 2016.

Its portfolio contains high-quality properties constructed recently in attractive locations that generate secure rental income since ORPEA is its own tenant, which eliminates the vacancy risk.

This strategy of owning part of its real estate benefits the Group in several ways:

- it underpins its profitability and secures its long-term cash flows;
- it gives it greater flexibility to go ahead with extensions or redevelopments, without increases in property costs;
- it strengthens the Group's balance sheet;
- it increases the Group's portfolio value.

ORPEA's balance sheet at 31 December 2016 has €4,075 million in real estate assets (including assets under construction) adjusted for the €67 million in assets in the process of being sold. This represents an increase of €630 million over 12 months.

All operating properties are carried at fair value. Assets under construction are measured at the cost of construction plus the land at cost.

The Group's real estate portfolio is financed by long-term loans and by property leases.

The Group is a lessor under several property leases.

Lease financing is the Group's preferred method because it gives it the option of acquiring ownership of the property after 12 to 15 years in return for a modest residual payment.

As a result, the Group regularly acquires ownership of several lease-financed properties.

Lease financing will also enable ORPEA to adopt IFRS 16 early with effect from 1 January 2019. Under this new standard, property held under all ordinary leases will have to be recognised as assets with a corresponding financial liability at a value reflecting the right of use. As a result, operating leases will be recognised in a similar way to finance leases. Even so, under a property lease, the Group still has the option at the expiry date of the lease to acquire full ownership of the property on favourable terms by exercising the option.

Even though property lease financing leads to the recognition of an asset (property) and liability (financial liability) on the balance sheet, it undoubtedly still creates value, and that is why ORPEA has resolutely maintained this policy.

It is a strategy that enables the Group to optimise its capital structure, while keeping the overall cost of its real estate under control.

This strategy also gives the Group the option of selling real estate assets in several different ways, allowing it to maintain its pace of expansion and keep its finances in a healthy condition:

- sale in lots to individual investors;
- direct sales of entire properties to real estate investment companies, family offices or institutional investors, such as insurers, which are always looking for secure long-term returns. Indeed, insurers and particularly life insurers have shown a strong appetite for the Group's assets;
- where necessary, a sale to the ORPEA Group's property investment fund (Amundi Immobilier Novation Santé OPCI), which was approved by the AMF on 28 November 2008.

Irrespective of the buyer, ORPEA's strategy is to secure attractive terms from asset disposals to keep a tight grip on its rental costs over the long term – with a low initial yield and, crucially, a tight control on index-linked increases.

With rental properties, commercial leases generally require the Group to bear the cost of work covered by Article 606 of the French Civil Code. This means that it has control of the work and can thus guarantee the quality of its services.

1.4 A SECTOR WITH HIGH BARRIERS TO ENTRY BUOYED BY GROWING DEMAND

The long-term care sector already plays a crucial role in rising to the challenges posed by the ageing of the global population, the need for medical care and a higher degree of specialisation, and the inadequacies of existing nursing home capacity. And its importance is set to grow over the coming decades.

The long-term care sector is governed by a stringent regulatory framework to ensure that patients and residents receive a high standard of care guaranteeing their safety and well-being and to keep the lid on health expenditure. This regulatory burden represents a major barrier to entry for newcomers.

Together, these characteristics, common to most countries across Europe, represent powerful growth drivers for industry participants.

1.4.1 SUBSTANTIAL DEMAND, YET INSUFFICIENT SUPPLY

1.4.1.1 DEMAND UNDERPINNED BY AN AGEING POPULATION

Medical advances and higher living standards have pushed up life expectancy in most countries around the world, and this has given rise to population ageing.

Between 1997 and 2012, life expectancy at birth increased by 3.5 years on average in the EU, according to Eurostat's latest statistics, which represents an increase of around 3 months every year.

This trend is continuing, and most of the gains show up after the age of 65. According to the latest European Union surveys, EU citizens who reach the age of 65 now have a life expectancy of 83 (men) or 86.4 (women), which represents an increase of over one year since 2005.

Progress made in tackling cardiovascular diseases in people aged 65 or over and also lower mortality rates in adult men have been the key factors behind this increase.

An older population is the inevitable consequence of these developments, and the trend is set to accelerate right across Europe, as the second generation of baby boomers, born in the years following the Second World War, moves into this age bracket.

According to Eurostat, the population of over 80s is set to more than double from 24 million in 2015 to 53.5 million by 2050 – an increase of more than 30 million people.

And by 2080, the population share accounted for by the over 80s is forecast to double at least in nearly all the Member States according to Eurostat. According to population forecasts, the EU's population will continue to age. By 2080, nearly one person in eight is expected to be 80 or over years old (*i.e.* 12.3% of the population).

As stated in the table below, all the European countries in which ORPEA has established a presence are experiencing identical trends.

	Number of people aged 80 or over *(in thousands)*					2015-2030		2015-2050
	2015	**2020**	**2030**	**2040**	**2050**	**Change** *(in %)*	**CAGR**	**Change** *(in %)*
European Union	23,947	27,134	33,697	43,450	53,469	41%	2.3%	123%
France	3,464	3,776	4,713	6,353	7,312	36%	2.1%	111%
Belgium	545	595	704	941	1,157	29%	1.7%	112%
Spain	2,440	2,615	3,232	4,188	5,601	32%	1.9%	130%
Italy	3,577	4,051	4,799	5,717	7,410	36%	2.1%	107%
Switzerland	408	452	627	820	1,095	54%	2.9%	168%
Germany	4,095	5,097	5,778	7,123	9,446	41%	2.3%	131%
Austria	386	435	568	719	1,000	47%	2.6%	159%
Czech Republic	370	398	622	792	850	68%	3.5%	130%
Poland	1,352	1,524	1,919	3,096	3,193	42%	2.4%	136%

The acceleration in the ageing phenomenon will be even more acute among the very elderly (aged 90 or over). This population cohort is forecast to increase by close to 10 million by 2050, with its ranks tripling in size.

An identical trend of rapid growth in the very elderly is also anticipated in the short term, with a forecast increase of over 20% between 2015 and 2020 in the European Union.

	Number of people aged 90 or over *(in thousands)*					2015-2030		2015-2050
	2015	2020	2030	2040	2050	Change *(in %)*	CAGR	Change *(in %)*
European Union	4,248	5,303	7,353	10,100	13,657	73%	3.7%	221%
France	719	907	1,125	1,657	2,150	57%	3.0%	199%
Belgium	95	120	155	211	296	63%	3.3%	212%
Spain	451	589	738	1,043	1,442	64%	3.3%	219%
Italy	666	831	1,149	1,456	1,826	72%	3.7%	174%
Switzerland	70	82	109	169	234	57%	3.0%	236%
Germany	689	856	1,397	1,486	2,198	103%	4.8%	219%
Austria	73	86	115	161	227	58%	3.1%	211%
Czech Republic	51	65	86	170	205	69%	3.5%	303%
Poland	188	273	388	588	975	106%	4.9%	417%

Population ageing naturally drives up the number of elderly people requiring assistance or care. Care requirements tend to increase rapidly from the age of 80 upwards, reaching a critical threshold at 85. The percentage of people with the greatest care requirements (mental health and severe physical conditions) is highest among the 85 and overs. The 60 to 74 age bracket has the highest prevalence of people with mental health but less severe physical conditions.

1.4.1.2 INSUFFICIENT AND INADEQUATE CAPACITY

The increase in the number of people aged over 75 has already had a clear effect on the nursing home bed per person aged over 75 ratio in France. This ratio has fallen significantly over the past decade or so. From 166 beds per 1,000 people aged over 75 in 1996, the number of beds dropped to 140 by the end of 2003 and then to 122 by the end of 2010.

The key factor in the fall in this ratio is the far more rapid increase in the population aged over 75 (14% between 2004 and early 2008) than in the number of beds in facilities (source: DREES – *Études et Résultats* no. 689 – May 2009, and FHF Note – September 2012).

A similar trend is evident across all the countries, with the ratio of nursing home beds to the elderly population declining over the past ten years.

Bed numbers per 1,000 over-80s in 2015 were as follows:

	Number of nursing home beds	Beds per 100 people aged over 80 years
France	590,000	17%
Belgium	137,000	25%
Spain	350,000	14%
Italy	390,000	11%
Switzerland	93,500	23%
Germany	875,000	20%
Austria	70,000	17%
Czech Republic	50,000	14%
Poland	85,000	6%

These clear-cut trends show exactly why new nursing home beds need to be opened across all European countries over the next 20 years. Estimates of the new beds required vary from country to country:

- In **France**, industry professionals estimate that 25,000-30,000 new beds need to be added over the next 5-10 years. What's more, a large part of the existing stock will need to be redeveloped because it is ageing and is now unsuited to looking after those with major care requirements. In its December 2011 report on investment in nursing home facilities, the CNSA (French National Solidarity Fund for Autonomy), estimates that 116,900 beds require modernisation, or around 20% of available capacity nationwide in the sector. Based on the current average cost of modernising one bed, which the CNSA puts at €100,000, this would require a €11.7 billion investment.

- **In Belgium**, ministry projections indicate that 45,000 additional beds will be needed by 2030 and 130,000 by 2050, *i.e.* a doubling of current capacity by 2050. Most of these new beds will be needed in the Flanders region.
- **In Spain**, there is also a very significant shortage of high-quality nursing home beds. In a 2010 report, the World Health Organisation estimates the requirement for new beds at 50,000 by 2030.
- **Italy** already has one of the lowest ratios of nursing home beds per capita in Europe. As a result, its needs are among the most substantial in Europe. Experts estimate that it will have to add 80,000 beds by 2030, or over 5,000 new beds p.a. Italy also needs to redevelop a large proportion of its existing stock, and this, too, requires heavy investment.
- **Switzerland** needs to almost double its existing capacity by 2030 by opening around 70,000 new beds owing to its rapid population ageing. And there will be no let-up in the longer term, with a further 40,000 additional beds forecast to be needed between 2030 and 2040.
- **In Germany**, 100,000 new beds will have to be added between 2011 and 2020, the largest number in Europe, according to the Federal Statistical Office of Germany. By 2030, the total requirement for Germany rises to 250,000, if it is to face up to the challenge posed by its ageing population. As in most countries, it will also need to redevelop its existing facilities, particularly those run by independent private operators, or around 30% of the sector accounting for some 275,000 beds in over 4,000 facilities.
- **In Austria**, where the same ratio stands at 15%, an estimated 30,000 places will need to be created by 2030 – a 47% increase in existing capacity.
- **In the Czech Republic**, only 30% of existing capacity is suited to caring for dependent residents, including those with neurodegenerative illnesses. According to the Czech ministry of labour and social affairs, over 50,000 applications to facilities by potential residents are declined.
- **In Poland**, where the beds to elderly population ratio stands at just 6%, an estimated 120,000 places will need to be created by 2030 – a 2.5-fold increase in existing capacity. Poland's ratio is the lowest in Europe.

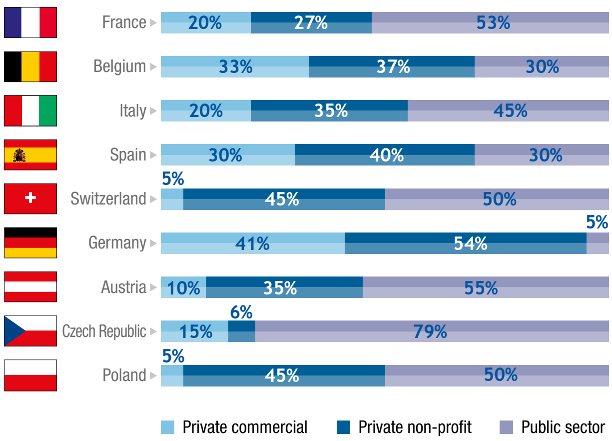
Investment running into tens of billions of euros will be required to meet these needs at a time of fiscal austerity across most European countries. The private sector has the ability to rise to the challenge, however.

1.4.2 COMPOSITION OF THE SECTOR

The long-term care sector has similar characteristics in all the European countries in which the Group operates:

- it is dominated by public-sector and non-profit operators, which account for between 60% and 90% of existing beds;
- the private commercial sector remains highly fragmented, with numerous independent operators with ageing premises, requiring consolidation over the next few years;
- a number of pan-European groups, such as Korian, ORPEA, Domus Vi and Attendo (presence confined to Scandinavia).

▶ BREAKDOWN OF BEDS BY COUNTRY AND TYPE OF OPERATOR



The private commercial sector accounts for between 5% and 40% of beds in the countries in which ORPEA operates, giving it a major advantage in terms of the solvency of demand.

ORPEA's market share remains below 5% in each country, and so it has ample scope for further expansion in coming years.

The private commercial sector is still heavily fragmented across the board, and so a round of consolidation is likely, causing the share of independent operators to decline over the next few years.

In France, for example, the top five operators (Korian, ORPEA, Domus Vi, Le Noble Age and Colisée Patrimoine) account for 55% of the private commercial sector, which has 120,000 beds. That leaves around 40,000 beds in the hands of independent operators.

In Belgium, the top four operators nationwide (Senior Living Group owned by Korian Medica, ORPEA, Armonea and Senior Assist) have a combined share of just 35% of the private commercial sector.

In Germany, the ten groups with over 4,000 beds have a combined share of just 21% of the private commercial sector. As a result, around 275,000 beds, or over 30% of the sector's total capacity, are owned by small regional groups or independents.

In Spain, the top 10 private-sector groups account for just 10% of the total number of nursing home beds.

In Austria, Switzerland, Poland and the Czech Republic, independents and small family groups with a few hundred beds still account for the vast majority of the sector's capacity.

1.4.3 GROWING NEED FOR MEDICAL SERVICES AND FACILITY SPECIALISATION

1.4.3.1 GREATER MEDICAL NEEDS IN NURSING HOMES

The growing care requirements of nursing home residents is a trend evident across most European countries. In France, for example, according to the December 2014 DREES report, women accounted for 75% of residents. The average age of residents entering an institution is 89, compared with 82 in 1994.

The average stay is 18 to 20 months, compared with around 3 to 3.5 years 20 years ago. These changes are attributable to the development of assistance that helps people to stay in their own homes. Most European governments have invested heavily to expand homecare services in response to demand from society. While most elderly people are able to live at home, some have no choice but to move into a facility. Experts estimate that 85% of people aged 85 are able to live at home with a varying level of support, but that 15% need residential care. Above the age of 85, there is a rapid increase in this percentage.

Alzheimer's disease is the most common cause of dementia in the elderly, and it accounts for over 70% of dementia cases in France. It is also the main reason why people move into a nursing home. Currently, some 50% to 70% of people living in a nursing home for the elderly have the early signs of or have been diagnosed with dementia.

The care requirements of nursing home residents are therefore increasing right across Europe.

As things stand, residents are moving into facilities increasingly later in life, and with greater care requirements, and so nursing homes require more extensive medical services. This includes a need for a multidisciplinary nursing team and also the introduction of specialised units caring for residents with Alzheimer's disease providing higher levels of security.

In turn, this greater demand for medical services translates into a need for more medical equipment and more qualified nursing staff. The sector and, crucially, residents have benefited from an improvement in the quality of care. Quality controls and standards have also been tightened up by the supervisory authorities across all European countries.

Private groups stand at a major advantage when it comes to making these investments and the overriding imperatives of quality control and standards compliance because of their investment capacity and their organisation.

1.4.3.2 SPECIALISATION OF POST-ACUTE AND REHABILITATION HOSPITALS

The typical profile of post-acute and rehabilitation hospitals' patients has also changed.

The percentage of elderly patients admitted to post-acute and rehabilitation hospitals has risen sharply in recent years. In France, patients at post-acute and rehabilitation hospitals are most likely to be aged 70 or over. In 2011, they accounted for over half of post-acute and rehabilitation stays, *i.e.* 700,000 stays by nearly 535,000 people. Half of them are aged 80 to 89 (source: DREES – *Études et Résultats* no. 943 – December 2015).

In addition to the population ageing phenomenon, a structural downtrend across all countries in the length of stays in medical, surgical and obstetric facilities is at work as a result of changes in:

- medical and surgical practices, particularly outpatient surgery;
- the pricing system which, to improve productivity, has switched over from a per diem rate for hospitalisation to a rate per type of intervention.

As a result, medical, surgical and obstetric facilities send out their patients to post-acute and rehabilitation hospitals increasingly rapidly, which means these have to deal with patients in more and more severe conditions.

Governments across Europe are also encouraging this trend, since the cost per day of post-acute and rehabilitation care is far lower than medical, surgical and obstetric care for health insurance systems. For example, the estimated cost to the French health insurance system of a day in a post-acute and rehabilitation hospital is €120 to €130, compared with €500 to €800 per day in a medical, surgical and obstetric unit.

Post-acute and rehabilitation hospitals have become the primary and indeed a critical link in the chain for hospitals and medical-surgical units. These 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 hospitals and 56 days in psychiatric hospitals (source: DREES – *Panorama des établissements de santé* – 2014 edition).

Medical, surgical and obstetric facilities have thus had to review their downstream activities, and so they have entered into industry-wide agreements with post-acute and rehabilitation hospitals to secure places for their patients quickly.

As a result of the growing care burden placed on them and their closer ties with the acute care services provided at medical, surgical and obstetric units, post-acute and rehabilitation hospitals are able to provide complex rehabilitation as they now have multidisciplinary medical, paramedical and social care teams.

Accordingly, post-acute and rehabilitation hospitals are becoming increasingly specialised, providing care for certain specific conditions.

1.4.4 A REGULATED AND CONTROLLED SECTOR OF ACTIVITY

Owing to the nature of its business activities, which involves running facilities for the elderly requiring long-term care, post-acute and rehabilitation hospitals and psychiatric hospitals, the ORPEA Group operates in a closely supervised and highly regulated environment.

Over the past 26 years, the Group has developed a robust understanding of this complex regulatory environment and acquired the expertise and put in place the requisite procedures to operate in it successfully. The Group regards this environment as an opportunity and as a strength since it favours experienced operators such as ORPEA and represents a major barrier to entry preventing newcomers from moving into its markets.

Traditionally, the ORPEA Group has prioritised expansion into countries in which a licence to operate long-term care facilities is required from a supervisory authority.

In France, Spain, Belgium, Italy, Switzerland Austria and Poland, an administrative permit from regional or national authorities is required before any new healthcare facility can be set up, converted or extended. The number of new permits issued in these countries is tightly controlled and restricted by the public authorities in an effort to ensure a decent standard of care and services and to keep spending under control.

The process of gaining a permit and the regulatory framework varies from country to country, or even from region to region, in certain countries. As a result, it is crucial to have well-respected local teams on the ground with the requisite knowledge.

ORPEA has also expanded into other countries, including Germany, where no administrative permit is required in the strict sense of the term. Instead, the supervision of activities by the public authorities gives rise more indirectly to the definition of standards and checks by the authorities to ensure they are upheld.

In addition to administrative permits, strict technical, construction, safety and environmental standards apply in the sector. Minimum nursing and non-nursing staff to residents and patients ratios also have to be observed. Compliance with all these standards is closely monitored in all European countries by various national or local supervisory authorities.

1.4.5 CONTROLLED PRICING SYSTEM

Long-term care facilities' pricing is controlled across all European countries in a bid to keep a grip on public healthcare spending. Per diem rates have two main components:

- a component that broadly consists of care and medical expenses, which is usually funded by the public authorities, national or regional health insurance system, national long-term care insurance, etc.;
- a component that broadly consists of the cost of accommodation, meals, entertainment or additional residential services, which are usually paid for by the resident or patient themselves, or covered by private insurance systems.

Owing to its complexity, this pricing system, which varies from country to country and even from one region to another, represents another barrier to entry for newcomers.

France

The pricing system for nursing home facilities has three components:

- the accommodation charge, payable in full by the resident (or the departmental authorities, if the facility has approved social assistance beds). Increases in accommodation charges are subject to government control. Every year, the French ministry of finance sets the size of the annual increase payable by residents from 1 January. That said, the accommodation charge may be freely agreed for any new residents;
- the charge for long-term care requirements 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 care requirements and means;
- the personal care charge, which is a per diem rate funded by the French national health insurance system, paid in monthly instalments to the facility in the form of a lump sum.

The charges for post-acute and rehabilitation and psychiatric hospitals are set by the French national health insurance system, which pays a per diem fee for each patient cared for that covers the cost of all medical care, personal care, medicines and accommodation based on a two-bed bedroom. Changes to this flat-rate charge covering all the related costs are regulated and controlled. In addition to the per diem allowance paid by the French national health system, facilities may levy additional charges for residential services such as private rooms, television, telephone, Wifi, or other services. These additional charges are paid directly by patients, and they may apply for reimbursement of all or part of the cost from their mutual health insurer. These charges may be changed freely.

Belgium

Nursing home charges have two components:

- the accommodation charge, payable in full by the resident. Accommodation charges are set by prior application to the SPF Economie government department. Following the ministerial decree of 12 August 2005, nursing home facilities cannot apply for a rate increase without first submitting a request, including substantiated arguments for the increase. As such, changes in charges are regulated and controlled;
- the medical care allowance, which is funded by the national disability insurance system (INAMI) based on the number of residents and their care requirements.

Italy

The pricing system is regional, with each region having complete autonomy. For example, the Marches region calculates the extent of each resident's care requirements and awards the facility a care services allowance. 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 places under the scheme.

Spain

Accommodation and care charges may be freely negotiated in Spain and are payable in full by residents.

In certain cases, nursing homes and the regional supervisory authorities enter into agreements primarily to reserve a certain number of beds for people with long-term care needs who have applied for assistance or full or partial coverage of the care. Under these agreements, charges are set in advance, and any changes have to be approved.

Switzerland

The medical care allowance covers around 30% of the per diem charge, which is based on the care requirement, and is covered by the national health insurance system or by private insurance. The remaining balance, which covers accommodation, services and care requirements, is paid for by the resident or their family, or in part by the canton if the resident cannot afford the full amount. This part of the fee may be increased without any approval being required.

Germany

Nursing home charges have three main components:

- a real estate component, known as the investment cost, which covers the rent or the property investment needed to construct and maintain the building. Part of this component is paid for by the local authorities in respect of social assistance recipients or by residents;
- the charge for meals and residential services, which is paid for by the resident or their family;
- the medical care and personal care charge, the vast majority of which is paid for by the national health insurance system. This system of financing is secure, since it has a surplus of around €5 billion, since the financing system for long-term care was reformed several years ago in Germany. The allowance varies based on the resident's care requirements and also from region to region. Increases in charges are agreed annually with the local supervisory authorities.

The charges for post-acute and rehabilitation hospitals and for psychiatric hospitals are based on per diem rates. They are agreed with the various health insurance and/or pension funds and they vary within a single facility based on resident's conditions and insurance. Likewise, special charges apply for private-sector patients. Broadly speaking, the per diem charges covered by pension funds are higher than those paid for by the national health insurance system owing to the importance of getting people back to work.

Austria

Nursing home charges have three components:

- accommodation costs, paid for by the residents;
- costs of care;
- any supplements paid by private residents.

Similarly to Germany, long-term care insurance covers a portion of the care costs based on a single national sliding scale linked to the resident's care requirements. In addition, if a resident does not have sufficient income, the payment may be covered by welfare benefits. Where this applies, the full per diem rate is charged to the state authorities, which then recover the outstanding amount from the resident.

Every year, the state authorities set the amount by which charges may increase, usually indexed to consumer price inflation. Larger increases may be agreed, but this requires detailed justification.

Czech Republic

Nursing home charges have four main components:

- a basic charge covering the accommodation payable by residents and their families;
- the personal care charge, which is paid for by the authorities;
- medical care costs, which are covered individually by the national health insurance system;
- additional services providing higher standards of quality, which are paid for by residents or their families.

Poland

There are two types of beds in Poland:

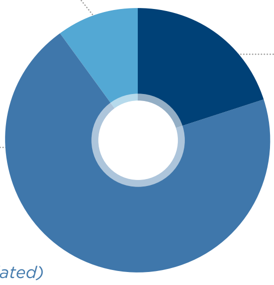
- authorised beds operated under a licence granted by the NFZ (national health fund);
- authorised beds run by private commercial operators.

The cost of private commercial beds is paid for in full by residents or their families, while the cost of NFZ beds is partially covered by the public sector. The NFZ agreement provides for full or partial reimbursement of medical care costs.

Accommodation costs are borne by the patient or their family. The average per diem charge is thus covered by a combination of reimbursements from the NFZ, the local authorities and the private contribution by families.

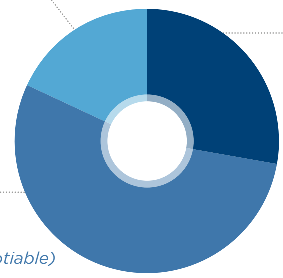
▶ SYNOPSIS OF PER NURSING HOME PER DIEM RATES

France



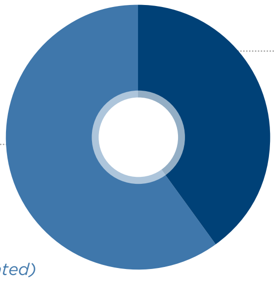
Average per diem rate: **€110**

Switzerland



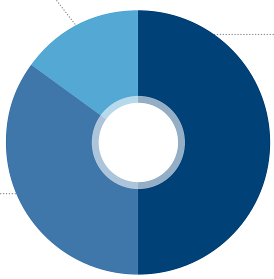
Average per diem rate: **€190**

Belgium



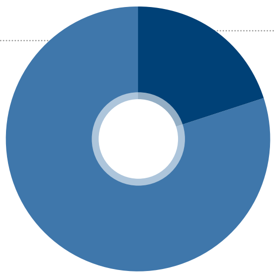
Average per diem rate: **€110**

Germany



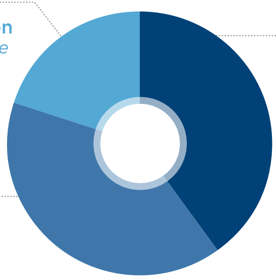
Average per diem rate: **€100**

Spain



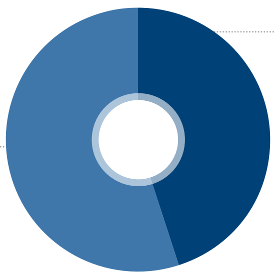
Average per diem rate: **€55**

Austria



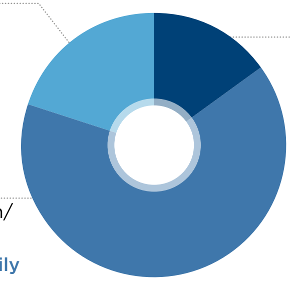
Average per diem rate: **€120**

Italy



Average per diem rate: **€90**

Czech Republic



Average per diem rate: **€45**

KEY INFORMATION ABOUT THE COMPANY

2.1 KEY PROVISIONS OF THE ARTICLES OF ASSOCIATION

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, 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 natural 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 deemed 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 deemed 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 corporate purpose and subject to those that the law expressly allocates to General Meeting 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 MEETINGS 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;
- 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 in the shareholders' register kept by the Company;
- in the case of bearer shares, registration in an account with an authorised intermediary that 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 that, 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 the 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, in view of the report by the Board of Directors and the report by 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 30 December 2016, 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 30 December 2016, the number of gross voting rights was 80,909,954 and the number of exercisable voting rights was 80,853,135.

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 2016	Financial year 2015	Financial year 2014
Share capital at the beginning of the year	€75,342,113.75	€69,459,866.25	€69,346,238.75
Capital increase	€0	€5,882,247.50	€113,627.50
Capital at year-end	€75,342,113.75	€75,342,113.75	€69,459,866.25

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.

In 2016, no increase in the share capital took place.

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 General Meetings of Shareholders of 23 June 2016 and 6 November 2015, and the use made thereof during 2016.

The full text of the resolutions approved by those meetings can be found on the website of the French Legal Announcements Bulletin (*Bulletin des Annonces Légales Obligatoires* – BALO) as well as on the Company website (www.orpeacorp.com, "Shareholders/ Shareholder meeting" section).

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 bonus shares, existing or to be issued, 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	Yes – see section 2.2.4

COMBINED GENERAL MEETING OF SHAREHOLDERS OF 23 JUNE 2016

Type of authority/Maximum global par value	Term	Use during the year
15th resolution – Rights issues of shares 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	None
16th resolution – Non-rights issue of shares and/or securities giving access to the Company's 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	None
17th resolution – Non-rights issue of shares in the Company and/or securities giving access to the 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	None
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, up to a maximum of 10% of the capital per year.	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 securities, **through non-rights issues.** *Within the limit of 10% of the capital.* *Maximum par value of debt securities:* ***€500,000,000.***	26 months	None
20th resolution – Issue of transferable securities giving access to capital **in a public exchange offer initiated by the Company, through non-rights issues.** *Par value of the capital increase:* ***€30,000,000.***	26 months	None
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	None
22nd resolution – Issue of equity securities reserved for members of an employee share ownership plan, **through non-rights issues.** *Maximum par value:* ***€400,000.***	26 months	None
23rd resolution – Allocation of bonus shares, existing or to be issued, to corporate officers and employees **with preferential subscription rights withheld.** *Total number of shares that can be allocated: 0.5% of the Company's capital on the day of the Board's decision + Total number of shares that can be granted to corporate officers: 0.2% of the share capital on the day of the Board's decision.*	26 months	None
24th resolution – Award of share subscription and/or purchase options to corporate officers and employees, **with preferential subscription rights withheld in the event that shares are subscribed *via* the options.** *Total number of shares that can be subscribed or purchased:* ***460,000.***	26 months	None
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.***	26 months	
26th resolution – Capital increase through the capitalisation of premiums, reserves, profit or other (articles L. 225-129, L. 225-129-2 and L. 225-130 of the French Commercial Code). *Maximum par value:* ***€30,000,000.***	26 months	None
27th resolution – Issue of securities carrying rights to the allotment of debt securities and not giving rise to a capital increase. *Maximum par value:* ***€500,000,000.***	26 months	None

2.2.4 FINANCIAL INSTRUMENTS GIVING ACCESS TO THE SHARE CAPITAL

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 2013, the conversion ratio was adjusted pursuant to the ORNANE terms to 1.017 shares (€1.25 par value each) for one ORNANE.

Following the distribution of a dividend of €0.70 per share on 11 July 2014, by decision of the General Meeting of Shareholders on 25 June 2014, the share exchange ratio was adjusted pursuant to the ORNANE terms to 1.031 shares (€1.25 par value each) for one ORNANE.

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.

Following the distribution of a dividend of €0.90 per share on 11 July 2016, by decision of the General Meeting of Shareholders on 23 June 2016, the share exchange ratio was adjusted pursuant to the ORNANE terms to 1.057 shares (€1.25 par value each) for one ORNANE.

At 31 December 2016, there were 4,260,519 ORNANEs outstanding, 12 ORNANEs having been exercised during the 2015 financial year and 100 ORNANEs having been exercised during the 2016 financial year.

On the basis of the share capital at 31 December 2016 and given the new share allocation ratio, the potential dilutive effect of ORNANEs still outstanding at that date was 3.09% in the event of a redemption with the forced conversion premium (*i.e.* a soft call by the Company) on the basis of the closing price on 31 December 2016 or 6.95% 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 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 2016				At 31 December 2015				At 31 December 2014			
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
JC MARIAN	*4,133,109*	*6.86%*	*8,266,218*	*10.22%*	*4,133,109*	*6.86%*	*7,881,819*	*11.69%*	*4,133,069*	*7.44%*	*7,881,819*	*12.38%*
CPPIB	8,870,854	14.72%	17,663,707	21.83%	8,792,854	14.59%	8,792,854	13.04%	8,792,854	15.82%	8,792,854	13.81%
SOFINA	3,180,000	5.28%	6,360,000	7.86%	3,180,000	5.28%	3,180,000	4.72%	3,180,000	5.72%	3,180,000	4.99%
FFP INVEST	3,811,353	6.32%	7,622,706	9.42%	3,811,353	6.32%	7,622,706	11.30%	3,811,353	6.86%	7,622,706	11.97%
Standard Life Investments*	2,993,658	4.97%	2,993,658	3.70%	/	/	/	/	/	/	/	/
Treasury shares	8,731	0.01%	/	/	11,442	0.02%	/	/	19,500	0.04%	/	/
Free float	37,275,986	61.84%	38,003,665	46.97%	40,344,933	66.94%	39,954,057	59.25%	35,540,117	63.96%	36,009,298	56.56%
TOTAL	**60,273,691**	**100.00%**	**80,909,954**	**100.00%**	**60,273,691**	**100.00%**	**67,431,436**	**100.00%**	**55,567,893**	**100.00%**	**63,668,677**	**100.00%**

* *Standard Life Investments (Holdings) Limited acting on behalf of clients under an asset management mandate.*

ORPEA SHAREHOLDERS AT 31 MARCH 2017

	At 31 March 2017			
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	21.83%
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*	2,993,658	4.97%	2,993,658	3.70%
Treasury shares	8,731	0.01%	/	/
Free float	37,275,986	61.84%	38,003,665	46.97%
TOTAL	**60,273,691**	**100.00%**	**80,909,954**	**100.00%**

* *Standard Life Investments (Holdings) Limited acting on behalf of clients under an asset management mandate.*

On 21 September 2016, the company Standard Life Investments (Holdings) Limited (1 George Street, EH2 2LL, Edinburgh, UK), acting on behalf of its clients under an asset management mandate declared that its stake had, on 20 September 2016, fallen below the threshold of 5% of the share capital of ORPEA and that it held, on behalf of the aforementioned clients, 2,993,658 ORPEA shares representing the same number of voting rights, *i.e.* 4.97% of the share capital and 3.70% of the voting rights of the Company. This threshold crossing was the result of sales of the Company's shares on the market.

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 2013, as well as the applicable tax regime:

Financial year	Net dividend received *(in euros)*	Distributed income giving entitlement to 40% allowance *(in euros)*	Distributed income not giving entitlement to 40% allowance *(in euros)*	Total *(in euros)*
2013	0.70	0.70	None	0.70
2014	0.80	0.80	None	0.80
2015	0.90	0.90	None	0.90

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 section 2.2.4 above.

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 this chapter;
- 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 2016 was €2,371 million.

2.2.10 SHARE BUYBACK PROGRAMME

2016 BUYBACK PROGRAMME

In accordance with articles L. 225-209 *et seq.* of the French Commercial Code, at the General Meeting of Shareholders on 23 June 2016, 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 during 2016:

- bought 621,274 shares for a total of €46,190,273.29, representing a weighted average value of €74.3477 per share;
- sold 625,793 shares for a total of €46,556,807.12, representing a weighted average value of €74.3969 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 2016, the Company held 56,819 shares (including 50,000 purchased in June 2016) with a par value of €1.25 each, representing 0.09% of its share capital, with a market value of €4,361,426.44 (based on the share price at 31 December 2016 of €76.76).

These shares were allocated as follows:

- 4,212 bearer shares allocated for the purpose of ensuring liquidity;
- 52,607 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 22 June 2017.

Securities concerned: 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 10% calculation below shall equal the number of shares bought less the number resold within the authorisation period;

b) to allot all or some of the shares purchased to employees and/or officers of the Company and/or 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 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;

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;

e) to keep all or some of the shares purchased to tender in exchange, as payment or otherwise for future acquisitions or any other transaction that may come to be authorised by regulations in force, in compliance with practices authorised by the *Autorité des Marchés Financiers*; or

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

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

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

- maximum percentage of share capital that may be held: 10% of the total number of shares forming the share capital of the Company;
- 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: €150;
- maximum amount of the programme: €907,661,505;
- 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 22 June 2017.

03

CORPORATE GOVERNANCE AND INTERNAL CONTROL

In accordance with the provisions of Article L. 225-37 of the French Commercial Code, this chapter includes the report by the Chairman of the Board of Directors on the financial year ended 31 December 2016, made up of:

- firstly, the Corporate governance report, which contains disclosures about the membership of the Board, its gender balance, and a description of how the Board prepares for and conducts its work. This section also states the restrictions that the Board of Directors has placed on the powers of the Chief Executive Officer. It also presents the principles and rules laid down by the Board of Directors for determining the remuneration and benefits granted to the corporate officers;
- secondly, the Report on internal control, which covers the internal control and risk management procedures implemented by the Company, specifically including those related to the preparation and processing of accounting and financial information for the parent-company and consolidated financial statements.

For information purposes, please note that Chapter 2 of the Registration Document contains:

- the arrangements for shareholders to attend and participate at the General Meeting in section 2.1.4 – "Shareholders' Meetings";
- factors liable to have an impact in the event of a public offer are provided in section 2.2.9 – "Information liable to have an impact in the event of a public offer";
- the ownership structure of ORPEA's share capital at 31 December 2016, in section 2.2.5 – "Shareholders".

The Statutory Auditors' reports on the Chairman's report and on the agreements and commitments with related parties 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 27 April 2017.

3.1 CORPORATE GOVERNANCE REPORT

3.1.1 STATEMENT ON CORPORATE GOVERNANCE REGIME

The AFEP-MEDEF Corporate governance code of listed corporations (November 2016, hereinafter referred to as the "AFEP-MEDEF Code") is the code to which ORPEA refers. The AFEP-MEDEF Code can be viewed at: www.medef.com.

Pursuant to para 6. of Article L. 225-37 of the French Commercial Code, this report discloses the provisions of the AFEP-MEDEF Code that are not applied and states the reasons why this is the case.

The Board of Directors and its Committees are governed by Internal Rules of Procedure (hereinafter the "Internal Rules of Procedure"), which were updated most recently on 18 January 2017 to amend the list of decisions for which the Chief Executive Officer has to seek the Board of Directors' prior approval. A full version of the Internal Rules of Procedure is included in the annex to this Registration Document.

3.1.2 MEMBERSHIP OF THE BOARD OF DIRECTORS

GENERAL RULES CONCERNING THE MEMBERSHIP OF THE BOARD OF DIRECTORS AND THE APPOINTMENT OF DIRECTORS

The Company's Articles of Association provide that the Board of Directors should have at least 3 and no more than 18 members, whether natural persons or legal entities.

Members of the Board of the Directors are appointed by the Ordinary General Meeting based on a proposal submitted by the Board of Directors after consulting the opinion of the Appointments and Compensation Committee. They may be removed from office at any time by a vote of the General Meeting of the Shareholders.

In accordance with the AFEP-MEDEF Code, members of the Board of Directors are appointed for a four-year term in office. To prevent all the directors' terms in office from coming up for renewal at the same time, their appointments are staggered. This helps to ensure that the reappointment of directors is a smooth process.

In accordance with the French law of 14 June 2013 on job security and the Articles of Association, which have been amended accordingly, a director representing the employees has sat on the Board of Directors since January 2015, following her appointment on 25 November 2014 by the works council of the ORPEA economic and social unit.

An employee representative attends Board meetings in an advisory capacity.

Members of the Board of Directors

The diverse experience and complementary skills and knowledge of the directors, the gender balance and the representation of several different nationalities on the Board of Directors enrich its discussions and its strategic vision.

At 31 December 2016, the Board of Directors had 12 members, including one employee representative. Their names, position and the date of expiry of their terms in office are shown in the following table:

Surname and first name/Company	Position	Date of expiry of term in office
Dr Jean-Claude MARIAN	Director and Chairman of the Board of Directors	2019 AGM
Yves LE MASNE	Director	2019 AGM
Alexandre MALBASA	Director	2017 AGM
Jean-Patrick FORTLACROIX	Director	2018 AGM
FFP Invest, represented by Thierry de PONCHEVILLE	Director	2019 AGM
Sophie MALARME-LECLOUX	Director	2017 AGM
Alain CARRIER	Director	2019 AGM
Bernadette CHEVALLIER-DANET	Director	2017 AGM
Christian HENSLEY	Director	2020 AGM
Laure BAUME	Director	2020 AGM
Brigitte LANTZ	Director	2020 AGM
Sophie KALAIDJIAN	Director representing the employees	2018 AGM

At 27 April 2017, the Board of Directors had 12 members, including one employee representative. Their names, position and the date of expiry of their terms in office are shown in the following table:

Surname and first name/Company	Position	Date of expiry of term in office
Philippe CHARRIER, replacing Dr Jean-Claude MARIAN	Director and Chairman of the Board of Directors	2019 AGM
Yves LE MASNE	Director	2019 AGM
Alexandre MALBASA	Director	2017 AGM
Jean-Patrick FORTLACROIX	Director	2018 AGM
FFP Invest, represented by Thierry de PONCHEVILLE	Director	2019 AGM
Sophie MALARME-LECLOUX	Director	2017 AGM
Joy Verlé, replacing Alain CARRIER	Director	2019 AGM
Bernadette CHEVALLIER-DANET	Director	2017 AGM
Christian HENSLEY	Director	2020 AGM
Laure BAUME	Director	2020 AGM
Brigitte LANTZ	Director	2020 AGM
Sophie KALAIDJIAN	Director representing the employees	2018 AGM

At its meeting on 28 March 2017, after Jean-Claude Marian resigned as a director and as Chairman of the Board of Directors with immediate effect following that meeting, the Board of Directors appointed Philippe Charrier to replace him as a director and Chairman of the Board of Directors for the remainder of Jean-Claude Marian's term in office.

At its meeting on 27 April 2017, after Alain resigned as a director with immediate effect following that meeting, the Board of Directors appointed Joy Verlé to replace him as a director and Chairman of the Board of Directors for the remainder of Alain Carrier's term in office.

Jean-Claude MARIAN

DoB: 24 March 1939 (French national).

Jean-Claude Marian, a trained neuropsychiatrist and co-founder of the ORPEA Group, was previously medical director of a medical teaching institute. He is also the co-founder and senior manager of a hospital engineering design and planning firm. He possesses a wealth of experience in designing and organising nursing homes.

Jean-Claude was a member of the Board of Directors until 28 March 2017, when he resigned as a director and Chairman of the Board of Directors. On the same day, he was appointed as the Company's Honorary Chairman by the Board of Directors.

Jean-Claude no longer holds any corporate office at the ORPEA Group.

He remains one of ORPEA's core shareholders, with 4,133,109 shares to date.

Philippe CHARRIER

DoB: 2 October 1954 (French national).

Philippe Charrier, a graduate of the HEC Paris business school, is a highly experienced healthcare and consumer products executive.

He is currently Executive Chairman of Ponroy Santé, a European group specialising in natural health products for consumers. Previously, he was CEO of Labco from 2011 to 2015, then Executive Chairman until 2016. From 2006 until 2010, he was CEO of Oenobiol, a European specialist in food supplements for health and beauty. Prior to that, he was CEO of Procter & Gamble France for seven years. He was also Chairman of the Supervisory Board of Spotless until 2010 and a director of Lafarge until 2016. He is currently a director of Rallye and MédiPôle Partenaire.

Separately, he is the founder and Chairman of Clubhouse France, a not-for-profit organisation helping vulnerable people with mental health conditions to forge stronger social ties and find employment.

Philippe was appointed as a director of ORPEA to fill the vacancy created by Jean-Claude Marian's resignation as a director at the Board of Directors' meeting on 28 March 2017. He was appointed for Jean-Claude's remaining term of office as a director, which runs until the General Meeting to be called in 2019 to approve the financial statements for the financial year ending on 31 December 2018. At the same meeting, he was appointed as Chairman of the Board of Directors.

Shareholders will be requested at the General Meeting on 22 June 2017 to ratify Philippe's appointment by the directors.

Office held within the Group:

- Director of ORPEA.
- Chairman of ORPEA's Board of Directors.

Office held outside the Group:

- Chairman and Chief Executive Officer of Alphident, the holding company that manages the Ponroy Santé group.
- Director of Rallye.
- Director of MédiPôle Partenaires.

Owns: 100 shares.

Yves LE MASNE

DoB: 4 October 1962 (French national)

Yves Le Masne has been with the Group for over 20 years after training as a computer science engineer and majoring in management control and finance.

His first positions with the Group were Head of Management Control and then Chief Financial Officer. In 2006, he joined the Board of Directors and was appointed as Chief Operating Officer. Since 15 February 2011, he has served as ORPEA's Chief Executive Officer. His long career with the Group has given him extensive knowledge of its activities and organisation.

Director of ORPEA since 2006. Most recently reappointed on 23 June 2015 until the close of the first Board of Directors' meeting following the General Meeting to be called in 2019 to approve the financial statements for the financial year ending on 31 December 2018.

Chief Executive Officer of ORPEA since 2011. Most recently reappointed on 28 March 2017 for a term of four years until the close of the first Board of Directors' meeting following the General Meeting to be called in 2021 to approve the financial statements for the financial year ending on 31 December 2020.

Owns: 18,779 shares.

Office held within the Group:

- **In France**

Director and Chief Executive Officer	ORPEA SA
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, Mex, Hôtel de l'Espérance, La Chavannerie, Home la Tour, Holding Mandres, Le Château de Bregy, Holding Mieux Vivre, Les Grands Pins, Château de Champlâtreux, Emcejidey, Le Clos Saint Grégoire, Clinique Marigny, Sud Ouest Santé, Maison de Santé Marigny, Clinique du Parc, Clinique Gallieni, Résidence du Port, Clinique Médicale de Goussonville, Archimède le Village, Clinique Montevideo – SAS La Tourelle, Clinique du Vieux Château d'Oc, TCP DEV, Age Partenaires, Ap Brétigny, L'Oasis Palmeraie, Bon Air, Résidence l'Ambarroise, Alice Anatole & Cie, Actiretraite Montgeron, Clinique du Cabirol, Clinique du Pont du Gard.
Chairman of SPPICAV	Amundi Immobilier Novation Santé OPCI.
ORPEA's 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).
Permanent representative of Niort 94	SCS Bordes & Cie (Manager).
Chairman and director of not-for-profit organisations	Association Maisons de Retraite de la Picardie.
Manager (SARL limited liability companies)	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 Aurèle Immobilier, DFS Immobilier, CRF Santé, Gueroult, Clinique du Château de Loos, Résidence Les Cèdres, SARL Ancienne Abbaye, Le Verger d'Anna, Les Buissonnets, Parassy, PCM Santé, Le Village de Boissise le Roi.
Manager (SNC partnerships)	Les Jardins d'Escudié, Margaux Pony, Than.Co, De la Maison Rose, Brechet, SNC Des Parrans, Les Acanthes.
Manager (SCI real estate partnerships)	Route des Écluses, 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, Âge 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 Maraîchers, 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**

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 the Czech Republic**

Member of the Board of Directors of Senior Holding SRO and SeneCura SRO.

- **In Austria**

Manager of SeneCura Kliniken- und Heimebetriebsgesellschaft mbH, SeneCura Sozialzentrum Trofaiach – Haus Verbena GmbH, SeneCura Sozialzentrum Kammern – Haus Viola GmbH, SeneCura Sozialzentrum Knittelfeld – Haus Wegwarte GmbH, SeneCura Sozialzentrum Söchau – Haus Kamille GmbH and of SeneCura Sozialzentrum Feldbach – Haus Melisse GmbH.

- **In Germany**

Member of the Supervisory Board of Celenus SE.

- **In Spain**

Chairman of the Board of Directors of Union Sanyres SL, Sanyres Sur SRU, Reyes de Aragon SL Diagonal Residencia Ciutat Esplugues SLU and Accomodore Assistencial SL.

- **In Portugal**

Sole director of ORPEA Portugal Immo SA and Immorpea SA.

Office held outside the Group:

- Manager of SCI Villa de la Maye.

Alexandre MALBASA

DoB: 21 December 1958 (French national).

Alexandre Malbasa holds a PhD in Law and works as a lawyer. He provides the benefit of his expertise in law and litigation and possesses extensive knowledge of the Group and its business activities.

Director of ORPEA since 1996.

Most recently reappointed on 20 June 2013 until the General Meeting to be called in 2017 to approve the financial statements for the financial year ended on 31 December 2016.

Owns: 42 shares.

Office held within the Group:

- Director of ORPEA.

Offices held outside the Group:

- None.

Jean-Patrick FORTLACROIX

DoB: 14 September 1957 (French national).

Jean-Patrick Fortlacroix is a qualified chartered accountant with a postgraduate DESS degree in banking and finance and a master's degree in accounting and finance. As a chartered accountant and Statutory Auditor, he possesses genuine expertise in real estate, taxation and consolidation, particularly in the healthcare and nursing home sectors.

Director of ORPEA since 2011.

Most recently reappointed on 25 June 2014 until the General Meeting to be called in 2018 to approve the financial statements for the financial year ending on 31 December 2017.

Owns: 153 shares.

Office held within the Group:

- Director of ORPEA.

Offices held outside the Group:

- Chairman of SA Add Equation.
- Manager of SARL Cadeco.

FFP Invest, with Thierry MABILLE DE PONCHEVILLE as its permanent representative

FFP Invest is well known for its selective approach to investing and for the long-term support it provides to companies that lead their industry and boast attractive growth prospects.

Director of ORPEA since 2012.

Most recently reappointed on 23 June 2015 until the General Meeting to be called in 2019 to approve the financial statements for the financial year ending on 31 December 2018.

Owns: 3,811,353 shares.

Office held within the Group:

- Director of ORPEA.

Office held outside the Group:

Supervisory Boards	Vice-Chairman and 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 Financière Guiraud SAS.
Boards of Directors	Director de LT Participations. Director of Ipsos. Director of Seb SA. Director of Sanef. Director of Gran Via 2008. Director of Tikehau Capital Advisors.
Other offices held	Manager of FFP-Les Grésillons. Member of the Executive Committee of LDAP.

Thierry MABILLE de PONCHEVILLE

DoB: 6 October 1955 (French national).

Thierry Mabille de Poncheville, FFP Invest's permanent representative on ORPEA's Board of Directors, holds a postgraduate DEA degree in private international law (University of Bordeaux) and a master's degree in international affairs (Pittsburgh University).

He is currently Chief Operating Officer of Établissements Peugeot Frères, the Peugeot family group's holding company and Group Head of Legal Affairs.

He brings the benefit of the diverse expertise he has gained during his career in France and abroad, as well as his in-depth knowledge of the governance rules.

Office held within the Group:

- FFP Invest's permanent representative on ORPEA's Board of Directors.

Office held outside the Group:

- Chief Operating Officer of Établissements Peugeot Frères.
- Chief Operating Officer of the PSP SA Group.
- Deputy Manager of Société Civile du Bannot.

Sophie MALARME-LECLOUX

DoB: 6 October 1970 (Belgian national).

Sophie Malarme-Lecloux possesses over 20 years' experience of the corporate sector. After gaining an MBA from Solvay Brussels School of Economics and Management (ULB), she began her career at IBM before joining ING Brussels' Corporate Banking team. After moving on in 2002, she spent 14 years with the Sofina group, where she held various management roles in the finance department and investment team. In 2015, she formed FreeBe Sprl, a strategy, leadership and innovation consulting firm that supports senior managers, entrepreneurs and teams. She has over 10 years' experience as a director.

Director of ORPEA since 2013.

Due for reappointment at the General Meeting to be called in 2017 to approve the financial statements for the financial year ended on 31 December 2016.

Owns: 50 shares.

Office held within the Group:

- Director of ORPEA.

Office held outside the Group:

- Director of Befimmo SA.
- Director of CBO Territoria SA.
- Manager of FreeBe Sprl.

Alain CARRIER

DoB: 17 August 1967 (Canadian national).

Alain Carrier holds a bachelor's degree in law from Université Laval in Quebec, a postgraduate DESS degree in law from Sorbonne University in Paris and a master's degree in law from Columbia University.

Alain Carrier worked in financial services for more than 22 years. Before he joined CPPIB, he was a Senior Vice-President in Goldman Sachs & Co.'s investment banking division in New York and London. Previously he worked in the New York law offices of Sullivan & Cromwell. As Senior Managing Director and Head of European investment activities, he currently manages and coordinates all CPPIB's activities in Europe, the Middle East and Africa.

Director since 2013.

Most recently reappointed on 23 June 2015 until the General Meeting to be called in 2019 to approve the financial statements for the financial year ending on 31 December 2018.

Owns: 1 share.

Office held within the Group:

- Director of ORPEA.

Office held outside the Group:

- Director of Interparking.
- Manager of CPP Investment Board Europe and CPPIB Credit Europe.

Bernadette CHEVALLIER-DANET

DoB: 5 December 1958 (French national).

Bernadette Chevallier-Danet has spent the bulk of her career in the tourism and hospitality industries. She held a number of management positions in finance, sales and marketing at Club Méditerranée, before joining the Accor Group and later being appointed to a senior management role in the independent lodging industry.

Director since 2014.

Due for reappointment at the General Meeting to be called in 2017 to approve the financial statements for the financial year ended on 31 December 2016.

Owns: 42 shares.

Office held within the Group:

- Director of ORPEA.

Office held outside the Group:

- None.

Christian HENSLEY

DoB: 11 February 1974 (US national).

Christian Hensley began his career with the investment services division of Salomon Brothers in New York. Subsequently, he spent 11 years working in the private equity and growth capital industry at Charterhouse Group and Planier Capital. In 2012, he was appointed as Senior Principal of Relationship Investments at Canada Pension Plan Investment Board (CPPIB).

Christian holds a degree from the University of Pennsylvania and an MBA from Harvard Business School.

He sits on the Board of Directors of 21st Century Oncology. In the past, he has also been a director of five companies active in business services, healthcare, communications and education.

Director of ORPEA since 23 June 2016.

Due for reappointment at the General Meeting to be called in 2020 to approve the financial statements for the financial year ending on 31 December 2019.

Owns: 1 share.

Office held within the Group:

- Director of ORPEA.

Office held outside the Group:

- Director of 21st Century Oncology.

Brigitte LANTZ

DoB: 5 January 1953 (French national).

Brigitte Lantz is a nephrology specialist. She graduated from the Paris Faculty of Medicine, is a practising hospital physician at Necker hospital and holds a postgraduate DEA degree in endocrinology.

Since 2007, Brigitte has been an advisor to the Director-General of Assistance Publique–Hôpitaux de Paris public hospital authority for the Paris region. She is also a member of the steering committee on renal failure and dialysis established by the French ministry for social and health affairs' care provision directorate-general. Between 2002 and 2012, Brigitte advised several health ministers (Jean-François Mattei, Philippe Douste-Blazy, Xavier Bertrand) and conducted special assignments for Roselyne Bachelot and François Fillon. Brigitte also served as a government commissioner in 2002, working on the decrees introducing a framework for dialysis in France. Between 1997 and 2002, she was a technical advisor to the Head of Hospitals (Claire Bazy-Malaury), then medical advisor to the Director-General of the Hospital System and Care (Édouard Couty). Prior to that between 1991 and 1997, Brigitte worked in dialysis clinics as an independent physician. From 1979 until 1991, she was international project leader for the Servier pharma group.

Brigitte is also General Secretary of the French kidney foundation and the Princess Margareta of Romania charitable foundation in France.

In addition, she has published various books on medicine.

Director of ORPEA since 14 June 2016.

Due for reappointment at the General Meeting to be called in 2020 to approve the financial statements for the financial year ending on 31 December 2019.

Owns: 5 shares.

Office held within the Group:

- Director of ORPEA.

Office held outside the Group:

- None.

Laure BAUME

DoB: 10 September 1975 (French national).

Laure Baume, a graduate of the HEC Paris business school, was appointed as Executive Director, Director of Aéroports de Paris Customer Division in 2014. She is also a member of its Executive Committee. Since 2015, she has also sat on the Executive Committee of the Distribution Aéroportuaire, Relay@adp and EPIGO joint ventures within the Aéroports de Paris group. She joined ORPEA as a director on 14 December 2016.

Laure was Club Méditerranée's Marketing Director for France and then Switzerland from 2006 onwards. She was subsequently appointed to the General Management Committee of Club Med as General Manager of the New Markets – Europe-Africa and Strategic Marketing Business Unit.

Laure's career began with US group Kraft Foods (since renamed Mondelez), where she held a series of positions including product manager, category head and brand manager in Paris and New York.

Director of ORPEA since 14 June 2016.

Due for reappointment at the General Meeting to be called in 2020 to approve the financial statements for the financial year ending on 31 December 2019.

Owns: 50 shares.

Office held within the Group:

- Director of ORPEA.

Office held outside the Group:

- Director of Média Aéroports de Paris (joint venture).

Joy VERLÉ

DoB: 23 May 1979 (French national).

Joy Verlé joined Canada Pension Plan Investment Board (CPPIB) in 2016 as Principal in Relationship Investments, making investments in listed companies and companies soon to be listed.

After graduating from HEC Paris business school in 2003, she initially worked in M&A and capital markets activities for Morgan Stanley. In 2006, she moved to the Bregal Capital fund where she led private equity transactions in the education, renewable energies and healthcare sectors as partner. She has also held directorships in three companies active in the education and renewable energies sectors.

Director of ORPEA since 27 April 2017 to fill the vacancy created by Alain Carrier's resignation.

Due for reappointment at the General Meeting to be called in 2019 to approve the financial statements for the financial year ending on 31 December 2018.

Owns: 0 share.

Office held within the Group:

- Director of ORPEA.

Office held outside the Group:

- None.

Sophie KALAIDJIAN, director representing the employees

DoB: 8 December 1977 (French national).

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

Sophie, a lawyer by training, has been a Group employee for nearly 12 years. She is currently Clinea's Head of Legal Affairs. In this role, she is involved in the development of the Group's hospitals and in monitoring their compliance with the applicable health legislation. The Board's discussions are enhanced by her complementary insights, underpinned by her knowledge of the Group.

Director of ORPEA representing employees since 2015.

Due for reappointment at the General Meeting to be called in 2018 to approve the financial statements for the financial year ending on 31 December 2017.

Gender balance

At 31 December 2016, 4 of the 11 members of the Board of Directors (excluding the employee representative) were women, or a percentage of 36%.

According to the AFEP-MEDEF Code's provisions on gender balance, the percentage should be "at least 40% women as of the shareholders' meeting of 2016".

The French law of 27 January 2011 on gender balance states that a percentage of 20% should be achieved by the 2014 General Meeting and then 40% by the 2017 General Meeting.

At its meeting on 27 April 2017, the Board of Directors appointed Joy Verlé to fill the vacancy created by Alain Carrier's resignation.

If the General Meeting ratifies the appointments and reappointments proposed by the Board, the number of women on the Board of Directors would be four out of the ten directors in total (excluding the employee representative), which represents a representation rate of 40%.

Summary of the directors reappointed in 2016

No directors were reappointed at Combined General Meeting of 23 June 2016.

Terms in office of directors expiring in 2017

Terms in office as a director of:

- Alexandre Malbasa;
- Sophie Mallarme-Lecloux;
- Bernadette Chevallier-Danet.

Appointments made by the Board of Directors subject to ratification by shareholders at the General Meeting on 22 June 2017

Philippe Charrier was appointed as a director of ORPEA to fill the vacancy created by Jean-Claude Marian's resignation as a director at the Board of Directors' meeting on 28 March 2017.

He was appointed for Jean-Claude's remaining term of office as a director, which runs until the General Meeting to be called in 2019 to approve the financial statements for the financial year ending on 31 December 2018. At the same meeting, he was appointed as Chairman of the Board of Directors.

Shareholders will be requested at the General Meeting on 22 June 2017 to ratify Philippe's appointment by the directors.

DIRECTORS' INDEPENDENCE

In the Company's opinion, independent directors improve the quality and objectivity of the Board's discussions.

Based on an analysis conducted by the Appointments and Compensation Committee, the Board of Directors reviews whether each of its members qualifies as independent under the guidelines laid down in the AFEP-MEDEF Code every year and also every time a director is appointed or reappointed.

The Board of Directors considers that a director is independent if they have no relationship of any type whatsoever with the Company, its Group or its management liable to compromise their independence of judgement.

To that end, the criteria applied by the Board of Directors when determining a director as independent or not are as follows:

- not to be and not to have been during the course of the previous five years an employee, executive director, or a director of the parent company or of a company consolidated within the corporation;
- not to be an executive director of a company in which the corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive director of the corporation (currently in office or having held such office during the last five years) is a director;
- not to be a customer, supplier, commercial banker or investment banker:
  - that is material to the corporation or its group,
  - or for a significant part of whose business the corporation or its group accounts;
- not to be related by close family ties to a corporate officer;
- not to have been an auditor of the corporation within the previous five years;
- not to have been a director of the corporation for more than 12 years.

The Board of Directors believes that all the directors have displayed objectivity. In addition, the directors consider that meetings of the Board of Directors provide sufficient scope for debate and exchanges of views.

Based on the report by the Appointments and Compensation Committee, the Board of Directors of 27 April 2017 deemed the following directors to be independent:

- Philippe Charrier;
- Jean-Patrick Fortlacroix;
- FFP Invest (and Thierry de Poncheville);
- Sophie Malarme-Lecloux;
- Joy Verlé;
- Bernadette Chevallier-Danet;
- Christian Hensley;
- Laure Baume; and
- Brigitte Lantz.

In addition, were the General Meeting of 22 June 2017 to decide to appoint Mr Coirbay as a director, he would also be considered to be an independent director.

The recommendation of the AFEP-MEDEF Code that independent directors should account for at least half the Board is thus met.

DIRECTORS' FEES

The Combined General Meeting of 23 June 2016 set the aggregate amount of fees to be paid to directors at no more than €500,000.

In accordance with the provisions of the AFEP-MEDEF Code, the variable portion linked to directors' attendance at meetings accounts for the lion's share of the fees paid to directors.

The directors' fees are divided up between individual directors as follows:

- for their attendance at meetings of the Board of Directors (non-executive directors only), they receive a flat-rate award not exceeding €35,000, consisting of a €15,000 fixed sum and a €20,000 variable portion, from which €2,500 is subtracted per meeting missed, starting from the second meeting missed;
- for attendance at meetings of the Board Committees (Audit Committee and Appointments and Compensation Committee), they receive a fixed sum of €2,000 per meeting, or double this amount for the Committee Chairmen;
- executive directors receive a sum of €1,000 per meeting.

Based on these arrangements, a gross amount totalling €381,125 was distributed to directors at the beginning of 2017 in respect of eight Board meetings and seven Committee meetings in FY 2016:

	Directors' fees (Gross) – FY 2016			
Directors	Board of Directors	Audit Committee	Appointments and Compensation Committee	Total
J.C. Marian	€35,000			€35,000
Y. Le Masne	€35,000			€35,000
A. Malbasa	€35,000	€8,000		€43,000
J.P. Fortlacroix	€35,000	€16,000		€51,000
T. de Poncheville	€35,000	€8,000	€12,000	€55,000
A. Carrier	€27,500	€6,000	€6,000	€39,500
S. Malarme-Lecloux	€35,000		€6,000	441,000
B. Chevallier	€35,000		€6,000	€41,000
S. Kalaidjian	€8,000			€8,000
C. Hensley	€21,875	€2,000		€23,875
L. Baume	€4,375			€4,375
B. Lantz	€4,375			€4,375
TOTAL	**€311,125**	**€40,000**	**€30,000**	**€381,125**

ADDITIONAL INFORMATION ABOUT THE MEMBERS OF THE BOARD OF DIRECTORS (ANNEX I OF COMMISSION REGULATION (EC) NO 809/2004)

Nature of any family relationship between the corporate officers

There are no family ties between the Company's corporate officers.

Conflicts of interest

As far as the Company is aware, there are no potential conflicts of interest between the duties of the corporate officers vis-à-vis the ORPEA Group and their own private interests. The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officer do not have any other business activities or hold any other office outside the Group liable to give rise to a business relationship with the Group. There are no agreements or other arrangements between the directors and the Group. No payments were made by the Group to the directors or vice versa, except to A. Malbasa, who was paid fees during FY 2016. These payments were not considered to be material.

The Board's organisation and operating procedures, including the procedure for related party agreements, should prevent any such conflicts of interest.

In addition, under the Board's Internal Rules of Procedure, directors are obliged to disclose any conflict of interest, or even a potential conflict of interest, directly or indirectly affecting them. They must then withdraw from the relevant discussions and must not vote.

Corporate officers' convictions and criminal liability

As far as the Company is aware, none of the corporate officers have, in the past five years, been convicted of fraud, incriminated by and/or received an official public sanction from the statutory or regulatory authorities (including designated professional bodies) or been issued with a court order barring them from office as a director, senior manager or supervisory board member or from involvement in the management or conduct of a listed company's affairs.

Service agreements

No service agreements have been entered into between Board members and the Company or any of its subsidiaries providing for the grant of benefits under such agreements, with the sole exception of the services provided by Alexandre Malbasa in respect of his litigation support services.

OBLIGATIONS INCUMBENT ON DIRECTORS UNDER THE BOARD'S INTERNAL RULES OF PROCEDURE

The directors are also required to comply with additional obligations, which include complying with best practice and market rules on share dealing, as laid down in the Internal Rules of Procedure in the annex to this document.

AGREEMENTS AND COMMITMENTS WITH RELATED PARTIES

See Section 3.5 – "Statutory Auditors' special report on agreements and commitments with related parties".

3.1.3 SEPARATION OF THE DUTIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

At its meeting of 15 February 2011, the Board of Directors decided to separate the duties of Chairman and of Chief Executive Officer. This framework has been retained to date.

Yves Le Masne has acted since then as Chief Executive Officer, and Philippe Charrier was appointed Chairman of the Board of Directors on 28 March 2017 following the resignation of Jean-Claude Marian, who had held this role for several years.

The Board of Directors decided at its meeting of 28 March 2017, upon the recommendation of the Appointments and Compensation Committee, to reappoint earlier than required Yves Le Masne as Chief Executive Officer for a further term of four years until the close of the first Board of Directors' meeting following the General Meeting to be called in 2021 to approve the financial statements for the financial year ending on 31 December 2020.

The Board of Directors also decided at its meeting of 28 March 2017, to reappoint earlier than required Jean-Claude Brdenk, Chief Operating Officer for a further term of four years until the close of the first Board of Directors' meeting following the General Meeting to be called in 2021 to approve the financial statements for the financial year ending on 31 December 2020.

At its meeting on 28 March 2017, the Board of Directors appointed Philippe Charrier as Chairman of the Board of Directors for the remaining term in office of Jean-Claude Marian, which expires following the General Meeting of Shareholders called in 2019 to approve the financial statements for the financial year ending 31 December 2018.

ROLE AND POWERS OF THE CHAIRMAN

The Chairman of the Board of Directors represents the Board of Directors. He organises and leads the Board's work and reports to the shareholders thereon at General Meetings. He is responsible for the smooth running of the Company's governing bodies and in particular for making sure that directors are able to perform their duties.

Working closely with Executive Management, he may represent the Group in its high-level dealings with the supervisory authorities and the Group's major national and international partners. He helps to plan and implement the Group's major strategic priorities, such as acquisitions.

ROLE AND POWERS OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer runs the Company and holds the broadest of powers to act on the Company's behalf in all circumstances. He exercises these powers without exceeding the Company's corporate purpose and subject to the powers expressly granted by law to General Meetings of the shareholders and to the Board of Directors.

RESTRICTIONS PLACED BY THE BOARD OF DIRECTORS ON THE POWERS OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer must seek the prior approval of the Board of Directors for the following decisions:

- any investment/acquisition of any non-real estate asset in a country in which the Group is already established and in one of its existing business segments (*i.e.* in which a Group Business Unit is already active) in a unit amount per transaction strictly exceeding €25 million (€25,000,000);
- any disposal/sale of any non-real estate asset in a unit amount exceeding €5 million;
- any investment/acquisition of any real estate asset in a country in which the Group is already established in a unit amount per transaction strictly exceeding €50 million (€50,000,000);
- any disposal/sale of any real estate asset in a country in which the Group is already established in a unit amount per transaction strictly exceeding €50 million (€50,000,000);
- any investment/acquisition by the Group in a country in which it was not established hitherto or in a new business segment (no Group Business Units yet active in it);
- any borrowing or financing in a unit amount exceeding €100 million or a change in the terms and conditions of any borrowing or financing in a unit amount exceeding €100 million, with the additional requirement that no funding operations of any size whatsoever may cause dilution without the express approval of the Board of Directors (the Chief Executive Officer is required to inform the Board of Directors at the following Board meeting of any borrowing or financing exceeding €50 million);
- any security deposits, pledges or other guarantees in a unit amount exceeding €100 million (the Chief Executive Officer is required to inform the Board of Directors at the following Board meeting where it exceeds €50 million);
- any decision concerning the strategic direction of a Group company or any material change in this direction or the business activities of a company;
- the approval and amendment of ORPEA's or the Group's annual budget or business plan;
- any transaction affecting the share capital (including, but not restricted to mergers, spin-offs, partial asset contributions, increases or reductions in capital, issuance of any negotiable securities, or creation of new classes of shares);
- the policy for dividend payouts or any other form of distribution by the Company to its shareholders;
- the remuneration of the Company's corporate officers;
- any major hires (gross annual salary of over €200,000);
- any plan or award of stock options, bonus shares, incentive payments or profit sharing.

ROLE AND POWERS OF THE CHIEF OPERATING OFFICER

As Chief Operating Officer, Jean-Claude Brdenk holds the same management powers and the powers to represent the Company as the Chief Executive Officer.

For illustrative purposes, rather than to place restrictions on his powers, the Board of Directors has stated that his powers include:

- directing and overseeing the Group's facilities;
- hiring and dismissing any employees, setting the terms of their employment and their salaries, wages and bonuses;
- entering into and signing for the aforementioned purposes any agreements, appointing any special representatives, and generally taking whatever action is necessary for the general administration of the Group's facilities and implementation of the decisions of the Board or of the Chief Executive Officer.

RESTRICTIONS PLACED BY THE BOARD OF DIRECTORS ON THE POWERS OF THE CHIEF OPERATING OFFICER

The aforementioned restrictions placed by the Board of Directors on the powers of the Chief Executive Officer apply automatically to the Chief Operating Officer.

3.1.4 ORGANISATION OF THE BOARD

ARRANGEMENTS FOR MEETINGS OF THE BOARD OF DIRECTORS

The Board meets whenever its interests so require. Meetings may be called by any means (letter, fax, email and even orally) by the Chairman of the Board of Directors.

Notices of meeting may be issued by the Board's Secretary. Barring special circumstances, notice of a meeting is given in writing at least one week prior to each meeting. It should be accompanied by the agenda and the minutes of the previous Board meeting. It should state the place of the meeting, which may be the Company's registered office or any other location.

In special circumstances, the Chairman may solicit the Board's opinion on a particular matter by calling a meeting with 24 hours' notice.

The Board draws up a schedule of its meetings for a year at the end of the previous year or the beginning of the current year.

The quorum requirement for the Board to deliberate validly is met when at least half the Board members are present at a meeting. A director may represent another director if granted special powers so to do.

The Board's decisions are made by a majority vote of those directors present or represented, except for the decision on whether to separate or combine the roles of Chairman and of Chief Executive Officer, for which a two-thirds majority vote is required.

The Chairman holds a casting vote.

The proceedings of the meeting and the decisions made are recorded in minutes.

OPERATING PROCEDURES OF THE BOARD OF DIRECTORS

The operating procedures of the Board of Directors are governed by statutory and regulatory rules, as well as by the Articles of Association and the Board's Internal Rules of Procedure.

The Internal Rules of Procedure are intended to supplement the rules laid down in law, the regulations and the Articles of Association so as to clarify how the Board and its Committees should operate in the interests of ORPEA and its shareholders. These Internal Rules of Procedure contain the rules on confidentiality and the disclosure of conflicts of interest. They also cover trading in the Company's shares and the associated declaration and notification requirements.

The Internal Rules of Procedure are provided in full in the annex to this report.

ROLE OF THE BOARD OF DIRECTORS

Under the statutory framework, the Board of Directors is responsible for:

- making decisions concerning the Group's major strategic, business, employee-related and financial priorities and ensuring these are implemented by Executive Management;
- considering investment opportunities, including acquisitions and disposals, which may have a material impact on the Group's results of operations, balance sheet structure and risk profile;
- approving the annual and interim financial statements and making preparations for the Annual General Meeting of the shareholders;
- determining the remuneration policy for the corporate officers upon the recommendation of the Appointments and Compensation Committee;
- reviewing the individual status of the directors every year prior to publication of the annual report and then disclosing to shareholders the results of its analysis of the independence of each of the Company's directors;
- approving the Chairman's report on the membership of the Board of Directors, on its gender balance, on the preparation and organisation of the Board's work and on the internal control procedures implemented by the Company.

The members of the Board of Directors are kept informed of developments concerning the Company's markets, competitive environment and key priorities, including its corporate social responsibility.

BOARD'S ACTIVITIES IN 2016

A provisional schedule of Board meetings is drawn up in consultation with the directors at the beginning of the year.

Based on this schedule, the agenda for meetings is emailed to directors during the week preceding the meeting. Any papers for review by the directors prior to the meeting are attached to the agenda.

The minutes of each Board meeting are expressly agreed at the following Board meeting.

The Board met eight times during FY 2016 (and nine times during the previous financial year). Directors' attendance rate stood at 94.72% (*vs.* 96.3% in the previous financial year).

Group's business and financial strategy

During FY 2016, the Board continued its in-depth review of the Group's strategy and in particular of its international expansion.

During FY 2016, the Board of Directors authorised the acquisition of the following groups in line with the strategy it has approved:

- Sanyres (Spanish nursing home group);
- Spitex (Swiss homecare group).

In addition, the Board considered the Group's financing policy and authorised the underwriting of up to €300 million in Schuldschein notes.

Approval of the parent-company and consolidated financial statements

The Board of Directors reviewed and approved the parent-company and consolidated financial statements for the year ended 31 December 2015, the consolidated interim financial statements at 30 June 2016 and the related management reports.

The Statutory Auditors attended the Board meetings at which the annual and interim financial statements were approved.

The Board of Directors also reviewed the draft press releases on financial results prior to their publication.

During these meetings, it reviewed the Group's financial position, including changes in its cash and its debt.

Governance

Acting on a proposal submitted by the Appointments and Compensation Committee, the Board of Directors determined the bonuses to be paid in respect of FY 2015 to Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, based on the targets set for them for the financial year, by applying the calculation method defined in advance by the Board of Directors.

Furthermore, the Board of Directors also determined the FY 2016 bonus objectives for these corporate officers.

In addition, based on a proposal put forward by the Appointments and Compensation Committee, the Board of Directors approved at the beginning of 2016 the draft incentive plan for the Group's corporate officers and senior management, which provides for the bonus allotment of shares contingent upon achievement of predefined targets.

The Board of Directors also:

- approved the resolutions and documents required by law for the Annual General Meeting of the shareholders;
- extended the delegation of powers to the Chief Executive Officer to arrange financing transactions and grant guarantees, security deposits and endorsements on behalf of the Company;
- authorised implementation of a share buyback programme by the Company;
- examined the information provided to it by the Audit Committee about the internal control and risk management systems.

The Committees presented their work to the Board of Directors in the form of reports by their respective Chairman, which were then discussed by the Board as a whole.

BOARD EVALUATION

The Internal Rules of Procedure of the Company's Board of Directors state that the Board should conduct an evaluation from time to time of its and its Committees' membership, organisation and effectiveness. The Board reviews this issue every year, and a formal evaluation led by the Chairman of the Board of Directors is carried out every three years. The Board then takes any relevant action needed to make improvements.

The Board retained an external firm to conduct an evaluation of its effectiveness in the second half of 2013. The evaluation was based on a questionnaire and interviews with each of the directors.

The results were presented to the Board of Directors at its meeting on 27 November 2013. The evaluation found that ORPEA's Board of Directors is highly stable (as illustrated by the continuing presence of the Group's founder and the Chief Executive Officer), its members have a broad range of skills and expertise, and continuous improvements are made to the Company's governance. The Board of Directors studied the various recommendations made by the firm concerning the Board's procedures and measures to strengthen the management team in support of the Group's development.

Every year the Board of Directors updates its self-assessment as part of its drive to make continuous improvements to its procedures and those of its Committees.

BOARD COMMITTEES

The Board of Directors has established two Committees, namely the Audit Committee and the Appointments and Compensation Committee, and has given each specific terms of reference to prepare for and enrich the Board's discussions.

These Committees act strictly within the terms of reference given to them by the Board. Their precise scope is laid down in the Internal Rules of Procedure. They prepare for its discussions, make proposals and recommendations, but have no decision-making powers.

The membership of these Committees, their terms of reference and their activities during 2016 are presented in detail below.

Audit Committee

Members of the Audit Committee

The Audit Committee currently has the following four members:

- Jean-Patrick Fortlacroix, Chairman of the Committee;
- Thierry de Poncheville;
- Alain Carrier; and
- Alexandre Malbasa.

Three of its four members, including the Committee Chairman, are independent. The AFEP-MEDEF Code's recommendation that at least two-thirds of the Audit Committee's members should be independent directors is thus satisfied.

Its members were selected to sit on the Audit Committee primarily based on their specific financial, accounting and legal expertise, as a result of their training or professional experience, as reflected in their biographical details.

The length of the appointment of Audit Committee members is exactly the same as their term in office as a director.

Audit Committee's terms of reference

The Audit Committee deals with issues arising from the preparation and control of accounting and financial information. Its role is to make the requisite preparations for decisions by the Board of Directors in financial and accounting matters.

Without prejudice to the expertise of the Board of Directors and Executive Management, the Committee is responsible for monitoring:

a) the process by which financial information is prepared;

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

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

and issuing a recommendation on the Statutory Auditors whose appointment is proposed at the Annual General Meeting and ensuring their independence.

The Committee draws on the report by the AMF working group on Audit Committees published on 22 July 2010 to guide its work.

The Audit Committee is tasked with examining the accounting methods and asset measurement methods applied by the Group, the Company's draft parent-company and consolidated financial statements prior to their submission to the Board, reviewing and monitoring the independence of the Statutory Auditors, including the appropriateness of non-audit services, proposals to reappoint the Statutory Auditors, related party agreements, the clarity of the financial reporting to be provided to shareholders and investors. It is also responsible for reviewing the levels of risk and procedures for mitigating it, and any material off-balance sheet commitments.

The Committee reports on its work to the Board, states any pertinent opinions and suggestions and brings to its attention any points requiring the Board to make a decision.

As part of its monitoring of the effectiveness of internal control, the Committee is informed of the results of the Statutory Auditors' procedures concerning internal control.

Audit Committee's operating procedures

The Committee is convened by its Chairman whenever he or the Board deems necessary, and at least twice a year.

The agenda for meetings is set by the Committee's Chairman in conjunction with the Board, where the Board has called the meeting. The agenda is sent to Committee members prior to the meeting with all the papers they require for their discussions.

To carry out its duties effectively, the Audit Committee may, should it deem necessary, ask the Statutory Auditors or Company's managers responsible for preparing the financial statements and for internal control to appear before it, without Executive Management being present.

Audit Committee's activities in 2016

The Audit Committee met four times in 2016.

During these meetings, the Audit Committee:

- reviewed the parent-company and consolidated financial statements at 31 December 2015 and the consolidated interim financial statements at 30 June 2016;
- apprised itself of the work performed by the Statutory Auditors concerning the effectiveness of ORPEA's internal control in relation to facilities and information systems.

The Audit Committee also considered short-term and medium-term trends in the Group's debt and management report section on risk management.

The Audit Committee was given a summary of the work performed by the Statutory Auditors on the effectiveness of internal control.

Appointments and Compensation Committee

Membership of the Appointments and Compensation Committee

The Appointments and Compensation Committee's members are currently Thierry de Poncheville, Committee Chairman, Alain Carrier, Sophie Malarme-Lecloux and Bernadette Chevallier-Danet.

All four of its members, including the Committee Chairman, are independent. The AFEP-MEDEF Code's recommendation that at least two-thirds of the Appointments and Compensation Committee's members should be independent directors is thus satisfied.

The length of the appointment of the Appointments and Compensation Committee's members is exactly the same as their term in office as a director.

Terms of reference of the Appointments and Compensation Committee

The main terms of reference of the Appointments and Compensation Committee are to further the Board of Directors' work by:

- providing insight for the Board's decision on whether the roles of Chairman and Chief Executive Officer should be combined or split and on the status of executive directors;
- making proposals to Board concerning director candidates;

- making proposals to the Board concerning the establishment and membership of Board Committees;
- making judgements from time to time about the structure, size and membership of the Board of Directors and submitting recommendations to it with regard to potential changes;
- discussing the independence of directors, in connection with the Board of Directors' annual review of this prior to publication of the annual report;
- issuing an opinion on the proposals by the Chairman of the Board of Directors concerning the appointment of the Chief Executive Officer and the Chief Operating Officer;
- succession planning for executive directors in the event of an unforeseen departure;
- ensuring that the corporate governance code to which the Company refers is actually applied;
- making preparations for Board decisions on updating its Internal Rules of Procedure;
- establishing proposals concerning:
  - the fixed remuneration and bonus paid to the Chairman of the Board, plus any other benefits,
  - the fixed remuneration and bonus paid to the Chief Executive Officer and to the Chief Operating Officer, plus any other benefits (pension, severance payment, etc.),
  - the total award of directors' fees to be submitted for approval to the General Meeting and how they are to be allocated,
  - the introduction of long-term incentive plans, which may include awards of stock options or bonus shares to corporate officers.

Operating procedures of the Appointments and Compensation Committee

The Appointments and Compensation Committee is convened by its Chairman whenever he or the Board deems necessary. The agenda for meetings is set by the Chairman of the Appointments and Compensation Committee in conjunction with the Board, where the Board has called the meeting. The agenda is sent to members of the Appointments and Compensation Committee prior to the meeting with all the papers they require for their discussions.

The Appointments and Compensation Committee may meet whenever it deems fit.

Activities of the Appointments and Compensation Committee in 2016

The Appointments and Compensation Committee met three times in 2016.

Review of directors' independence

The Appointments and Compensation Committee reviewed the independence of each director based on the criteria laid down in the AFEP-MEDEF Code and made recommendations to the Board of Directors.

Ratification, reappointment and appointment of directors in 2016

The Appointments and Compensation Committee made recommendations concerning the ratification of the appointment of Christian Hensley to fill the vacancy that had arisen.

Gender balance

The Appointments and Compensation Committee reviewed the gender balance of the Board of Directors.

It was actively involved in the expansion of the Board of Directors in December 2016 through the appointment of Brigitte Lantz and Laure Baume as directors, which raised the representation rate of women on the Board of Directors to 36% at 31 December 2016.

At its meeting on 27 April 2017, the Board of Directors also appointed Joy Verlé to fill the vacancy created by Alain Carrier's resignation based on the recommendations of the Appointments and Compensation Committee.

If the General Meeting ratifies the appointments and reappointments proposed by the Board, the number of women on the Board of Directors would be four out of the ten directors in total (excluding the employee representative), which represents a representation rate of 40%. This percentage is in line with the recommendations of the AFEP-MEDEF Code and the provisions of the law of 27 January 2011 on gender balance.

Evaluation of the Board of Directors' effectiveness

As part of the annual self-evaluation, the Appointments and Compensation Committee submitted a draft questionnaire to the Board of Directors encouraging directors to voice their opinions about various aspects. These included the membership of the Board of Directors, the frequency and length of its meetings, the topics addressed and time devoted to them, the quality of its discussions, the work performed by the Committees and the information provided to directors.

Responses to this questionnaire were analysed on an anonymous basis and a summary presented to the Board of Directors at its meeting on 20 April 2016.

Directors' remuneration

The Appointments and Compensation Committee informed the Board of Directors of the proposed bonuses to be paid in respect of FY 2015 to Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, based on the targets set for them for the financial year, by applying the calculation method defined in advance by the Board of Directors. The Board of Directors also determined their FY 2016 bonus requirements for these corporate officers based on a proposal submitted by the Committee.

Incentives for corporate officers and management

The Appointments and Compensation Committee considered the draft incentive plan for the Group's corporate officers and senior management and made recommendations to the Board of Directors. The Board approved this plan on 10 February 2016.

Succession planning for executive directors

The Appointments and Compensation Committee reviewed the succession planning for executive directors and made recommendations to the Board of Directors.

Based on these recommendations, Executive Management is actively refining the succession planning for executive directors and will present an updated version to the Appointments and Compensation Committee following the departure of Jean-Claude Marian, who has been replaced as Chairman of the Board of Directors as Philippe Charrier.

3.1.5 REMUNERATION OF EXECUTIVE DIRECTORS

The Appointments and Compensation Committee makes recommendations, and the Board of Directors makes all final decisions the key principles of remuneration policy and the appointment of corporate officers.

The remuneration policy is tailored to reflect the Group's interests, its strategy and its performance.

Unlike that of the Chairman of the Board of Directors, who receives only fixed remuneration, the remuneration package of the Chief Executive Officer and Chief Operating Officer consists of a fixed remuneration and a bonus payment.

These remuneration packages are reviewed every year by the Appointments and Compensation Committee and by the Board of Directors to establish the requirements for the bonus payment to the Chief Executive Officer and Chief Operating Officer.

REMUNERATION OF THE CHAIRMAN OF THE BOARD OF DIRECTORS – JEAN-CLAUDE MARIAN (IN RESPECT OF FY 2016)

Based on a proposal from the Appointments and Compensation Committee, the Board of Directors decided on 23 June 2015 to leave the Chairman of the Board of Directors' gross annual remuneration unchanged at €550,000.

The Chairman of the Board of Directors is not awarded any stock options, bonus shares, or performance shares and neither have any commitments or severance payments been agreed with him.

He does not qualify for the benefit of any supplementary pension plan (such as the top-up Article 39 regime).

Table summarising the remuneration, options and shares awarded to Jean-Claude Marian (Table 1 – AMF terminology)

(in thousands of euros)	FY 2015	FY 2016
Remuneration payable in respect of the FY *(details provided in table 2)*	575	585
Valuation of the stock options awarded during the FY	0	0
Valuation of the performance shares awarded during the FY	0	0
TOTAL	**575**	**585**

0: not applicable.

Table summarising the remuneration paid to Jean-Claude Marian (by the Company, companies controlled as defined by Article L. 233-16 of the French Commercial Code and any controlling company(ies)) (Table 2 – AMF terminology)

	FY 2015		FY 2016	
(in thousands of euros)	Amounts due	Amounts paid[(1)]	Amount due	Amounts paid
Fixed remuneration	550	550	550	550
Annual bonus payment	0	0	0	0
Non-recurring remuneration	0	0	0	0
Directors' fees	25	23.5	35	25
Benefits in kind	0	0	0	0
TOTAL	**575**	**573.5**	**585**	**575**

(1) Excluding a total amount of €53,000 in adjustments in respect of the previous financial years.

Subscription or purchase options awarded during the financial year to Jean-Claude Marian by the Company or by any Group company (Table 4 – AMF terminology)

No. and date of plan	Nature of options (purchase or subscription)	Valuation of the options according to the method used for consolidated financial statements (IFRS)	Number of options awarded during the financial year	Exercise price	Exercise period
-	0	0	0	0	0

Subscription or purchase options exercised during the financial year by Jean-Claude Marian (Table 5 – AMF terminology)

No. and date of plan	Number of options exercised during the financial year	Exercise price
-	0	0

Performance shares awarded during the financial year to Jean-Claude Marian by the Company or any Group company (Table 6 – AMF terminology)

No. and date of plan	Number of shares awarded during the financial year	Valuation of the shares according to the method used for consolidated financial statements	Vesting date	Date available for sale	Performance conditions
-	0	0	0	0	0

Performance shares that became available for sale during the financial year for each executive director (Table 7 – AMF terminology)

No. and date of plan	Number of shares becoming available for sale during the financial year	Vesting terms and conditions
-	0	0

REMUNERATION OF THE CHIEF EXECUTIVE OFFICER AND THE CHIEF OPERATING OFFICER IN RESPECT OF FY 2016

The remuneration of the Chief Executive Officer and the Chief Operating Officer is determined by the Board of Directors based on a proposal from the Appointments and Compensation Committee. It comprises a fixed remuneration and bonus payment.

Quantitative targets are set for 75% of Yves Le Masne's and Jean-Claude Brdenk's bonus payments, and qualitative targets for the remaining 25%.

The target objective for a bonus payment may account for up to 40% of gross annual fixed remuneration or up to 70% in the event of transactions or circumstances that the Board of Directors determines as being exceptional.

At its meeting on 26 October 2016, the Board of Directors decided:

- to apply the same quantitative criteria for FY 2016 as those adopted for FY 2015. Specifically:
  - 35% of bonus payments are linked to the increase in free cash flow per share, measured by comparing free cash flow per share in FY 2014 with free cash flow per share in FY 2015,
  - 15% of bonus payments are linked to the achievement of an increase in net profit (net profit in year n+1/net profit in year n) of over 12% at comparable structure and improvement in EBITDA and EBIT margins,
  - 15% of bonus payments are linked to an improvement or no change in the net debt/EBITDA ratio,
  - 10% of bonus payments depend on whether the performance of the acquisitions made in 2014 is at least in line with the budget and business plans presented at the time of acquisition (checks on the accretive impact);
- to set the qualitative targets for FY 2016 as follows:
  - High-quality, consistent and standardised reporting for the Group's entire scope including:
    - occupancy rates by country/subsidiaries with an analysis of changes/trends, with recently opened facilities;
    - quality monitoring based on the opinions of the Group's customers, results of internal and third-party customer surveys, complaint rates, number of incidents reported, reports by supervisory authorities and any other significant indicators;
    - benchmarking against competitors (where information is available);
    - a twice-yearly presentation by Jean-Claude Brdenk on these issues (end of the 1st half and end of year).
  - Provision of information to the Board of Directors:
    - papers for agenda items to be supplied to directors at least five days prior to meetings;
    - regular reporting at the Board of Directors on the performance of acquisitions with comparisons against original business plans;
    - a detailed draft budget with commentary for year n+1 to be made available no later than January in year n showing the underlying assumptions and how the budget supports the Group's strategy;
    - draft financial reports to be provided (two days) ahead of Board meetings.

Remuneration of the Chief Executive Officer – Yves Le Masne (in respect of FY 2016)

Fixed remuneration

Based on a proposal submitted by the Appointments and Compensation Committee, the Board of Directors set his gross annual fixed remuneration at €720,000 at its meeting on 25 March 2013. This amount has remained unchanged in FY 2016 inclusive.

Bonus payments

Based on a proposal submitted by the Appointments and Compensation Committee, the Board of Directors set his gross annual bonus payment in respect of FY 2016 at a total of €499,500 at its meeting on 4 May 2017. This figure reflects attainment of the aforementioned quantitative and qualitative criteria.

Severance payments

The Board of Directors agreed in principle at its meeting on 25 March 2013 to pay a severance payment to Yves Le Masne should his office come to an end.

Subject to attainment of performance conditions, he would receive a severance payment corresponding to twenty-four (24) months' gross fixed remuneration and bonus payments (multiple of a monthly average of the remuneration due and paid for in respect of the previous two financial years).

In view of the fact that Yves Le Masne has made a major contribution to the Group over several years and played a key role in its development and that his contract of employment was terminated, the Board of Directors agreed to award him a severance payment in the event that:

- he is removed from office by the Board of Directors, irrespective of how his duties are terminated, including by dismissal, a request for him to resign or his non-reappointment (specifically excluding dismissal for gross misconduct); or
- a change in control (where a change in control is defined as any changes in the Company's ownership status arising from any merger, restructuring, disposal, public tender or exchange offer, subsequent to which a shareholder, be it a legal entity or natural person, acting alone or in concert, directly or indirectly, comes into possession of a proportion of the Company's share capital or voting rights that gives it effective control thereof) or in the Company's strategy initiated by the Board of Directors or the relevant corporate officer.

Payment of this benefit would also be contingent on satisfaction of the condition that the average bonus payment in respect of the previous two financial years prior to that in which the relevant corporate officer departs was equal to or over 75% of the target bonus payment, excluding any non-recurring remuneration.

Should the average bonus payment received in the two previous financial years be between 50% and 74% of the target bonus payment excluding non-recurring remuneration, the severance payment would be reduced proportionally to the rate of attainment of the aforementioned conditions, with no severance payment being due below an attainment rate of 50%.

No payment will be due if Yves Le Masne is entitled to claim a full basic pension within six months of his office ending.

The aforementioned provisions are covered by the procedure applicable to related party agreements and commitments. As such, this commitment was approved by shareholders at the General Meeting of 20 June 2013 in connection with the Statutory Auditors' special report.

No severance payments were made to Yves Le Masne in FY 2016.

Other benefits

Yves Le Masne is covered by an unemployment insurance policy, with the corresponding premiums paid by the Company. In FY 2016, these premiums amounted to €61,515.

Yves Le Masne has a company car.

He is also covered by the group personal protection and healthcare cost reimbursement plans in force at the Company on the same basis as that applicable to the employee grade in which he has been classified.

He does not hold any stock options.

He does not qualify for the benefit of any supplementary pension plan (*e.g.* top-up Article 39 regime).

Table summarising the remuneration, options and shares awarded to Yves Le Masne (Table 1 – AMF terminology)

(in thousands of euros, gross)	**FY 2015** *(€ 000s)*	**FY 2016** *(€ 000s)*
Remuneration payable in respect of the FY *(details provided in table 2)*	1,227.5	1,258
Valuation of the stock options awarded during the FY	0	0
Valuation of the performance shares awarded during the FY	0	799.2
TOTAL	**1,227.5**	**2,057.2**

Table summarising the remuneration paid to Yves Le Masne (by the Company, companies controlled as defined by Article L. 233-16 of the French Commercial Code and any controlling company(ies)) (Table 2 – AMF terminology)

	FY 2015 *(€ 000s)*		FY 2016 *(€ 000s)*	
(in thousands of euros, gross)	Amounts due	Amounts paid	Amount due	Amounts paid
Fixed remuneration	720	720	720	720
Bonus payment	335	288	399.6	335
Non-recurring remuneration	144	200	99.9	144
Directors' fees	25	23.5	35	25
Benefits in kind	3.5	3.5	3.5	3.4
TOTAL	**1,227.5**	**1,235**	**1,258**	**1,227.4**

Subscription or purchase options awarded during the financial year to Yves Le Masne by the Company or by any Group company (Table 4 – AMF terminology)

No. and date of plan	Nature of options (purchase or subscription)	Valuation of the options according to the method used for consolidated financial statements (IFRS)	Number of options awarded during the financial year	Exercise price	Exercise period
-	0	0	0	0	0

Subscription or purchase options exercised during the financial year by Yves Le Masne (Table 5 – AMF terminology)

No. and date of plan	Number of options exercised during the financial year	Exercise price
-	0	0

Performance shares awarded during the financial year to Yves Le Masne by the Company or by any Group company (Table 6 – AMF terminology)

No. and date of plan	Number of shares awarded during the financial year	Valuation of the shares according to the method used for consolidated financial statements	Vesting date	Date available for sale	Performance conditions
Plan A 10 February 2016	13,000	€799,240	10 April 2017	10 April 2019	Attainment of the revenue and EBITDA targets set in the 2015 and 2016 budgets as presented to the Board of Directors

Performance shares that became available for sale during the financial year for each executive director (Table 7 – AMF terminology)

No. and date of plan	Number of shares becoming available for sale during the financial year	Vesting terms and conditions
-	0	0

Remuneration of the Chief Operating Officer – Jean-Claude Brdenk (in respect of FY 2016)

Fixed remuneration

Based on a proposal submitted by the Appointments and Compensation Committee, the Board of Directors set his gross annual fixed remuneration at €640,000 at its meetings on 29 April 2014 and 17 November 2015.

Bonus payments

Based on a proposal submitted by the Appointments and Compensation Committee, the Board of Directors set his gross annual bonus payment in respect of FY 2016 at a total of €444,000 at its meeting on 4 May 2017. This figure reflects attainment of the aforementioned quantitative and qualitative criteria.

Severance payments

The Board of Directors agreed in principle on 25 March 2013 to pay a severance payment should his office come to an end.

Subject to attainment of performance conditions, he would receive a severance payment corresponding to twenty-four (24) months' gross fixed remuneration and bonus payments (multiple of a monthly average of the remuneration due and paid for in respect of the previous two financial years).

In view of the fact that Jean-Claude Brdenk has made a major contribution to the Group over several years and played a key role in its development and that his contract of employment was terminated, the Board of Directors agreed to award him a severance payment in the event that:

- he is removed from office by the Board of Directors, irrespective of how his duties are terminated, including by dismissal, a request for him to resign or his non-reappointment (specifically excluding dismissal for gross misconduct); or
- a change in control (where a change in control is defined as any changes in the Company's ownership status arising from any merger, restructuring, disposal, public tender or exchange offer, subsequent to which a shareholder, be it a legal entity or natural person, acting alone or in concert, directly or indirectly, comes into possession of a proportion of the Company's share capital or voting rights that gives it effective control thereof) or in the Company's strategy initiated by the Board of Directors or the relevant corporate officer.

Payment of this benefit would also be contingent on satisfaction of the condition that the average bonus payment in respect of the previous two financial years prior to that in which the relevant corporate officer departs was equal to or over 75% of the target bonus payment, excluding any non-recurring remuneration.

Should the average bonus payment received in the two previous financial years be between 50% and 74% of the target bonus payment excluding non-recurring remuneration, the severance payment would be reduced proportionally to the rate of attainment of the aforementioned conditions, with no severance payment being due below an attainment rate of 50%.

No payment will be due if Jean-Claude Brdenk is entitled to claim a full basic pension within six months of his office ending.

The aforementioned provisions are covered by the procedure applicable to related party agreements and commitments. As such, this commitment was approved by shareholders at the General Meeting of 20 June 2013 in connection with the Statutory Auditors' special report.

No severance payments were made to Jean-Claude Brdenk in FY 2016.

Other benefits

Jean-Claude Brdenk is covered by an unemployment insurance policy, with the corresponding premiums paid by the Company. In FY 2016, these premiums amounted to €61,515.

Jean-Claude Brdenk has a company car.

He is also covered by the group personal protection and healthcare cost reimbursement plans in force at the Company on the same basis as that applicable to the employee grade in which he has been classified.

He does not hold any stock options.

He does not qualify for the benefit of any supplementary pension plan (such as the top-up Article 39 regime).

Table summarising the remuneration, options and shares awarded to Jean-Claude Brdenk (Table 1 – AMF terminology)

(in thousands of euros)	**FY 2015** *(€ 000s)*	**FY 2016** *(€ 000s)*
Remuneration payable in respect of the FY *(details provided in table 2)*	1,070.1	1,088.5
Valuation of the stock options awarded during the FY	0	0
Valuation of the performance shares awarded during the FY	0	799.2
TOTAL	**1,070.1**	**1,887.7**

Table summarising the remuneration paid to Jean-Claude Brdenk (by the Company, companies controlled as defined by Article L. 233-16 of the French Commercial Code and any controlling company(ies)) (Table 2 – AMF terminology)

	FY 2015 *(€ 000s)*		FY 2016 *(€ 000s)*	
(in thousands of euros)	Amounts due	Amounts paid	Amount due	Amounts paid
Fixed remuneration	640	640	640	640
Bonus payment	297.6	260	355.2	297.6
Non-recurring remuneration	128	100	88.8	128
Directors' fees	-	-	-	-
Benefits in kind	4.5	4.5	4.5	4.5
TOTAL	**1,070.1**	**1,004.5**	**1,088.5**	**1,070.1**

Subscription or purchase options awarded during the financial year to Jean-Claude Brdenk by the Company or by any Group company (Table 4 – AMF terminology)

No. and date of plan	Nature of options (purchase or subscription)	Valuation of the options according to the method used for consolidated financial statements (IFRS)	Number of options awarded during the financial year	Exercise price	Exercise period
-	0	0	0	0	0

Subscription or purchase options exercised during the financial year by Jean-Claude Brdenk (Table 5 – AMF terminology)

No. and date of plan	Number of options exercised during the financial year	Exercise price
-	0	0

Performance shares awarded during the financial year to Jean-Claude Brdenk by the Company or by any Group company (Table 6 – AMF terminology)

No. and date of plan	Number of shares awarded during the financial year	Valuation of the shares according to the method used for consolidated financial statements	Vesting date	Date available for sale	Performance conditions
Plan A 10 February 2016	13,000	€799,240	10 April 2017	10 April 2019	Attainment of the revenue and EBITDA targets set in the 2015 and 2016 budgets as presented to the Board of Directors

Performance shares that became available for sale during the financial year for each executive director (Table 7 – AMF terminology)

No. and date of plan	Number of shares becoming available for sale during the financial year	Vesting terms and conditions
-	0	0

Summary table for executive directors in FY 2016 (Table 11 – AMF terminology)

Senior managers Corporate officers	Employment contract		Supplementary pension scheme		Indemnifications or benefits due or likely to become due as a result of termination or change of position		Indemnifications relating to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Claude Marian *Chairman of the Board of Directors* Date appointed: 2015 AGM Date of expiry of term in office: Board of Directors' meeting of 28 March 2017		X		X		X		X
Yves Le Masne *Chief Executive Officer* Date appointed: 2015 AGM Date of expiry of term in office: 2019 AGM		X		X	X			X
Jean-Claude Brdenk *Chief Operating Officer*		X		X	X			X

REMUNERATION PAID TO ALEXANDRE MALBASA

In addition to directors' fees, Alexandre Malbasa was paid €444,256 excluding taxes in 2016 in professional fees for his pre-litigation and litigation assistance.

3.1.6 REMUNERATION DUE OR AWARDED IN RESPECT OF FY 2016 TO EXECUTIVE DIRECTORS SUBJECT TO SHAREHOLDERS' SAY ON PAY AT THE ANNUAL GENERAL MEETING OF 22 JUNE 2017

As recommended by the AFEP-MEDEF Code (Article 26.1) to which the Company refers in accordance with Article L. 225-37 of the French Commercial Code, the Company is submitting for shareholders' approval (say-on-pay provision) the following components of the remuneration due or awarded in respect of FY 2016 to Jean-Claude Marian, previously Chairman of the Board of Directors, Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer.

Jean-Claude Marian

Chairman of the Board of Directors

Remuneration due or awarded in respect of the financial year now ended	Amounts or accounting value submitted for approval	Comments
Fixed remuneration	€550,000	Remuneration identical to the previous financial year
Annual bonus payment	None	No provision is made for the award of an annual bonus payment.
Multi-year bonus payment	None	There is no mechanism for multi-year bonus payments.
Stock options, performance shares or other share awards	None	No awards were made during the financial year now ended.
Non-recurring remuneration	None	No non-recurring remuneration has been agreed.
Benefits linked to taking up office	None	Not relevant.
Benefits linked to the loss of office: severance payment/no-compete payment	None	No commitment of this kind has been made.
Supplementary pension scheme	None	No supplementary pension regime.
Directors' fees	€35,000	The directors' fees are allocated to individual directors as follows: ■ For their attendance at meetings of the Board of Directors, directors receive a flat-rate award not exceeding €35,000, consisting of a €15,000 fixed sum and a €20,000 variable portion, from which €2,500 is subtracted per meeting missed, starting from the second meeting missed.
Benefits in kind	None	He does not receive any benefits in kind.

Yves Le Masne
Chief Executive Officer

Remuneration due or awarded in respect of the financial year now ended	Amounts or accounting value submitted for approval	Comments
Fixed remuneration	€720,000	Amount identical to the previous financial year.
Annual bonus payment	€399,600	Bonus payment consisting of: ■ quantifiable component (75%) awarded in full; and ■ qualitative component (25%) 95%-awarded.
Multi-year bonus payment	This heading is not relevant.	There is no mechanism for multi-year bonus payments.
Stock options, performance shares or other share awards	13,000 shares (valuation: €799,200)	Performance conditions: Attainment of the revenue and EBITDA targets set in the 2015 and 2016 budgets as presented to the Board of Directors. Percentage interest accounted for by the grant: 0.2%. Date of AGM authorisation and resolution no.: EGM of 6 November 2015, First resolution. Date of the Board's decision to make the award: 10 February 2016.
Non-recurring remuneration	€99,900	Non-recurring remuneration granted in full (20% of total bonus payment) based on the Group's outperformance.
Benefits linked to taking up office	This heading is not relevant.	Not relevant.
Benefits linked to the loss of office: severance payment/no-compete payment	No amount is due in respect of the financial year now ended.	Description of the arrangements and terms of the commitment received by the Company: A payment of this nature would be made by ORPEA: ■ in the event he is removed from office by the Board of Directors, irrespective of how his duties are terminated, including by dismissal, a request for him to resign or his non-reappointment (specifically excluding dismissal for gross misconduct); or ■ in the event of a change in control (where a change in control is defined as any changes in the Company's ownership status arising from any merger, restructuring, disposal, public tender or exchange offer, subsequent to which a shareholder, be it a legal entity or natural person, acting alone or in concert, directly or indirectly, comes into possession of a proportion of the Company's share capital or voting rights that gives it effective control thereof) or in the Company's strategy initiated by the Board of Directors or the relevant corporate officer. This benefit would be paid by the Board of Directors provided that the average bonus payment in respect of the previous two financial years prior to that in which the relevant corporate officer departs was equal to or over 75% of the target bonus payment (excluding any non-recurring remuneration), with this amount being reduced proportionally should the average bonus payment received in the previous two financial years have stood at between 50% and 74% of the target bonus payment excluding any non-recurring remuneration and no benefit being paid below a rate of 50%. Special arrangements apply where he departs within 24 months of his appointment. If the senior manager is entitled to claim a full basic pension within six months of the termination of his duties, this benefit may not be paid. Date of the Board decision: 25 March 2013 and 25 April 2013. Submission date of AGM authorisation and resolution no. in connection with the related party agreement procedure: AGM of 20 June 2013, Fifth resolution.
Supplementary pension scheme	This heading is not relevant.	The senior manager is not eligible for a supplementary pension.
Directors' fees	€35,000	The directors' fees are allocated to individual directors as follows: ■ For their attendance at meetings of the Board of Directors, directors receive a flat-rate award not exceeding €35,000, consisting of a €15,000 fixed sum and a €20,000 variable portion, from which €2,500 is subtracted per meeting missed, starting from the second meeting missed.
Benefits in kind	€3,500	He has a company car.

Jean-Claude Brdenk
Chief Operating Officer

Remuneration due or awarded in respect of the financial year now ended	Amounts or accounting value submitted for approval	Comments
Fixed remuneration	€640,000	Amount identical to the previous financial year.
Annual bonus payment	€355,200	Bonus payment consisting of: ■ quantifiable component (75%) awarded in full; and ■ qualitative component (25%) 95%-awarded.
Multi-year bonus payment	This heading is not relevant.	There is no mechanism for multi-year bonus payments.
Stock options, performance shares or other share awards	13,000 shares (valuation: €799,200)	Performance conditions: Attainment of the revenue and EBITDA targets set in the 2015 and 2016 budgets as presented to the Board of Directors. Percentage interest accounted for by the grant: 0.2%. Date of AGM authorisation and resolution no.: EGM of 6 November 2015, First resolution. Date of the Board's decision to make the award: 10 February 2016.
Non-recurring remuneration	€88,800	Non-recurring remuneration granted in full (20% of total bonus payment) based on the Group's outperformance.
Benefits linked to taking up office	This heading is not relevant.	Not relevant.
Benefits linked to the loss of office: severance payment/no-compete payment	No amount is due in respect of the financial year now ended.	Description of the arrangements and terms of the commitment received by the Company: A payment of this nature would be made by ORPEA: ■ in the event he is removed from office by the Board of Directors, irrespective of how his duties are terminated, including by dismissal, a request for him to resign or his non-reappointment (specifically excluding dismissal for gross misconduct); or ■ in the event of a change in control (where a change in control is defined as any changes in the Company's ownership status arising from any merger, restructuring, disposal, public tender or exchange offer, subsequent to which a shareholder, be it a legal entity or natural person, acting alone or in concert, directly or indirectly, comes into possession of a proportion of the Company's share capital or voting rights that gives it effective control thereof) or in the Company's strategy initiated by the Board of Directors or the relevant corporate officer. This benefit would be paid by the Board of Directors provided that the average bonus payment in respect of the previous two financial years prior to that in which the relevant corporate officer departs was equal to or over 75% of the target bonus payment (excluding any non-recurring remuneration), with this amount being reduced proportionally should the average bonus payment received in the previous two financial years have stood at between 50% and 74% of the target bonus payment excluding any non-recurring remuneration and no benefit being paid below a rate of 50%. Special arrangements apply where he departs within 24 months of his appointment. If the senior manager is entitled to claim a full basic pension within six months of the termination of his duties, this benefit may not be paid. Date of the Board decision: 25 March 2013 and 25 April 2013. Submission date of AGM authorisation and resolution no. in connection with the related party agreement procedure: AGM of 20 June 2013, Sixth resolution.
Supplementary pension scheme	This heading is not relevant.	The senior manager is not eligible for a supplementary pension.
Directors' fees	This heading is not relevant.	He does not receive any directors' fees.
Benefits in kind	€4,500	He has a company car.

3.1.7 BOARD OF DIRECTORS' REPORT ON THE REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

In this report prepared in accordance with Article L. 225-37-2 of the French Commercial Code, the Board of Directors presents the principles and criteria used to calculate, allocate and allot the fixed, variable and non-recurring remuneration components making up the overall remuneration and benefits in kind awarded to corporate officers.

The Combined General Meeting of 22 June 2017 is requested to approve the remuneration policy for corporate officers in respect of 2017 based on this report. To this end, four resolutions are being submitted for shareholders' approval in respect of the Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officer.

The Board of Directors is guided by the recommendations of the AFEP-MEDEF Code when determining the remuneration and benefits awarded to corporate officers.

In accordance with these recommendations and based on a proposal submitted by the Appointments and Compensation Committee, the Board of Directors has taken care to ensure that the remuneration policy complies with the principles of comprehensiveness, balance, comparability, consistency, transparency and proportionality and also reflects market practice.

REMUNERATION OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Remuneration paid to Jean-Claude Marian, Chairman of the Board of Directors until 28 March 2017, in respect of 2017

Fixed remuneration

Since the basic annual remuneration payable to Jean-Claude Marian stands at €550,000 (unchanged in 2017 compared with 2016) and Jean-Claude Marian resigned from his duties on 28 March 2017, a decision was made to pay him in respect of 2017 a pro rata amount of this basic annual remuneration, that is €137,500, in respect of his duties as Chairman of the Board of Directors between 1 January 2017 and 28 March 2017.

Annual bonus payment and other remuneration

Jean-Claude Marian does not receive any bonus payment. He does not receive any other remuneration or benefit in kind. He received no benefit in any form whatsoever upon his resignation from his duties as a director and as Chairman of the Board of Directors.

Remuneration payable to Philippe Charrier, Non-executive Chairman of the Board of Directors in respect of 2017

Fixed remuneration

Philippe Charrier was appointed as a director and named Chairman of the Board on 28 March 2017. He will be paid gross annual fixed remuneration totalling €120,000 in respect of FY 2017 in his capacity as Non-Executive Chairman of the Board of Directors, plus directors' fees for attending Board meetings.

Annual bonus payment and other remuneration

Philippe Charrier does not receive any bonus payment. He does not receive any other remuneration or benefit in kind.

REMUNERATION OF THE CHIEF EXECUTIVE OFFICER AND THE CHIEF OPERATING OFFICER

Key principles

On the recommendation of the Appointments and Compensation Committee, the Board of Directors, after apprising itself of a benchmarking study of the remuneration of similar positions by an external firm, set the target composition of the remuneration of the Chief Executive Officer and of the Chief Operating Officer as follows:

- fixed remuneration accounting for one-third;
- annual bonus payment accounting for one-third; and
- a long-term incentive plan linked to the Company's share capital accounting for the final third.

Based on this proposal, the FY 2017 remuneration package of the Chief Executive Officer and of the Chief Operating Officer will have the following components:

- Chief Executive Officer:
  - fixed remuneration: €720,000 (unchanged for the sixth year in a row),
  - annual bonus: target bonus of 70% of fixed remuneration with a maximum of 150% of the target bonus in the event of outperformance, or a maximum total bonus of 105% (*i.e.* 150% x 70%) of fixed remuneration,
  - a long-term incentive plan ("LTIP") giving rise to the award of bonus shares or a similar plan, subject to an upper limit of 100% of fixed remuneration, based on IFRS measurements, as calculated by an independent firm;
- Chief Operating Officer:
  - fixed remuneration: €640,000 (unchanged on the previous financial year),
  - annual bonus: target bonus of 70% of fixed remuneration with a maximum of 150% of the target bonus in the event of outperformance, or a maximum total bonus of 105% (*i.e.* 150% x 70%) of fixed remuneration,
  - a long-term incentive plan ("LTIP") giving rise to the award of bonus shares or a similar plan, subject to an upper limit of 100% of fixed remuneration, based on IFRS measurements, as calculated by an independent firm.

In addition, the Chief Executive Officer and Chief Operating Officer have a company car, which is their sole benefit in kind.

Performance criteria

The annual bonus payment has the following components:

- a component linked to attainment of quantifiable objectives, representing a target proportion of 80% of the total annual bonus; and
- a component linked to attainment of qualitative objectives, representing a target proportion of 20% of the total annual bonus.

The targets for the 2017 annual bonus payable to the Chief Executive Officer and the Chief Operating Officer are primarily linked as follows:

- **Component linked to attainment of quantifiable objectives (80%):**
  - revenue growth;
  - organic growth in revenue and EBITDA;
  - growth in EBITDA and EBITDA margin improvement on year n-1;
  - increase in free cash flow per share;
  - increase in adjusted consolidated net profit;
  - trends in restated financial leverage.
- **Component linked to attainment of qualitative objectives (20%):**
  - implementation of succession planning extending to grades one tier below senior management and the introduction of a policy of risk management and of development for the principal managers;
  - the results of the annual satisfaction survey;
  - increases in the proportion of facilities in Group ownership.
- **Share-based LTIP:**
  - amount equal to fixed remuneration based on the IFRS measurement of shares as calculated by an independent firm, with a reference date of 4 May 2017, the date of the Board of Directors' meeting;
  - target: performance of ORPEA's shares dividends included (TSR) compared with the average performance of the MSCI Europe ex. UK index (made up of over 300 companies in Europe outside the UK) and the CAC 40 index, including dividends paid, during the 2017 and 2018 financial years;
  - Maximum LTIP attained if ORPEA's share price performance (TSR) exceeds the average of both indices over the period by at least 10%;
  - Minimum LTIP (*i.e.* zero) attained if ORPEA's share price performance (TSR) is the same as or falls below the average of both indices over the period;
  - Pro rata LTIP attained if ORPEA's share price performance (TSR) exceeds the average of both indices over the period by between 0% and 10%;
  - shares vest based on the performance condition after a two-year vesting period, with a two-year holding period applicable thereafter;
  - reference periods: average of ORPEA's share price performance over the period from 1 January 2019 to 30 April 2019, plus the dividend in respect of FY 2018, compared with the same average over the period from 1 January 2017 to 30 April 2017, plus the dividend paid in respect of FY 2016;
  - corporate officers are obliged to hold 25% of the vested shares until their term of office comes to an end.

COMMITMENT GIVEN TO THE CHIEF EXECUTIVE OFFICER AND THE CHIEF OPERATING OFFICER ON THE BASIS OF ARTICLE L. 225-90-1 OF THE FRENCH COMMERCIAL CODE

At the meeting of the Board of Directors on 28 March 2017 during which Yves Le Masne's and Jean-Claude Brdenk's terms in office as Chief Executive Officer and Chief Operating Officer respectively were extended, the Board of Directors indicated that they would continue to benefit from the severance payment arrangements should these appointments come to an end.

These arrangements were determined and decided at the Board of Directors' meetings 25 April 2013 and 25 March 2013.

In recognition of the major contribution made by the Chief Executive Officer and the Chief Operating Officer to the Group's development over several years, and given their repudiation of their employment contracts, these arrangements give them the right to receive a severance payment corresponding to twenty-four (24) months' gross fixed remuneration and annual bonus (multiple of a monthly average of the remuneration due and paid in respect of the previous two financial years) should their duties as executive directors come to an end.

This severance payment would be paid in the following circumstances:

- in the event they are removed from office by the Board of Directors, irrespective of how their duties are terminated, including by dismissal, a request for them to resign or their non-reappointment (specifically excluding their dismissal for gross misconduct); or
- in the event of a change in control[1] or in the Company's strategy, initiated by the Board of Directors or the relevant corporate officer.

In addition, this benefit would be paid by the Board of Directors provided that the average bonus payment in respect of the previous two financial years prior to that in which the relevant corporate officer departs was equal to or over 75% of the target bonus payment (excluding any non-recurring remuneration), with this amount being reduced proportionally should the average bonus payment received in the previous two financial years have stood at between 50% and 74% of the target bonus payment excluding any non-recurring remuneration and no benefit being paid below a rate of 50%.

If Yves Le Masne and Jean-Claude Brdenk could be entitled to claim a full basic pension within six months of the termination of their duties, this benefit may not be paid.

(1) A change in control is defined as any changes in the Company's ownership status arising from any merger, restructuring, disposal, public tender or exchange offer, subsequent to which a shareholder, be it a legal entity or natural person, acting alone or in concert, directly or indirectly, comes into possession of a proportion of the Company's share capital or voting rights that gives it effective control thereof.

3.1.8 TABLE SUMMARISING THE COMPANY'S COMPLIANCE WITH THE RECOMMENDATIONS OF THE AFEP-MEDEF CODE

Governance rule	Application of the rule by ORPEA	Compliance
Corporate governance reference framework	2013 AFEP-MEDEF Code	
Executive management structure (Combined Chairman & CEO or powers split between Chairman & CEO)	Powers split between Chairman and CEO	Compliant
Reasons for decision – restriction of powers	Board has placed restrictions on the powers of the CEO	
Gender balance on Board: proportion of directors of either gender may be no lower than 40% by the close of the first AGM after 1 January 2017	At 31 December 2016, 4 of the 11 members of the Board of Directors (excluding the employee representative) were women, or a percentage of 36%. If the General Meeting ratifies the appointments and reappointments proposed by the Board, the number of women on the Board of Directors would be four out of the ten directors in total (excluding the employee representative), which represents a representation rate of 40%.	Compliant
Term in office of directors	4 years	Compliant
Terms in office should be staggered so that not all directors come up for reappointment at once	Staggered reappointments	
Directors should hold a relatively significant number of shares compared with the directors' fees they receive (where appropriate, directors' fees should be used to buy shares)	The Articles of Association (Art. 16) and the Internal Rules of Procedure (Art. 1-5) state that each director must hold at least 1 share	Deemed to be non-compliant
1/3 of directors in controlled companies' directors should be independent	At 27 April 2017, 9 out of a total of 11 directors (excluding the director representing employees) were deemed to be independent, representing a proportion of 82%	Compliant
Has an Audit Committee been established?	Yes An Audit Committee has been established	
Are at least 2/3 of the Audit Committee's members independent?	The Audit Committee has 4 non-executive directors as its members, 3 of whom are deemed to be independent	Compliant
No executive directors should sit on the Audit Committee	Yes	
Does the Company have an Appointments and Compensation Committee?	Yes	
Are the majority of the Appointments and Compensation Committee's members independent?	4 out of its 4 members are independent	Compliant
Is it chaired by an independent director?	Yes	
Director's Code of Ethics – duties of a director	Board's Internal Rules of Procedure	Compliant
Board evaluation Annual discussion Formal evaluation every three years Information provided to shareholders in the annual report + follow-up action taken	Annual evaluation and formal evaluation every 3 years	Compliant
Employee representation on the Board:	Yes	
■ **Appointment of one or more directors from among the employee shareholders where the interest held by employees exceeds 3%**	ORPEA does not know the exact number of shares held by its employees since it has no Group savings plan.	Compliant
■ **Designation no later than year-end 2014 of 1 (or 2) director(s) representing the employees in a company with at least 5,000 permanent employees working for it and its French subsidiaries or at least 10,000 permanent employees working for it and its French and foreign subsidiaries at the close of two consecutive financial years**	Yes Law of 14 June 2013 on job security has been adopted A director representing employees has been appointed	

Governance rule	Application of the rule by ORPEA	Compliance
Are a majority of directors' fees variable and linked to directors' attendance at Board and Committee meetings?	A portion of directors' fees is linked to attendance at meetings	Compliant
Are employment contracts terminated when the holder is appointed as a corporate officer?	The employment contracts of Yves Le Masne (CEO) and Jean-Claude Brdenk (COO) were terminated in 2013	Compliant
Is the remuneration of executive directors presented in tabular form in line with the standardised format?	Remuneration is presented in the standardised format (tables recommended by the AMF and AFEP-MEDEF)	Compliant
Are precise criteria applied when determining executive directors' bonus payments?	Both the CEO and COO may qualify for annual bonus payments A clear ratio between their fixed remuneration and bonus payment is applied, with a cap on the bonus payment set as a % of fixed remuneration	Compliant
Remuneration components other than salary and directors' fees	**Jean-Claude Marian (Chairman):** no specific supplementary pension plan, no stock options, no bonus or performance shares, no severance commitments or payments	Compliant
	CEO and COO: no specific supplementary pension plan	Compliant
	CEO and COO: severance commitments or payments and bonus share allotments as follows: ■ Severance payment should they be removed from their office as executive directors corresponding to twenty-four (24) months' gross fixed remuneration and bonus payments (multiple of a monthly average of the remuneration due and paid for in respect of the previous two financial years) subject to attainment of performance conditions (compliant with the AFEP-MEDEF Code). The Board of Directors has deemed that this severance payment should be paid to them if they are removed from office **or** if a change in control takes place, given their length of service with the Group and their personal contribution to its development.	Non-compliant with the AFEP-MEDEF Code, which provides for a severance payment in the event of an executive director being removed from office **and** linked to a change in control or strategy
	■ Bonus allotment to the CEO and to the COO of 13,000 ORPEA shares each, subject to satisfaction of conditions related to continued presence and performance linked to revenue and EBITDA, with the obligation of retaining at least 25% of shares granted until their term in office comes to an end. Given their major contribution to the Group's development, the Board of Directors has deemed that the condition of continued presence at the Company or Group applicable for the grant of this initial bonus share allotment plan will be considered to be met if they are removed from office or if a change in control takes place.	Compliant with the AFEP-MEDEF Code since the bonus share allotment is subject to performance conditions and the requirement to hold a significant number of shares until their term in office comes to an end. Said allotment has not yet taken place at the time of their departure since they are still in post
Upper limit of five directorships in listed companies, including companies outside France	See list of offices held in section 3.1.2 – "Membership of the Board of Directors" of this report	Compliant
Are shareholders given a say on the individual remuneration packages of the executive directors?	They have been given a say on pay since the 2014 AGM	Compliant

3.1.9 SUMMARY OF CORPORATE OFFICERS' DEALINGS IN ORPEA SHARES IN 2016 (ARTICLE 223-26 OF THE AMF'S GENERAL REGULATION)

None.

3.2 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IMPLEMENTED BY THE GROUP

As part of its operating activities, the Group is exposed to a certain number of risk factors listed in the Risk management section of the 2016 Registration Document filed with the Autorité des Marchés Financiers.

The Group has introduced an organisation and processes to detect and mitigate these risks.

SCOPE AND OBJECTIVES OF INTERNAL CONTROL

Internal control is a framework applicable to the Company and its consolidated subsidiaries ("the Group"), which is rolled out across all its Business Units and aims to provide reasonable assurance that:

- the strategic priorities set by Executive Management are actually executed;
- the laws and regulations applicable to the Group's facilities are complied with;
- internal procedures and protocols are applied effectively and efficiently;
- controls intended to control and mitigate risks are understood and adopted across the Group, and appropriate actions are implemented;
- the Group's assets are valued appropriately and measures are taken to safeguard them;
- the information produced is reliable, comprehensive and of a high quality, including the Group's financial and accounting information.

The internal control framework should provide a sound basis on which the Group can continue to expand and deliver further improvement in its financial and operating performance in a control environment tailored to its business activities.

More broadly, this framework plays a role in controlling the Group's business activities, 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 the best possible conditions for achieving them.

The internal control environment, with its Group-wide rules, procedures and charters, provides a framework for a structured and centralised organisation that aims to safeguard operations as far as possible and, secondly, to react as effectively as possible should adverse events occur.

The Group's principal risk factors arising from its business activities are presented in Chapter 5 of the Registration Document.

3.2.1 CONTROL ENVIRONMENT

The internal control framework is predicated on the control environment, which forms the cornerstone of all the other components of internal control.

The parent company and the Group's senior managers strive to create and maintain an environment that makes employees aware of the importance of internal control.

Compliance with ethical standards and best practices is the bedrock underpinning ORPEA's control environment.

COMPLIANCE WITH ETHICAL STANDARDS AND BEST PRACTICES

The Group has drawn up ethical and quality charters setting out its values and best practices. The core values include universal respect for people, trust, a sense of responsibility and high standards of professional ethics as part of a broad-ranging care relationship.

These values are closely associated with its activities primarily based on interpersonal relationships and that rest on the trust established by the ORPEA Group and its employees with its residents/patients and their families.

The Group has introduced two charters:

- the Quality Charter, which sets forth ORPEA's commitments to its residents and their families;
- the Staff Commitments Charter, which contains the commitments made by all staff in each facility to residents, patients, families and their own colleagues.

The process by which these charters are drawn up leads each and every employee to consider very carefully how they should behave vis-à-vis residents, patients and their families.

Quality Charter

The Quality Charter, which is common to all the Group's facilities, sums up ORPEA's commitments. The Group is committed to implementing best practices in accommodation, care, meals, bedrooms, accessibility, information, activities and employee training for the benefit of its residents. The charter is displayed in each of the Group's facilities, presented to new residents and their family upon their admission, and employees are regularly reminded of the importance of honouring the commitments laid down in the Charter.

Staff Commitments Charter

The Staff Commitments Charter is worked on by all the teams at each facility, and so it is facility-specific. Each team is helped to draft their charter by an expert facilitator specially trained in leading ethical discussions. The teams meet regularly over a period of close to six months to discuss their ideas and their views about the core values underpinning best practice. Every staff member (regardless of their rank or job within the facility) attends these discussions to help shape an Ethics charter. Once the process has been completed, the entire staff formally mark its introduction, and the charter is put on display in the facility.

The commitments made by the team carry more weight and command more respect because employees themselves have chosen and formally undertaken to uphold the ethical values. The commitments are then reinforced by the Group's training policy.

Training

The Group's Executive Management believes employee training is a key tool for ensuring that staff embrace and buy into internal control.

Special training in procedures is regularly delivered at various levels of the Group.

The Group also strives to provide effective induction for its new employees so that they rapidly take to their new role, with facility managers a key priority. When they join the Group, they are given support for several weeks during their induction and they shadow an experienced manager in his/her own facility to learn the job by seeing how it is done first-hand.

More generally, the Group's Executive Management believes that employees are better able to share, adopt and pass on best practices and the Group's values on the front line if they are given an opportunity to enhance their own knowledge and skill sets, and so it has a policy of continuous development (training leading to qualifications and diplomas, mini-training courses, and e-learning).

Moreover, training in improving working conditions aims to foster a calmer and more effective work environment, paving the way for better care for the Group's residents and patients.

3.2.2 CONTROL ACTIVITIES

Control activities, which are effected at every tier of the organisation, aim to safeguard operations and are predicated on the application of internal rules and crisis management plans. The ultimate goal is to reduce the Group's risk exposure arising from its business activities.

Specifically, the Group operates in a highly regulated environment with licences to operate and operating standards.

The legal function makes sure that the regulations in force are complied with properly in connection with the Group's business activities, with specific attention to the health and nursing home regulations, commercial law and property law.

As part of this process, the Legal department keeps Executive Management, the Regional departments and divisions, the Quality department and the Medical department informed of any regulatory changes so that the new statutory and regulatory arrangements can be implemented and the internal rule corpus updated, where appropriate.

CORPUS OF INTERNAL RULES

The permanent internal control procedures, which are mandatory for the entire Group, cover a variety of events that may affect the smooth operation of the Group, its performance or reputation, or the safety of residents, patients and employees. These procedures contain preventive or remedial measures for managing such events.

The corpus is updated by the Quality department whenever necessary and at least twice a year. It works closely with the Operating departments and headquarters as part of a continuous improvement policy.

Each facility manager is given a copy of the corpus of procedures upon joining, together with the appropriate explanations. Facility managers are kept informed of any updates as a matter of course, and they are asked to provide written confirmation that procedures are applied in the facility under their charge.

Regular training on how to apply these procedures properly is arranged to promote the adoption of best practices by teams and sustain the drive to make sure they are abided by at all times.

The permanent internal control procedures are applied by all the Group's facilities in France. They have also been adopted by all of its subsidiaries outside France that are now fully integrated (Spain, Belgium, Italy). The process of introducing these procedures and adapting them to the subsidiaries recently acquired by the Group in Germany, Switzerland and Austria is currently underway. In China, ORPEA translated and adapted its corpus of internal rules so that it was ready for adoption when its new facility opened at the beginning of 2016.

CRISIS MANAGEMENT PLANS

Each facility has drawn up its own business continuity plan (BCP), which covers all possible incidents, accidents and disasters that could affect a facility and sets out how normal operation can be resumed as a rapidly as possible. Examples of crises include the H1N1 flu outbreak, or, more generally, any epidemic, a major weather event blocking access to the facility, or industrial action affecting a facility's operations.

The BCP is a planning tool for responding to a crisis situation outside the scope of the facility's normal operations. It lays down the actions to be taken in such circumstances. It aims to minimise the impact of a crisis on the Group's operations and restore order after disruption so that the business can return to normal as rapidly as possible.

In France, the BCP is supplemented by a "Plan Bleu" (for nursing homes) and a "Plan Blanc" (for hospitals).

These mandatory plans catalogue all the human resources, equipment and logistics that can be called upon in the event of a health crisis. They also state the arrangements for setting up a crisis unit. The plans are sent to the supervisory and health authorities to give them a departmental and even regional overview of the resources available for addressing a health crisis as effectively possible. The plans are also subject to scrutiny by the Operating departments and the Quality department.

3.2.3 STRUCTURE OF THE INTERNAL CONTROL FRAMEWORK

A CENTRALISED, PYRAMID STRUCTURE

ORPEA has centralised, pyramid structure, which helps to ensure that the guidelines issued by Executive Management are implemented. The internal control framework is coordinated on a Group-wide basis, with each of the Business Units in France having their own internal control units.

Under this model, support functions are centralised at the French headquarters and centralised to some extent at the headquarters of the subsidiaries outside France. The Group's support functions include purchasing, management control/finance, operations/quality/medical, construction and maintenance, human resources, legal and IT. They are located centrally at the administrative headquarters in France, and centralised to some extent at the country headquarters elsewhere. The international subsidiaries rely on the headquarters in France for support functions that their own headquarters does not have.

As part of its international expansion, the Group has introduced a plan to embed the Group's policies and procedures through the appointment of international managers. The ultimate goal is to tighten up the integration of subsidiaries and entrench internal control. These international managers' report to the head of each support function and provide a source of support for operational teams in each country and help to standardise practices in line with ORPEA's business model.

This organisation:

- helps to embed procedures more effectively and puts them on a more consistent footing across the Group;
- supports the reporting of information from the field about the fit between the Group's operations and its procedures and facilitates the identification of any remedial actions required; and
- ensures rigorous monitoring of the key management and quality performance indicators.

3.2.4 INTERNAL CONTROL FRAMEWORK

As part of this organisation structure, the internal control framework is built around the implementation of Group policies in the field, checks to ensure that these are applied by the various tiers of the Group, including by means of assessments and audits, and analysis of the results of these checks with the support functions of the relevant headquarters to take any remedial measures required.

PROCESS FOR HANDLING ADVERSE EVENTS

A procedure for handling adverse events states that all the Group's facility managers must inform the regional manager immediately as a matter of course of any adverse event. In line with the chain of command, the regional head then passes the message on to the divisional head and the Group's Chief Operating Officer.

The procedure is applied at every facility. The causes of the adverse event are analysed so that preventative measures can be adjusted as necessary and remedial action taken to avoid an unusual event of this type from happening again. If required, the supervisory authorities may be informed.

ASSESSMENTS AND AUDITS

Self-assessments by facilities

Ongoing control is founded on the continuous monitoring of the business activities by operational staff. It encompasses all the systems and measures taken on an ongoing basis to ensure that business activities can continue to operate securely in line with the laws and regulations.

To make sure this is the case, each facility conducts a self-assessment on a quarterly basis using pre-defined criteria applied across the Group. The results of these self-assessments provide input for the semi-annual audits of facilities by the Regional departments to make sure that residents and patients are cared for properly at all times and that the care provided is commensurate with the Group's Quality policy.

The results of these self-assessments and audits are then entered in a computer application used by all the facilities. This enables the Operating departments and the Quality department to check that these control processes are applied systematically. It also brings to light any recurring discrepancies in the application of best practices. Once such issues have been identified, a collective action plan can be drawn up and implemented.

External appraisals

In France, nursing homes and hospitals are subject to mandatory appraisals on a regular basis by independent organisations and agencies.

The Haute Autorité de la Santé (HAS), an independent public agency with a scientific remit, conducts an inspection of hospitals every four years.

Nursing homes undergo an external appraisal every seven years by an outside inspection body approved by the ANESM (French national agency for quality and assessment of nursing homes).

The Group regards these appraisals, as well as being a regulatory requirement, as an additional opportunity to analyse how well its businesses are performing based on an objective, rigorous and impartial approach provided by the outside view of the assessors. Each facility's teams are involved in self-assessment tasks throughout the year in preparation for the appraisal process.

Through its approach, the Group makes the regulations applicable to its activities into an opportunity for continuous quality improvement.

Audits of facilities

In addition to the scheduled appraisals, the Quality and Medical department makes spot checks on facilities throughout the year.

The information obtained and conclusions drawn on the basis of these audits help to shape the Group's quality policy.

In addition, the buildings used by the Group's facilities are regularly audited to ensure that appropriate safety and maintenance procedures are abided by.

Satisfaction surveys

In line with the commitments laid out in the Group's Quality Charter, satisfaction surveys are carried out 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 flesh out the information provided by the facility audits and provide a sound basis for devising what measures need to be taken to achieve continuous quality improvement.

3.2.5 INTERNAL CONTROL PARTICIPANTS AND BODIES

EXECUTIVE MANAGEMENT

Executive Management is responsible for ensuring that effective internal control and risk management procedures are designed and implemented within the Group.

OPERATIONS COMMITTEE

Operations Committee meetings are held on a monthly basis and are attended by the Chief Operating Officer, the divisional heads, the Corporate Secretary and also by the regional managers and heads of the support functions, where appropriate based on the agenda.

Similar meetings are also held at the subsidiaries outside France every month and are attended by the Chief Operating Officer and the heads of the relevant subsidiaries.

These Committees consider any issues arising in relation to the Group and its activities. Their discussions include an update on action plans in progress, budgets, quality and the training plan. They also review the Group's commercial performance and its main expense items.

The decisions made during these Operations Committee meetings are always passed on and explained to facilitate their implementation *via* monthly meetings with divisional managers, regional managers and heads of operations. These meetings are scheduled over the same week across the various regions to ensure that information is passed on to all facilities at the same time and thus that decisions made are put into action rapidly.

Action plans based on the decisions approved by the Operations Committee are drawn up by each division and region so that attainment of the targets set can be monitored on a monthly basis. Reporting on achievement of these targets is prepared in advance of every Operations Committee meeting so that the concrete results obtained can be discussed and any further remedial action necessary taken.

EXECUTIVE COMMITTEE

The role of the Executive Committee, which serves as forum for discussion and analysis, is to ensure that the entire Group is operating effectively and to promote better internal communication of the Group policies. It meets on a quarterly basis.

Any decisions made by the Executive Committee are implemented through action plans, which are then followed up at its subsequent meeting.

The Executive Committee members are the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Head of Human Resources, the Corporate Secretary and the BU CEOs.

FINANCE DEPARTMENT

The Finance department assists and monitors the management of the Group's finances by its operational staff. Its role is to maximise its profitability, manage its cash and produce reliable financial reporting for internal and external stakeholders.

The function is presented in greater detail below.

AUDIT COMMITTEE

The Audit Committee analyses and assesses internal control procedures, including those related to the processing of financial information in connection with the preparation of the Group's financial statements. The Committee is also responsible for reviewing and evaluating risk mapping and for monitoring the effectiveness of internal control and risk management systems.

Its composition, duties and activities are presented in Chapter 1 of this report.

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

QUALITY DEPARTMENT

The Quality department provides methodological assistance to facilities to ensure that they are able implement and monitor their own quality and risk management programme. It also supports facilities with their efforts to obtain certification and with internal assessments and external appraisals. To help with these tasks, it develops assessment and control systems, plus special training.

In particular, a Quality and Risk Management Committee meets every month to review implementation and adoption of best practices by the facilities. It also addresses any implementation difficulties encountered by facilities and proposes solutions to ensure that targets are met. The Committee also considers internal control systems that need to be implemented to ensure that the Group policy is observed.

LEGAL DEPARTMENT

The Legal department advises and assists Executive Management and all the Operating and Functional departments with safeguarding the Group's interests and assets from a legal perspective. More specifically, the department is tasked with identifying legal risks and managing them as effectively as possible. It is also responsible for compliance by the Group's various activities with their statutory and regulatory obligations.

It is organised into three units:

- the Operations unit, which assists the Group's facilities with any operational issues, such as handling complaints where the facility may potentially incur liability, managing litigation, and negotiating or terminating contracts;
- the Real Estate unit, which interfaces between the Group's real estate management and construction units;
- the Corporate unit, which is responsible for managing acquisitions and for corporate issues in general.

Units in contact with the supervisory authorities and the lawyers working in the Group's subsidiaries outside France also provide support to the legal function.

COMPLAINTS PANEL

The Complaints Panel, which is coordinated by the Group's Head of Medical Affairs, the Head of Legal and the heads of the supervisory affairs units for nursing homes and hospitals, conducts a regular review of complaints made against the Group's facilities. It strives to understand the root causes and to address them. Where appropriate, it coordinates any investigations in the field and any legal action required in response.

In addition, the Panel is tasked with making recommendations based on an analysis of the complaints submitted to it and identifying any remedial measures required for procedures, the Group's operations or at the relevant facilities. The Panel presents its action plans to the Operations Committees, which oversee their implementation in the field and inform the Quality department, so that the corresponding procedures are updated.

CRISIS MANAGEMENT UNIT

A crisis management unit has been designed and set up by the Group to ensure the swiftest possible response to any incident or adverse event occurring at its facilities that threatens to implicate it or tarnish its image.

A swift response is crucial to pinpoint the exact scope of such incidents in terms of their consequences and their severity. The top priority is to make sure that they do not snowball in size.

The crisis management unit, which is made up of the Chief Operating Officer, the Head of Legal, the Head of Quality and the Head of Medical Affairs, the Head of Communications and the Head of Supervisory Affairs, provides support and guidance to the division manager and/or regional manager, and to the relevant facility manager. It also launches an immediate in-depth investigation.

In parallel, it aims to establish contact with the complainant and/or with the relevant parties. The members of the crisis management unit also make contact the supervisory authorities and inform them of the incident once a preliminary investigation has established the basic facts.

WORKS COMMITTEE AND APPROVAL COMMITTEE

The Works Committee meets once every month, and it is attended by Executive Management, the Project Contracting and Works department, and the Head of Development. It reviews construction projects in progress (new projects and redevelopments), with architects in charge of projects invited from time to time, according to the agenda.

The Approval Committee also meets once every month and is attended by Executive Management, the Project Contracting department, and the works and maintenance unit, to give the go-ahead for construction projects.

DEVELOPMENT COMMITTEE

The Development Committee meets once every two months, and is attended by Executive Management, the heads of development, the Medical department, the Legal department, the Supervisory Affairs unit and the Project Contracting department to review the progress made by development projects, such as acquisitions, licence applications, and mergers. The merits and shortcomings of each project are considered in detail, before the Committee decides whether or not to continue it.

3.2.6 INTERNAL CONTROL FRAMEWORK FOR THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

PARTICIPANTS IN THE FINANCIAL REPORTING PROCESS

Group Finance department

The Group Finance department assists and monitors the management of the Group's finances by its operational staff. It compiles all the accounting and management data through reporting. It also handles the process of consolidating and checking the data so that it can be used for management purposes and released to various internal and external stakeholders, such as supervisory authorities and investors.

It has implemented financial reporting and centralised treasury management systems and procedures applicable to all the Group's operational staff.

The Group Finance department is organised into three sub-divisions – general accounting, consolidation and treasury – handling accounting and financial tasks under the leadership of the Chief Financial Officer.

In France, the Accounting unit is organised into two sections, one handling general accounting and transactions with patients and residents, and the other handling supplier accounting. The consolidation process is overseen by the Group Head of Accounting.

Finance departments of subsidiaries outside France

The Finance departments of subsidiaries outside France have responsibility for overseeing accounting and management data for the country subsidiaries and reporting it to the Group Finance department, which oversees them.

Cross-border cash flows are managed and coordinated by an international financial control unit.

Management control team

Under the oversight of the Chief Executive Officer, the management control team is responsible for preparing and tracking budgets in conjunction with the Chief Operating Officer, the division heads and the Works unit in relation to investment projects.

PROCESS OF PREPARING ACCOUNTING AND FINANCIAL INFORMATION

Given the ORPEA Group's major expansion in recent years, it has needed to make continual changes to its internal organisation, procedures and information systems to rise to the challenge of producing high-quality accounting and financial information and meeting its reporting deadlines. As a result, the Group has steadily strengthened its organisation and its systems.

YEAR-END REPORTING

The Finance department is responsible for preparing the consolidated financial statements based on each entity's individual financial statements.

Each country has its own accounts and makes its own entries on a daily basis. The French accounting teams use Harmonie software, with migration over to Navision currently in progress, plus internally developed systems to conduct continuous monitoring. Outside France, most of the Group's units use Navision.

The Finance department is able to view the transactions entered in the accounts by subsidiaries outside France through daily imports.

Each facility also produces monthly reporting for the Finance department.

Interim and full-year consolidated financial statements are prepared, with the process being supervised by the Head of Group Accounting and her team.

The financial reporting process also involves all the accounting teams in and outside France. It has three main stages:

1. prior to the year-end date, a schedule of the key milestones is drawn up and sent to the various participants;
2. by one month after the year-end date, each entity must have sent in its individual financial statements and each country its individual trial balances. In Spain, Switzerland, Austria and Germany, the local teams prepare an initial set of consolidated financial statements for their sub-group (there are two consolidated sub-groups in Germany);
3. once all the individual financial statements have been received, the teams prepare the consolidated financial statements using special software. This task consists in verifying compliance with the statutory and regulatory requirements and confirming that accounting principles and standards are applied properly.

The Finance department also conducts an ongoing review of changes in accounting standards, tax law and new statutory requirements. To assist its decision-making on technical points, the Finance department may also call on the services of external advisors, particularly where legal or tax issues are involved.

ORPEA stays in regular contact throughout the year with its Statutory Auditors, which it may consult on certain precise technical issues, whenever the need arises.

BUSINESS AND FINANCIAL PERFORMANCE MONITORING SYSTEMS

Operational management control

The reporting system for the various business indicators continuously and consistently tracks performance trends at each of the Group's facilities and makes sure they stay on course to meet the targets they have been set.

The management control unit has a wide range of tasks, and it liaises closely with both the Finance department and Operating departments:

- it prepares an annual budget for each facility;
- it prepares a monthly budget tracking and reporting system;
- it develops new systems and enhancements to existing systems to improve responsiveness;
- it carries out specific analytical tasks, such as budget simulations or adjustments.

The aim with budget preparation is to use an identical template for all facilities. This template is pre-populated by management control using the various existing databases. The budget is subsequently completed and amended by facility managers and regional managers. The budget is put together through ongoing dialogue between the Operations departments and management control. Once validated, it serves as a roadmap for each facility and the management control can use it for ongoing monitoring purposes throughout the year.

A budget tracking document is prepared on a monthly basis monitoring trends in revenue and operating expenses. It also provides a basis for a monthly analysis of operating performance based on the financials.

This reporting is prepared by the 10th of the following month and includes payroll costs, revenue, other expense items and customer-tracking data.

This document is given to the Chief Operating Officer and to divisional managers at meetings of the Operations Committee, which draws up action plans, where required, with the managers of the technical headquarters units (medical, social affairs, purchasing, catering and works).

Meetings are also held every month in each region to implement these action plans in conjunction with the relevant facility managers and to remedy any shortcomings.

The occupancy rate of all the facilities is tracked in real time *via* an intranet, which compiles all the data once a day.

Real estate management control

Special management control arrangements have been put in place for real estate and construction activities.

For each construction project or major facility redevelopment, an overall budget and schedule are prepared by the project contracting unit. This budget is entered into an internally developed database with a description of each entry. The budget is then converted into a contract, reflecting the agreements signed with the various participants. Invoices are entered on a daily basis, enabling the real estate management control unit to track expenditure and make sure the project keeps to its schedule.

Monthly reporting on each project is submitted to Executive Management and the project contracting unit, showing any delays to the schedule and variances from the budget so that the relevant remedial measures can be taken.

An annual budget is drawn up for maintenance spending at mature facilities, and a database is also used for tracking purposes.

Since September 2012, the real estate management unit has been scaled to handle all the administrative, accounting and financial aspects of the Group's real estate portfolio.

Treasury management

Treasury management is carried out on a centralised basis at each country's administrative headquarters. The Group's operational facilities do not make any payments, since all trade payables are handled by the headquarters.

The Group has placed restrictions on payments at the headquarters. For example, only seven executives in the Group's Finance department have the authority to sign off on payments. Special powers and procedures have been put in place to cover these restrictions at the finance departments of the subsidiaries outside France.

In addition, the Group's cash flows are monitored on a daily basis to spot any unusual transactions.

Cash pooling takes place automatically every night with a feed of bank data containing the previous day's transactions processed by cash management software.

AUDIT COMMITTEE

The duties of the Audit Committee are presented in section 1.4 – "Organisation of the Board" of this Report.

STATUTORY AUDITORS

The Statutory Auditors are responsible for reviewing the Company's accounts and financial statements and also those of its consolidated subsidiaries. This takes the form of:

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

A letter of representation, signed jointly by the Chairman of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer and giving undertakings concerning the quality, reliability and completeness of the financial information, is given to the Statutory Auditors at the end of each reporting period.

Once they have conducted their review of all the financial statements and the methods used to prepare them, the Statutory Auditors give their opinion. They certify that parent-company and consolidated financial statements provide a true and fair view.

FINANCIAL REPORTING

Executive Management has direct responsibility for financial reporting.

The annual and interim financial statements are made available to investors once they have been approved by the Board of Directors.

A reporting schedule is drawn up by the Group and published for investors (on the Company's website).

The investor relations and financial reporting website (www.orpea-corp.com) contains all the information available for investors, including presentations given to the financial community, press releases and regulated information.

Twice a year, Executive Management gives a presentation of the Group's results to the financial community.

The Group also provides development updates throughout the year and regularly meets with its shareholders and new institutional investors.

3.3 ANNEX

INTERNAL RULES OF PROCEDURE OF THE BOARD OF DIRECTORS (ADOPTED BY THE BOARD OF DIRECTORS ON 27 NOVEMBER 2013 AND AMENDED BY THE BOARD OF DIRECTORS ON 18 JANUARY 2017)

INTRODUCTION

These Internal Rules of Procedure, which were adopted by the Board at its meeting of 27 November 2013, are intended to supplement the rules established in law, the regulations and the Articles of Association by clarifying how the Board and, where appropriate, its Committees should operate in the best interests of ORPEA (hereinafter "the Company") and its Shareholders.

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

They apply to all Directors, present and future. Accepting an appointment as a director automatically entails acceptance of these Internal Rules of Procedure.

1. Directors' rights and duties

1.1 Each Board member must be familiar with:

- the Company's Articles of Association, the recommendations of the AFEP-MEDEF Code and these Internal Rules of Procedure;
- the laws and regulations applicable to French *sociétés anonymes* (public limited companies) with a Board of Directors, including the rules restricting the number of offices a director may hold at any one time, and those related to related party agreements and transactions between the Director and the Company;
- and the rules concerning the possession and use of inside information, which are presented in greater detail below.

1.2 Directors are obliged to act in the interest of the Company and all its shareholders in all circumstances

The Directors are obliged to disclose to the Board any conflict of interest, even potential conflicts of interest, directly or indirectly affecting them. They must then refrain from participating in related discussions and voting.

1.3 Directors must devote the requisite time and attention to their duties

Directors should limit the number of directorships they accept so that they are available.

They should inform the Secretary to the Board whenever they accept a new appointment.

Board Members agree to attend:

- all meetings of the Board, where appropriate by videoconference or conference call, unless unavoidably detained;
- all General Meetings of the Shareholders, wherever possible;
- meetings of the Board Committees to which they have been appointed.

1.4 Directors undertake not to discuss matters raised at Board meetings separately outside the Board

Only a collective statement may be made to external audiences, including in the form of press releases intended for investors.

Directors should consider themselves bound by professional secrecy in respect of information not in the public domain acquired in the course of their duties, and this goes beyond the obligation to maintain discretion provided for in para. 5 of Article L. 225-37 of the French Commercial Code.

As a general rule, all Board papers and the information obtained during or outside Board meetings are confidential, with any exceptions, irrespective of whether the information was specifically presented as being confidential by the Chairman.

Directors shall take any and all appropriate steps to maintain this confidentiality.

1.5 All directors should own at least one of the Company's shares

The shares owned by Directors, their spouse, their unemancipated minor child(ren) or any other nominee must be held in registered form. More specifically, they should be either registered in the corporate officer's name or registered in the name of a nominee with an intermediary whose contact details are disclosed to the Secretary of the Board.

1.6 Share dealing rules

1.6.1 Principles

Inside information should be used by Directors solely for the purpose of fulfilling their duties of office. It should not be disclosed under any circumstances to a third party other than for the purpose of fulfilling their duties as Directors or for any purposes or activity other than for which it was obtained.

All Directors have a duty to refrain from trading, from commissioning the trading of, and from enabling a third party to trade on the basis of this information in the Company's securities until the information has been made public.

Directors are personally responsible for assessing whether information to which they are privy qualifies as inside information and, accordingly, for determining whether or they may use or disclose this information and whether or not they may trade or commission the trading of the Company's securities.

In addition, Directors must refrain from any speculative trading in the Company's securities. They are thus forbidden from any short-selling or securities lending transactions in financial instruments related to securities issued by the Company.

1.6.2 Closed periods

During periods preceding the publication of any inside information to which they are privy, Board members must refrain from trading in the Company's securities pursuant to law, given their status as insiders.

In addition, in line with the AMF's recommendations, they are prohibited from trading in the shares during the following periods:

- a full 30 calendar days at least before the date of the full-year or interim results press releases, including the day of the press releases;
- a full 15 calendar days at least before the date of the press release containing quarterly results, including the day of the press release.

The same rule shall apply whenever preliminary full-year or interim results are released.

1.6.3 Insider dealing

Directors shall declare that they have been informed of the provisions in force concerning the possession of inside information and insider dealing as laid down in Article L. 465-1 of the French Monetary and Financial Code and Article L. 621-1 *et seq.* of the AMF's General Regulation.

It is important to note that in accordance with the applicable regulations, Directors and connected persons, as defined by decree, must declare to the AMF any purchases, sales, subscriptions or exchanges of the Company's shares, as well as of transactions in related instruments, where the aggregate amount of these transactions exceeds €5,000 in the current calendar year.

Directors and connected persons must file their declaration with the AMF by email *via* the ONDE extranet, which may be accessed from the AMF's website or at onde.amf-france.org within five trading days of the trade's execution.

After filing the declaration with the AMF, the Directors making the declaration shall also send a copy to the Secretary of the Board.

Declarations shall be made available online on its website by the AMF and an annual summary statement is provided in the Company's Registration Document.

2. Duties and powers of the Board of Directors

2.1 The Board is a decision-making body that collectively represents all the shareholders and is obliged to act in the interest of the Company in all circumstances

The Board of Directors shall set the Company's strategic priorities and oversee their implementation.

It may decide to establish Committees to consider matters that it, or its Chairman, submits to them for an opinion or a review.

The Company's Directors shall:

- provide the benefit of their skills, knowledge and experience;
- have a duty of care and shall exercise their full independence of judgement.

This independence of judgement shall enable them to participate, in complete independence, in the decisions or work of the Board and, where appropriate, its Committees.

To prevent too many directors' terms in office from coming up for renewal at the same time, their appointments are staggered. This helps to ensure that the reappointment of Directors is a smooth process.

2.2 The Board of Directors decides whether to combine or separate the roles of Chairman and Chief Executive Officer. At its meeting of 30 June 2011, the Board decided to split the roles of Chairman and Chief Executive Officer

2.3 The Board of Directors shall elect, from among its members, a Chairman, who must be a natural person

The Chairman of the Board of Directors shall represent the Board of Directors. The Chairman shall organise and lead the Board's work and report to the shareholders thereon at General Meetings. He shall be responsible for the smooth running of the Company's governing bodies and in particular for making sure that Directors are able to perform their duties.

He may request any document or information liable to provide insights for the Board of Directors for the preparation of its meetings.

The Chairman of the Board of Directors shall use his best efforts to promote the Company's values and image at any and all times. He shall act in an official capacity.

He shall be given the requisite material resources to perform his duties.

The Board shall also choose a person to act as Secretary, who may or may not be a Board member. The Secretary shall prepare the minutes of the Board meetings and circulate them. He shall be authorised to certify copies or excerpts of said minutes.

Given the current composition of the Company's share capital, at least one-third of the Company's directors must be directors. The definition of independent director adopted by the Board of Directors is taken from the AFEP-MEDEF Code, which states that a director is independent if they have no relationship of any type whatsoever with the Company, the Group or its management liable to compromise their independence of judgement.

To that end, the criteria that may guide the Board of Directors when determining whether a director is independent or not shall be as follows:

- not to be and not to have been during the course of the previous five years an employee or corporate officer of the Company, or an employee or director of its parent company or of a company consolidated within the Company;
- not to be a corporate officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or a corporate officer of the Company (currently in office or having held such office during the last five years) is a director;
- not to be a customer, supplier, commercial banker or investment banker:
  - that is material to the Company or its Group,
  - or for a significant part of whose business the Company or its Group accounts;
- not to be related by close family ties to a corporate officer;
- not to have been an auditor of the Company within the previous five years;
- not to have been a Director of the Company for more than 12 years.

2.4 The Chief Executive Officer shall hold the broadest of powers to act on the Company's behalf in all circumstances. He 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. He shall represent the Company in its dealings with third parties

However, the Chief Executive Officer must solicit the prior approval of the Board of Directors for the following transactions:

- any investment/acquisition of any non-real estate asset in a country in which the Group is already established and in one of its existing business segments (*i.e.* in which a Group Business Unit is already active) in a unit amount per transaction strictly exceeding €25 million (€25,000,000);
- any disposal/sale of any non-real estate asset in a unit amount exceeding €5 million;
- any investment/acquisition of any real estate asset in a country in which the Group is already established in a unit amount per transaction strictly exceeding €50 million (€50,000,000);
- any disposal/sale of any real estate asset in a country in which the Group is already established in a unit amount per transaction strictly exceeding €50 million (€50,000,000);
- any investment/acquisition by the Group in a country in which it was not established hitherto or in a new business segment (no Group Business Units yet active in it);
- any borrowing or financing in a unit amount exceeding €100 million or a change in the terms and conditions of any borrowing or financing in a unit amount exceeding €100 million, with the additional requirement that no funding operations of any size whatsoever may cause dilution without the express approval of the Board of Directors (the Chief Executive Officer is required to inform the Board of Directors at the following Board meeting of any borrowing or financing in a unit amount exceeding €50 million);
- any security deposits, pledges or other guarantees in a unit amount exceeding €100 million (the Chief Executive Officer is required to inform the Board of Directors at the following Board meeting where the unit amount exceeds €50 million);
- any decision concerning the strategic direction of a Group company or any material change in this direction or the business activities of a company;
- the approval and amendment of ORPEA's or the Group's annual budget or business plan;
- any transaction affecting the share capital (including, but not restricted to mergers, spin-offs, partial asset contributions, increases or reductions in capital, issuance of any negotiable securities, or creation of new classes of shares);
- the policy for dividend payouts or any other form of distribution made by the Company to its shareholders
- the remuneration of the Company's corporate officers;
- any major hires (gross annual salary of over €200,000);
- any plan or award of stock options, bonus shares, incentive payments or profit sharing.

3. Operating procedures of the Board of Directors

3.1 The Board shall meet as often as required in the interests of the Company when convened by its Chairman

Meetings may be called by any means (letter, fax, email) and even orally. Notices of meeting may be sent by the Board's Secretary. Barring special circumstances, notice of a meeting is given in writing at least one week prior to each meeting. It should be accompanied by the agenda and the minutes of the previous Board meeting. It should state the place of the meeting, which may be the Company's registered office or any other location.

In special circumstances, the Chairman may solicit the Board's opinion on a particular matter by calling a meeting with 24 hours' notice.

The dates of Board meetings in one year shall be set no later than by 31 December of the previous year, except for extraordinary meetings.

As far as possible, the requisite documents needed to inform the Directors about the agenda and any other matters submitted for the Board's attention shall be attached to the notice of meeting or sent to them a reasonable amount of time in advance of the meeting.

3.2 When called upon to make decisions, Directors shall ensure that they are in possession of the essential information for the Board or its Committees to perform their tasks effectively. If this information is not provided, or if Directors believe that it has not been provided, they shall request it. Such requests shall be made to the Chairman of the Board of Directors, who shall ensure that the Directors are able to perform their duties

At every meeting, the Chairman shall review the significant transactions entered into since the previous meeting and the principal projects in progress and likely to be completed by the subsequent Board meeting. The Board shall conduct a review every year of the key points arising in the management report and of the results of voting on resolutions submitted for approval at the Annual General Meeting. In addition, the Board of Directors shall be given an update, at least once every six months, by Executive Management on the Company's financial position, cash position and commitments.

The Directors shall be sent any appropriate information between meetings where the information is sufficiently important or urgent to require this.

The Board of Directors may entrust one or more of its members or any other third parties with special duties or assignments, which may include studying one or more given topics.

3.3 To meet the quorum requirement for the Board of Directors to deliberate validly, at least half its total number of members must be present at meetings

A Director may represent another Director if granted written powers so to do.

The Chairman may invite any person who is not a member of the Board of Directors to attend all or part of its meetings, without taking part in voting.

Decisions shall be made based on a majority vote of members present or represented. In the event of a split decision, the Chairman shall hold a casting vote.

3.4 In accordance with the law, the regulations and § 2, Article 17 of the Articles of Association, Directors participating in Board meetings by videoconferencing or conference call technology, shall be deemed to be present for the purpose of calculating the quorum and majority requirements

However, this form of attendance is not permitted when the Board is considering:

- the approval of the parent-company financial statements and the consolidated financial statements;
- the Management Report and the Report on the Management of the Group;
- the videoconferencing system must deliver a continuous live stream of the discussions.

3.5 The Board's decisions must be clear. The proceedings of the meeting and the decisions made shall be recorded in the minutes. They are especially important because they provide a record of how the Board has performed its duties. Without including extraneous detail, they should concisely summarise the matters raised and reservations stated

The draft minutes of the Board meetings are prepared after every meeting and are sent to all the members of the Board for their comments and observations. Any points raised are discussed at the following Board meeting. The definitive version of the minutes for a meeting are then submitted for the Board's approval.

4. Board Committees

When setting up Board Committees, the Board of Directors shall determine their membership and their terms of reference.

The Committees shall act in accordance with the terms of reference given to them by the Board and they shall have no decision-making powers.

Committee members shall be chosen from among the members of the Board. They shall be appointed by the Board based on a proposal from the Appointments and Compensation Committee. The term of their appointment to the Committee shall match that of their term in office as a director. At any time, however, the Board may alter the membership of the Committees and thus terminate a Committee member's appointment.

The Board may entrust its Chairman, or one or more of its members, with any special duties or assignments for the purpose of conducting specific research or analysis.

The member entrusted with such tasks shall report on their work to the relevant Committee, which shall then give it due consideration and, in turn, shall report thereon to the Board of Directors.

The Board Committees may in the course of their duties establish contact with the Company's senior managers after duly informing the Chairman of the Board of Directors and provided that they report thereon to the Board.

In no circumstances whatsoever shall the Committees take over the powers of Executive Management.

4.1 Audit Committee

4.1.1 Duties

The Audit Committee deals with issues arising from the preparation and control of accounting and financial information. Its role is to make the requisite preparations for decisions by the Board of Directors in financial and accounting matters.

Without prejudice to the expertise of the Board of Directors and Executive Management, the Committee is responsible for monitoring:

- the process by which financial information is prepared;
- the effectiveness of internal control and risk management procedures;
- the statutory audit of the annual financial statements and, where applicable, the consolidated financial statements by the Statutory Auditors;
- and issuing a recommendation on the Statutory Auditors whose appointment is proposed at the Annual General Meeting and ensuring their independence.

Based on its monitoring activities, the Committee is able to make recommendations as appropriate on improvements to existing processes and the introduction of new procedures.

The Audit Committee may be consulted on any matter concerning procedures for controlling unusual risks, including when the Board or Executive Management deems this to be appropriate.

4.1.2 Organisation of tasks

The Audit Committee shall have at least three members, who shall be non-executive Directors of the Company.

It shall be chaired by an independent Director, and at least two-thirds of its members shall be independent Directors.

Its members shall have financial or accounting skills or knowledge.

The Chairman of the Audit Committee shall lead the work of the Committee every year based on his assessment of the importance of individual risk factors, in conjunction with Executive Management and the Board.

The Committee shall be convened by its Chairman whenever he or the Board deems necessary, and at least twice a year.

The agenda for meetings shall be set by the Committee's Chairman in conjunction with the Board, where the Board has called the meeting.

The agenda shall be sent to Committee members prior to the meeting with all the papers they require for their discussions.

The Committee's secretarial duties shall be performed by the Secretary of the Board.

To carry out its duties effectively, the Audit Committee may, should it deem necessary, ask the Statutory Auditors or Company's managers responsible for preparing the financial statements and for internal control to appear before it, without Executive Management being present.

It shall review the principles and methods, programme, objectives and general conclusions of the Internal Audit function's operational control duties.

The Statutory Auditors shall inform the Audit Committee of:

- the programme of work they conducted and the results of the various spot checks they performed;
- any changes that they believe must be made to the financial statements for approval or to any other accounting documents, providing any appropriate observations about the valuation methods used in their preparation;
- any irregularities or inaccuracies they may have discovered;
- the conclusions arising from the aforementioned observations and amendments concerning the results for the financial year, compared with those in the previous period.

In addition, the Statutory Auditors shall review, together with the Audit Committee, the risks to their independence and any measures that can be taken to mitigate these risks.

They shall bring any significant internal control weaknesses affecting the procedures for the preparation and processing of accounting and financial information to the attention of the Committee and provide it every year with the documents required by law.

With the consent of Executive Management, the Committee may also request information from persons likely to be able to further its investigations, including senior executives with business and financial responsibilities and those in charge of processing information.

4.1.3 Activity report

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

The Committee shall inform the Board immediately should it experience any difficulties.

The Audit Committee shall issue in its report the opinions that it deems necessary on:

- the suitability of the various procedures and the overall framework for producing high-quality information and controlling risk;
- the effectiveness of procedures in place and, where appropriate, the resources implemented to achieve this goal.

It shall also make any recommendations and proposals it deems necessary to improve the effectiveness of the various procedures and overall framework and to adapt them to new circumstances.

Should the Committee identify during its work a major new risk that is not handled appropriately in its opinion, it should advise the Chairman of the Board.

4.2 Appointments and Compensation Committee

4.2.1 Duties

The Board of Directors may freely set the remuneration of the Chairman, Chief Executive Officer and the Chief Operating Officer.

The main terms of reference of the Appointments and Compensation Committee are to further the Board of Directors' work by:

- providing insight for the Board's decision on whether the roles of Chairman and Chief Executive Officer should be combined or split and on the status of executive directors;
- making proposals to the Board concerning director candidates;
- making proposals to the Board concerning the establishment and membership of Board Committees;
- making judgements from time to time about the structure, size and membership of the Board of Directors and submitting recommendations to it with regard to potential changes;
- discussing the independence of directors, in connection with the Board of Directors' annual review thereof prior to publication of the annual report;
- issuing an opinion on the proposals by the Chairman of the Board of Directors concerning the appointment of the Chief Executive Officer and the Chief Operating Officer;
- succession planning for executive directors in the event of an unforeseen departure;
- ensuring that the corporate governance code to which the Company refers is actually applied;
- making preparations for Board decisions on updating its Internal Rules of Procedure;
- establishing proposals concerning:
  - the fixed remuneration and bonus paid to the Chairman of the Board, plus any other benefits,
  - the fixed remuneration and bonus paid to the Chief Executive Officer and to the Chief Operating Officer, plus any other benefits (pension, severance payment, etc.),
  - the total award of directors' fees to be submitted for approval to the General Meeting and how they are to be allocated,
  - the introduction of long-term incentive plans, which may include awards of stock options or bonus shares to corporate officers.

4.2.2 Organisation of tasks

The Appointments and Compensation Committee shall have at least three members, who shall be non-executive Directors of the Company.

It shall be chaired by an independent Director, and a majority of its members shall be independent Directors.

The Committee shall be convened by its Chairman whenever he or the Board deems necessary, and at least once a year prior to the approval of the agenda for the Annual General Meeting, to review the draft resolutions to be submitted for its approval falling within its area of authority.

The agenda for meetings shall be set by the Committee's Chairman in conjunction with the Board, where the Board has called the meeting. The agenda shall be sent to Committee members prior to the meeting with all the papers they require for their discussions.

The Board's Chairman shall be involved in these tasks, except in any matters related to him in a personal capacity.

4.2.3 Activity report

The Committee shall report on its activities to the Board on a regular basis and submit proposals.

5. Directors' remuneration

Directors shall receive attendance fees based on a total award approved by shareholders at the Annual General Meeting. The division allocating the total award to individual Directors is decided by the Board, based on a proposal from the Appointments and Remuneration Committee. This division shall take into account the duties performed by the Directors within the Board and its Committees and their actual attendance rate.

The Board of Directors may award special remuneration for particular tasks or duties entrusted to a Director or Directors.

6. Annual evaluation of the Board's effectiveness

From time to time, the Board shall conduct an evaluation of its and its Committees' membership, its organisation and its effectiveness. The Board shall review this aspect every year, and a formal evaluation led by the Chairman of the Board of Directors shall be conducted every three years. The Board then takes any relevant action needed to make improvements.

The Board shall inform Shareholders of the results of this evaluation in the Registration Document.

3.4 STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE 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 2016

To the Shareholders,

In our capacity as Statutory Auditors of ORPEA 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 in accordance with the provisions of Article L. 225-37 of the French Commercial Code in respect of the financial year ended 31 December 2016.

It is the Chairman's responsibility to prepare and submit for the approval of the Board of Directors a report on the internal control and risk management procedures established by the Company and making the additional disclosures required pursuant to Article L. 225-37 of the French Commercial Code, which include information about the corporate governance framework.

Our role is to:

- report to you on the information contained in the Chairman's report on internal control and risk management procedures related to the preparation and processing of accounting and financial information; and
- confirm that the report contains the other disclosures required pursuant to Article L. 225-37 of the French Commercial Code. It is not our responsibility to verify the fair presentation of these other disclosures.

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

INFORMATION ON INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATED TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The professional standards require that we plan and perform procedures to assess the fair presentation of the information contained in the Chairman's report on internal control and risk management procedures related to the preparation and processing of accounting and financial information.

These procedures consist in:

- familiarising ourselves with the internal control and risk management procedures related to the preparation and processing of accounting and financial information underpinning the information presented in the Chairman's report and existing documentation;
- familiarising ourselves with the work performed to prepare this information and the existing documentation;
- determining whether any material weaknesses in the internal control system for the preparation and processing of accounting and financial information that we identified during our work are disclosed appropriately in the Chairman's report.

Based on our work, we have no matters to report to you on the information concerning internal control and risk management procedures related to the preparation and processing of accounting and financial information contained in the Chairman's report, prepared in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

OTHER DISCLOSURES

We hereby confirm that the report prepared by the Chairman of the Board of Directors contains the other disclosures required by Article L. 225-37 of the French Commercial Code.

Paris and Neuilly-sur-Seine, 10 May 2017

The Statutory Auditors

Saint-Honoré BK&A	Deloitte & Associés
Emmanuel Klinger	Joël Assayah

3.5 STATUTORY AUDITORS' REPORT ON AGREEMENTS AND COMMITMENTS WITH RELATED PARTIES

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.

Annual General Meeting called to approve the financial statements for the financial year ended 31 December 2016

To the Shareholders,

In our capacity as ORPEA's Statutory Auditors, we hereby report to you on the agreements and commitments with related parties.

Our role is to report to you, based on the information provided to us, on the essential characteristics and arrangements of the agreements and commitments and on the justification for the Company's entering into the agreements and commitments brought to our attention or that we discovered during our assignment. It is not our responsibility to comment on their effectiveness or appropriateness or to check whether any other such agreements and committee exist. Pursuant to 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.

Furthermore, it is our role to report to you, where appropriate, on the disclosures provided for in Article R. 225-31 of the French Commercial Code on the continuing execution during the financial year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures we deemed necessary in accordance with the professional 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 REQUIRING APPROVAL AT THE ANNUAL GENERAL MEETING

We hereby inform you that we have not been advised of any agreements or commitments that were authorised during the financial year now ended that require approval at the Annual General Meeting pursuant to Article L. 225-38 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED AT THE ANNUAL GENERAL MEETING

AGREEMENTS AND COMMITMENTS APPROVED IN PREVIOUS FINANCIAL YEARS

1) Execution of which continued during the financial year now ended

Pursuant to Article R. 225-30 of the French Commercial Code, we were informed of the continued execution during the financial year now ended of the following agreements and commitments approved previously by the Annual General Meeting.

a. Arrangement of unemployment insurance for Yves LE MASNE, Chief Executive Officer

(Authorised on 29 June 2006)

Director involved:

Yves LE MASNE

Nature and purpose:

Arrangement of an unemployment insurance policy covering Yves LE MASNE, with the corresponding premiums paid by the Company.

Arrangements:

The Company paid premiums amounting to €61,515 excl. taxes in FY 2016.

b. Arrangement of unemployment insurance for Jean-Claude BRDENK, Chief Operating Officer

(Authorised on 25 April 2013)

Corporate officer involved:

Jean-Claude BRDENK

Nature and purpose:

Arrangement of an unemployment insurance policy covering Jean-Claude BRDENK, with the corresponding premiums paid by the Company.

Arrangements:

The Company paid premiums amounting to €61,515 excl. taxes in FY 2016.

c. Legal and litigation assistance

Director involved:

Alexandre MALBASA

Nature and purpose:

Litigation and pre-litigation assistance.

Arrangements:

The Company paid fees amounting to €444,256 excl. taxes to Alexandre MALBASA in FY 2016.

2) Not executed in the financial year now ended

In addition, we were informed that the following agreements and commitments approved previously by the Annual General Meeting remained in force but were not executed during the financial year now ended.

a. Benefits payable in the event of the cessation of Yves LE MASNE's appointment as Chief Executive Officer

(Authorised on 25 March 2013 and 25 April 2013)

Director involved:

Yves LE MASNE

Nature and purpose:

At its meetings on 25 March 2013 and 25 April 2013, the Board of Directors, following the lapse of Yves LE MASNE's employment contract, and given his major contribution to the Group's development over several years, authorised the award to Yves LE MASNE of a severance payment corresponding to twenty-four (24) months' gross fixed remuneration and annual bonus (multiple of a monthly average of the remuneration due and paid in respect of the previous two financial years) should his duties as an executive director come to an end.

This benefit would be payable by the Company:

- in the event he is removed from office by the Board of Directors, irrespective of how his duties are terminated, including by dismissal, a request for him to resign or his non-reappointment (specifically excluding dismissal for gross misconduct);

or

- in the event of a change in control (where a change in control is defined as any changes in the Company's ownership status arising from any merger, restructuring, disposal, public tender or exchange offer, subsequent to which a shareholder, be it a legal entity or natural person, acting alone or in concert, directly or indirectly, comes into possession of a proportion of the Company's share capital or voting rights that gives it effective control thereof) or in the Company's strategy initiated by the Board of Directors or the relevant corporate officer.

This benefit would be awarded by the Board of Directors provided that the average bonus payment in respect of the previous two financial years prior to that in which the relevant corporate officer departs was equal to or over 75% of the target bonus payment (excluding any non-recurring remuneration), with this amount being reduced proportionally should the average bonus payment received in the previous two financial years have stood at between 50% and 74% of the target bonus payment excluding any non-recurring remuneration and no benefit being paid below a rate of 50%.

Special arrangements apply where he departs within 24 months of his appointment.

If Yves LE MASNE is entitled to claim a full basic pension within six months of the termination of his duties, this benefit may not be paid to him.

Arrangements:

This agreement did not have any financial impact in the financial year now ended.

b. Benefits payable in the event of the cessation of Jean-Claude BRDENK's appointment as Chief Operating Officer

(Authorised on 25 March 2013 and 25 April 2013)

Corporate officer involved:
Jean-Claude BRDENK

Nature and purpose:
At its meetings on 25 March 2013 and 25 April 2013, the Board of Directors, following the lapse of Jean-Claude BRDENK's employment contract, and given his major contribution to the Group's development over several years, authorised the award to Jean-Claude BRDENK of a severance payment corresponding to twenty-four (24) months' gross fixed remuneration and annual bonus (multiple of a monthly average of the remuneration due and paid in respect of the previous two financial years) should his duties as an executive director come to an end.

This benefit would be payable by the Company:

- in the event he is removed from office by the Board of Directors, irrespective of how his duties are terminated, including by dismissal, a request for him to resign or his non-reappointment (specifically excluding dismissal for gross misconduct);

or

- in the event of a change in control (where a change in control is defined as any changes in the Company's ownership status arising from any merger, restructuring, disposal, public tender or exchange offer, subsequent to which a shareholder, be it a legal entity or natural person, acting alone or in concert, directly or indirectly, comes into possession of a proportion of the Company's share capital or voting rights that gives it effective control thereof) or in the Company's strategy initiated by the Board of Directors or the relevant corporate officer.

This benefit would be awarded by the Board of Directors provided that the average bonus payment in respect of the previous two financial years prior to that in which the relevant corporate officer departs was equal to or over 75% of the target bonus payment (excluding any non-recurring remuneration), with this amount being reduced proportionally should the average bonus payment received in the previous two financial years have stood at between 50% and 74% of the target bonus payment excluding any non-recurring remuneration and no benefit being paid below a rate of 50%.

Special arrangements apply where he departs within 24 months of his appointment.

If Jean-Claude BRDENK is entitled to claim a full basic pension within six months of the termination of his duties, this benefit may not be paid to him.

Arrangements:
This agreement did not have any financial impact in the financial year now ended.

c. Investment agreement with CPPIB

(Authorised on 11 December 2013)

Director involved:
Alain CARRIER, Director appointed based on a proposal submitted by CPPIB

Nature and purpose:
In connection with CPPIB's acquisition of a shareholding, the Company entered into an Investment Agreement with CPPIB setting forth the principal arrangements for CPPIB's investment. This investment took place through the acquisition by CPPIB on 11 December 2013 of ORPEA shares previously held by Jean-Claude Marian and Santé Finance et Investissements, a company that he controls (hereinafter the "Acquisition") and through an increase in the share capital *via* the concomitant private placement on 16 December 2013 (hereinafter the "Capital Increase").

The principal terms and conditions of the Investment Agreement area as follows:

- the Investment Agreement has a term of 10 years;
- CPPIB may be represented on the Board of Directors by a director provided that CPPIB continues to hold at least 8% of the voting rights and by two directors provided that CPPIB holds at least 16% of the voting rights, with this director or these directors being appointed to the Audit Committee, Appointments and Compensation Committee and any other Committee established;
- provided that CPPIB holds at least 5% of the Company's share capital, the Company will use its best efforts to ensure it is able to subscribe for any shares issued as part of a capital increase in proportion to its interest in the Company;
- CPPIB may not sell the shares it has acquired or subscribed for in connection with the Acquisition and Capital Increase for a period of eighteen (18) months from the date of the Acquisition. Once this period expires, CPPIB may request the Company's cooperation to complete any sales of significant blocks of shares or private placements;
- CPPIB may continue to acquire the Company's shares directly or indirectly, on- and off-market.

Arrangements:
This agreement did not have any financial impact in the financial year now ended.

d. Supplemental agreement to the Investment Agreement with CPPIB

(Authorised on 11 December 2014)

Director involved:

Alain CARRIER, Director appointed based on a proposal submitted by CPPIB.

Nature and purpose:

In connection with CPPIB's acquisition of a shareholding, the Company entered into an Investment Agreement with CPPIB setting forth the principal arrangements for CPPIB's investment. An agreement supplementing the Investment Agreement and providing for the Company's Board of Directors to be notified of any request for assistance from CPPIB in the event of any major disposals of its shares according to the following arrangements:

- upon the Company's receipt of a request for assistance, the Company may inform the Board of Directors if it has previously informed 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 of CPPIB's receipt of the Company's notification.

Arrangements:

This agreement did not have any financial impact in the financial year now ended.

e. Agreement on investment arrangements with FFP Invest

(Authorised on 11 December 2014)

Director involved:

FFP Invest, with Thierry MABILLE de PONCHEVILLE as its permanent representative

Nature and purpose:

The purpose of this agreement is to grant rights similar to those granted to CPPIB under the Investment Agreement of 11 December 2013 should it withdraw from the capital or should further capital increases take place. The rights granted enable FFP Invest:

- provided that it continues to hold at least 5% of the Company's share capital, to participate in any future capital increase by the Company, or, if the envisaged transaction does not allow it to subscribe for shares in said capital increase, to restore its percentage interest in the share capital by any and all means to be agreed by the parties;
- the right to obtain the Company's assistance in connection with any major disposals of shares that FFP Invest wishes to carry out. A disposal of shares is deemed to be significant if it consists of more than 10% of the share capital sold to a given person or more than 5% where the shares are sold to various investors. The Company's assistance involves the coordination of the various selling shareholders, and the provision of reasonable assistance to facilitate the sale transactions.

Arrangements:

This agreement did not have any financial impact in the financial year now ended.

f. Agreement on investment arrangements with Sofina

(Authorised on 11 December 2014)

Director involved:

Sophie MALARME-LECLOUX, Director appointed based on a proposal submitted by Sofina.

Nature and purpose:

The purpose of this agreement is to grant rights similar to those granted to CPPIB under the Investment Agreement of 11 December 2013 should it withdraw from the capital or should further capital increases take place. The rights granted enable SOFINA:

- provided that it continues to hold at least 5% of the Company's share capital, to participate in any future capital increase by the Company, or, if the envisaged transaction does not allow it to subscribe for shares in said capital increase, to restore its percentage interest in the share capital by any and all means to be agreed by the parties;
- the right to obtain the Company's assistance in connection with any major disposals of shares that SOFINA wishes to carry out. A disposal of shares is deemed to be significant if it consists of more than 10% of the share capital sold to a given person or more than 5% where the shares are sold to various investors. The Company's assistance involves the coordination of the various selling shareholders, and the provision of reasonable assistance to facilitate the sale transactions.

Arrangements:

This agreement did not have any financial impact in the financial year now ended.

g. Agreement on investment arrangements with Jean-Claude MARIAN

(Authorised on 11 December 2014)

Director involved:
Jean-Claude MARIAN

Nature and purpose:
The purpose of this agreement is to grant rights similar to those granted to CPPIB under the Investment Agreement of 11 December 2013 should he withdraw from the capital or should further capital increases take place. The rights granted enable Jean-Claude MARIAN:

- provided that he continues to hold at least 5% of the Company's share capital, to participate in any future capital increase by the Company, or, if the envisaged transaction does not allow him to subscribe for shares in said capital increase, to restore his percentage interest in the share capital by any and all means to be agreed by the parties;
- the right to obtain the Company's assistance in connection with any major disposals of shares that Jean-Claude MARIAN wishes to carry out. A disposal of shares is deemed to be significant if it consists of more than 10% of the share capital sold to a given person or more than 5% where the shares are sold to various investors. The Company's assistance involves the coordination of the various selling shareholders, and the provision of reasonable assistance to facilitate the sale transactions.

Arrangements:
This agreement did not have any financial impact in the financial year now ended.

AGREEMENTS AND COMMITMENTS APPROVED DURING THE FINANCIAL YEAR NOW ENDED

Furthermore, we were informed of the execution, during the financial year now ended, of the following agreement, which had already been approved by the Annual General Meeting of 23 June 2016, based on the Statutory Auditors' special report dated 6 May 2016.

Exception to the requirement of continued presence on the payroll under the bonus share allocation plan made for executive directors

(Authorised on 10 February 2016)

Corporate officers involved:
Yves LE MASNE, Chief Executive Officer

Jean-Claude BRDENK, Chief Operating Officer

Nature and purpose:
Exception made for executive directors to the requirement of continued presence on the payroll under the bonus share allocation plan set up for certain employees and executive directors of ORPEA and affiliated companies as provided for under Articles L. 225-197-1 and L. 225-197-2 of the French Commercial Code.

The Board of Directors decided that the requirement of continued presence on the Company's or Group's payroll would be deemed to be satisfied in respect of the first bonus share allotment plan if they meet the same conditions as have been established for them to qualify for their severance payment, that is specifically:

- in the event they are removed from office by the Board of Directors, irrespective of how their duties are terminated, including by dismissal, a request for them to resign or their non-reappointment (specifically excluding dismissal for gross misconduct);

or

- in the event of a change in control (where a change in control is defined as any changes in the Company's ownership status arising from any merger, restructuring, disposal, public tender or exchange offer, subsequent to which a shareholder, be it a legal entity or natural person, acting alone or in concert, directly or indirectly, comes into possession of a proportion of the Company's share capital or voting rights that gives it effective control thereof) or in the Company's strategy initiated by the Board of Directors or the relevant corporate officer.

Arrangements:
This agreement did not have any financial impact in the financial year now ended.

Paris and Neuilly-sur-Seine, 10 May 2017

The Statutory Auditors

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

CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT

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.

Given its increasingly rapid expansion in Europe and internationally, the Group continuously strives to improve its leading position in the care sector and each year continues its efforts to roll out a consistent overall Group policy in all countries where it operates.

This approach is also reflected in the information provided below, as the Group has made a deliberate choice of analysing the Human Resources policy at Group level rather than just regional level as before.

4.1 EMPLOYEE INFORMATION

The Group's success depends first and foremost on the performance and efforts of all its employees. Their involvement is a key factor. The Group has therefore developed a proactive employee policy through its Human Resources Department.

The Group has built up a broad international presence in the space of just a few years and has therefore developed a human resources policy that aims to maximise efficiency and adapt to constantly changing challenges. Priority is thus given to improving and upgrading facilities in an evolving environment. 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;
- promote a common culture based on exchange and dialogue so as to practise the values the Group preaches;
- improve structural efficiency in a changing and increasingly constrained environment;
- enable employees to thrive in a professional environment suited to them.

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 49,185 employees working in its care facilities and home care services at the end of 2016, almost 5,500 more than at the end of 2015. This increase is partly attributable to the opening of new facilities and partly to the acquisitions made by the Group in 2016.

As a result, there are now as many employees in the Group's international operations as there are in France, which has prompted the Group to think about the more global approach to human resources it needs to adopt in future years.

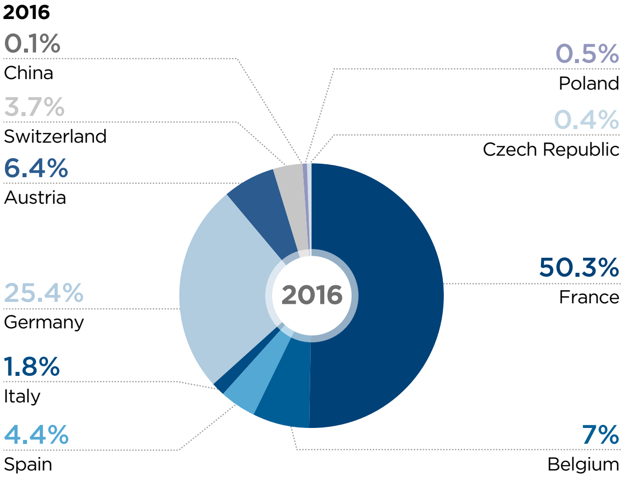
BREAKDOWN OF EMPLOYEES AND JOB STABILITY

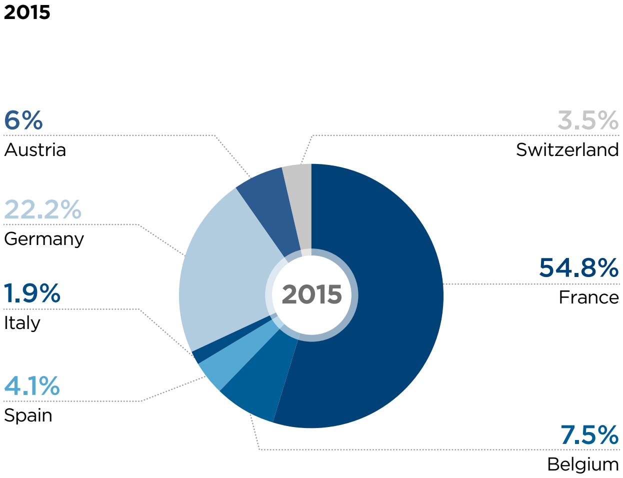
Breakdown of employees by country and type of employment contract

	Group	France	International	Belgium	Spain	Italy	Germany	Austria	Switzerland	China	Poland	Czech Republic
Employees*	49,185	24,737	24,448	3,467	2,154	866	12,484	3,163	1,802	62	244	206
% permanent contracts	81%	85%	77%	82%	77%	73%	76%	N/A	N/A	13%	30%	29%
% temporary contracts	19%	15%	23%	18%	23%	27%	24%	N/A	N/A	87%	70%	71%
% full-time	63%	79%	47%	50%	88%	79%	38%	45%	36%	98%	93%	67%
% part-time	37%	21%	53%	50%	12%	21%	62%	55%	64%	2%	7%	33%
% managers	N/A	11%	N/A	N/A	N/A	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	N/A	N/A	N/A

* *Individuals present on all types of contracts at 31/12/2016.*

▸ CHANGE IN THE BREAKDOWN OF EMPLOYEES BY COUNTRY BETWEEN 2015 AND 2016





ORPEA has a consistent policy that aims to give all its staff job stability and security in all its countries of operation.

This policy encourages full-time (generally permanent) contracts in countries where this is the norm.

The percentage of employees working full-time and on permanent contract is 63% and 81% respectively (excluding Senevita and Austria, where there is no distinction between permanent and fixed-term contracts and the figures cannot therefore be included in the permanent contract data).

Fixed-term and other types of employment contract exist but are limited by law to specific cases. This type of contract is more prevalent in the healthcare and personal services sector, which requires 24/7 availability, than in other business sectors. Fixed-term contracts are often used to replace employees on leave of absence, in particular maternity leave (83% of the Group's employees are women), or to make up for unexpected absences. These fixed-term replacements are therefore essential in order to maintain the high quality of care provided to residents and patients. However, although fixed-term contracts are essential, permanent contracts are still the norm.

Furthermore, in some countries and in some professions where there are staff shortages, ORPEA also has to adapt to the very specific demands of some categories of staff that do not want to accept a permanent contract.

However, the prime objective is always to have a stable workforce with job stability.

Use of temporary employees is marginal and restricted to exceptional one-off needs, mainly due to emergencies, to ensure continuity of care with nursing staff, for instance.

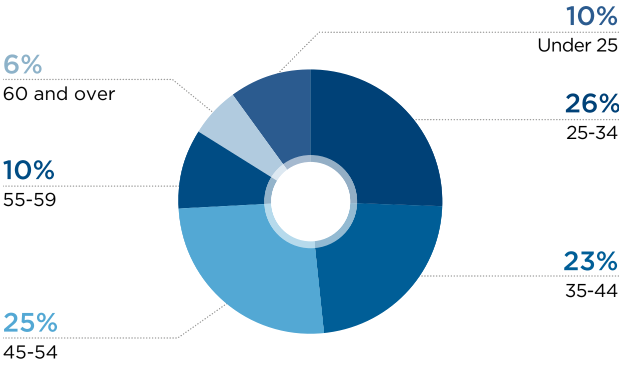
Employees of all age groups are represented in virtually every country in which the Group operates. This ensures diversity of profiles and promotes the sharing of experiences, two aspects dear to the Group.

Furthermore, the breakdown of employees by age group was perfectly stable between 2015 and 2016. There were some slight changes year-on-year within various countries, but the breakdown remains consistent at Group level. Employees aged under 25 represented 10% of the total workforce in 2016, unchanged from the previous year. Employees aged 25 to 44 represented about 50% in all countries except Poland and China, where the proportion is much higher. However, as these two countries only joined the Group in 2016, comparisons are not possible. In addition, for these countries, the statistics can only be taken into account in the light of the workforce and the percentages are therefore less representative. Employees aged 45 to 59 represented 36% of the total in 2016, unchanged from 2015, and those aged over 60 represented 6% of the total in both 2015 and 2016, up from 5% in 2014.

Breakdown of employees by age bracket

	Group	France	International	Belgium	Spain	Italy	Germany	Austria	Switzerland	China	Poland	Czech Republic
Under 25	10%	9%	10%	10%	8%	5%	10%	8%	16%	11%	0%	16%
25 to 34	26%	29%	24%	30%	24%	18%	21%	24%	24%	40%	32%	26%
35 to 44	23%	23%	22%	28%	25%	28%	18%	25%	21%	35%	30%	21%
45 to 54	25%	24%	27%	22%	28%	33%	27%	33%	23%	13%	26%	26%
55 to 59	10%	10%	11%	7%	10%	11%	13%	9%	10%	0%	9%	6%
60 and over	6%	5%	6%	3%	5%	5%	9%	1%	6%	0%	2%	5%

▸ 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 locally-based and by definition, therefore, non-offshorable jobs each year.

Together, job creations and renewals related to attrition allowed the Group to recruit a total of 8,472 permanent staff in 2016, up from 7,098 in 2015 and 6,035 in 2014.

Furthermore, these figures do not include recruitments in Austria and Switzerland, which cannot be provided accurately for local legislative and reporting reasons.

Some countries have seen significant growth in their workforce. In Belgium, for example, the construction of many new facilities in 2016 enabled the Group to recruit some one hundred more permanent employees than in 2015 (563 recruitments in 2015), thereby contributing to local employment growth.

The same is true in China, where the Group recruited some sixty employees at the end of 2015 prior to opening its first facility.

	Group	France	International	Belgium	Spain	Italy	Germany	China	Poland	Czech Republic
Recruitment of permanent employees*	8,472	4,848	3,624	670	397	27	2,493	1	9	27

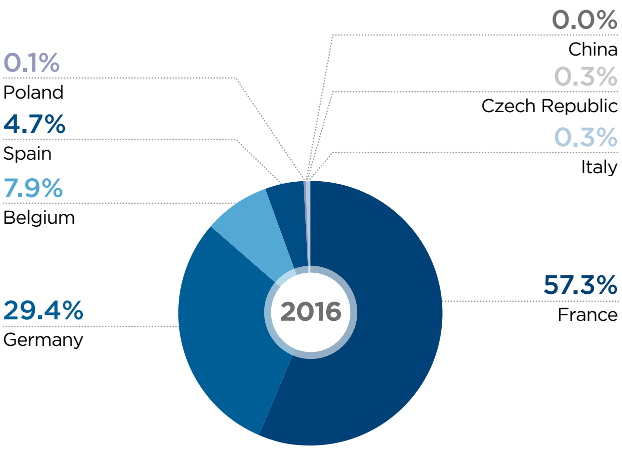
* *New employees hired on permanent contracts in the year. Changes from fixed-term to permanent contracts are not traceable in France, Belgium and Spain.*

An analysis of figures for the last few years reveals the Group's aim of expanding internationally.

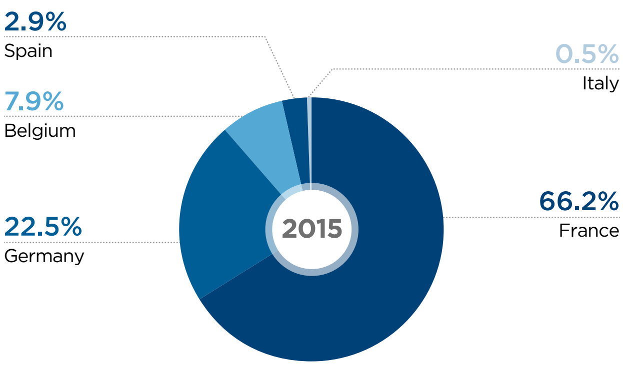
Between 2014 and 2015, the proportion of employees hired outside France rose from 9% (545 new employees in 2014) to 33% (2,014 new employees in 2015). In 2016, following ORPEA's strong international growth, this proportion rose to 43%.

▸ CHANGE IN PERMANENT CONTRACT RECRUITMENTS BY COUNTRY BETWEEN 2015 AND 2016

2016



2015



With just over 9,000 beds under construction or redevelopment, ORPEA also contributes to maintaining thousands of construction jobs.

The vast majority of vacant positions available in the Group are for permanent contracts in the medical, care, accommodation/catering and administrative services businesses.

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, requiring listening skills, availability, respect and trust;
- hospitality, friendliness and good humour, which make facilities into real living spaces, open to the outside, conducive to the development of social relationships.

At the same time, to motivate promising profiles, ORPEA has expanded its special partnership with ESCP Europe beyond the training provided to the Group's managers.

It is essential for the Group to create a pool of young professionals willing to make a commitment and lead its staff in order to succeed in its international expansion.

This partnership enables ORPEA to present and promote its business and career prospects to final year undergraduates or students preparing professional master's degrees, at conferences, business forums and recruitment meetings. Such events are organised throughout the Group in response to local needs and realities.

The Group is very keen to encourage and attract young people to careers in health and care and therefore holds many events such as career forums and business open days.

In terms of contract terminations, dismissals are essentially of an individual nature and are usually due to professional misconduct, and notably suspicion of mistreatment, an issue on which the Group has a zero tolerance policy.

	Group	France	International	Germany	Belgium	Spain	Italy	China	Poland	Czech Republic
Dismissals of permanent employees*	2,262	1,173	1,089	955	58	57	19	0	0	0

* *Termination of permanent contracts due to dismissals in the year.*
Figures for Austria and Switzerland are not included due to the lack of 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 2016, the Group's gross payroll was as follows:

Group	€1,241,603,438
France	€617,571,254
International	€624,032,184
Belgium	€118,084,407
Spain	€31,976,880
Italy	€15,194,624
Switzerland*	€108,220,157
Austria	€114,129,192
Germany	€228,898,663
China*	€1,142,865
Poland*	€4,515,809
Czech Republic*	€1,869,584

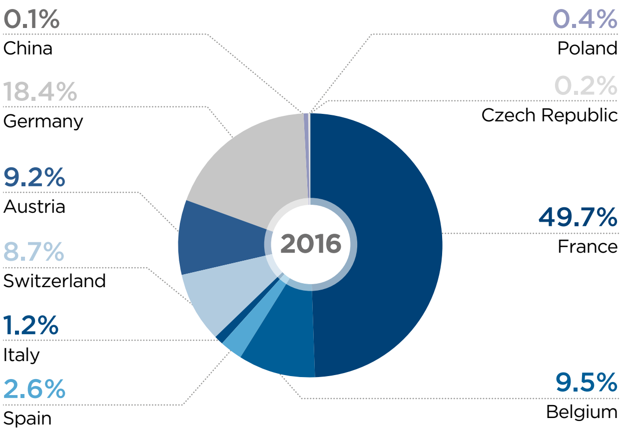
* *Based on the following exchange rates: €1 = CHF 1.07191, CNY 7.4414, PLN 4.27016 and CZK 27.0221.*

In 2016, the gross payroll rose to €1,241,603,438 from €1,095,818,930 in 2015.

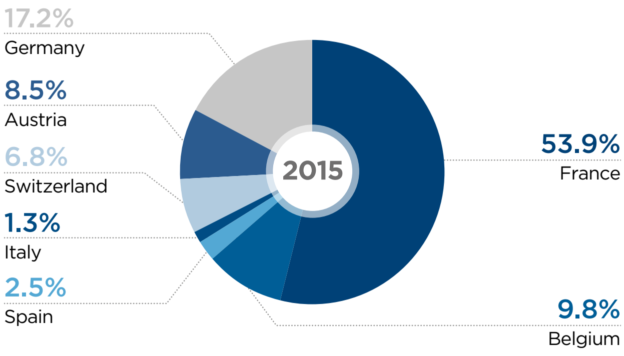
In line with growth in the workforce due to strong international expansion, the breakdown of payroll between France and international is also converging.

▶ **CHANGE IN PAYROLL BY COUNTRY BETWEEN 2015 AND 2016**

2016



2015



CAREER MANAGEMENT: CORNERSTONE OF THE GROUP'S SOCIAL POLICY

Identifying talented people, retaining them and offering them specific training are the cornerstones of a proactive policy introduced very early on by the ORPEA Group to capitalise on and promote professional expertise and human qualities.

The Group uses the skills models it has developed to enrich its training programmes, perfect its appraisal processes, round out its integration programmes and adapt its job profiles.

Furthermore, ORPEA considers the real values and skills of its staff to be more important than formal qualifications. Many of its managers have been 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 and practises 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 simply to another environment.

Opportunities for exchange between professionals are also highly appreciated by the Group's staff, such as panels of psychiatric experts attending cookery contests run by well-known professionals. These activities not only give the Group's staff the opportunity to demonstrate their skills but also contribute to their pride in belonging to the Group. They also give the Group a grass-roots view of its job specialisations.

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 for local regulatory constraints.

Accordingly, apart from complying with legal and contractual requirements (the contractual working week within the Group is generally between 35 and 40 hours), shift work is the norm across the Group as it caters better 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 or patients;
- 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 2016 were as follows:

- France: 3,133,284 hours;
- Belgium: 590,890 hours;
- Italy: 73,100 hours;
- Spain: 55,678 days;

- Austria: 48,551 days;
- Switzerland: 12,318 days;
- Czech Republic: 1,433 days;
- Poland: 5,901 days;
- Germany: 386,877 days;
- China: 82.5 days.

It is difficult to draw comparisons between 2015 and 2016 due to growth in the workforce, the integration of new countries and adjustments to working time arrangements.

For example, the 2016 data for France include absenteeism in the Domidom and Adhap subsidiaries, leading to an automatic increase. On a like-for-like basis, absenteeism remained more or less stable at 2,890,133 hours in 2016 compared with 2,704,065 hours in 2015.

The same is true of Switzerland, where even though the 2016 figures include absenteeism in its post-acute and rehabilitation care facilities, absenteeism declined slightly from 12,993 days in 2015 to 12,318 in 2016.

There was a sharp increase in absenteeism in Belgium, but this was entirely due to the alignment of the local definition (which only included paid absences) to the Group's definition (which includes all types of absence).

In all cases, employees are the main consideration in the Group's approach to working time organisation and the social partners are involved where necessary. ORPEA's priority is to promote the benefits of a shift work system and implement it in harmony with normal work and rest time under local regulations. Shift work contributes to the well being of employees and thus helps to reduce absenteeism.

For this reason, the Group is also experimenting in cooperation with willing employees to seek an internal solution to the difficulties in finding emergency replacements.

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 representative bodies in France: Union delegates, Works Councils and Health & Safety Committees. Union delegates also meet during annual negotiations covering 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 sound running of the Company depends in large part on effective and constructive employee relations for all.

The employee representative bodies were renewed in Belgium in 2016.

COMPANY AGREEMENTS

Collective agreements, adapted as necessary to local social dialogue and regulations, apply in the following areas:

- work-life balance;
- leave and making time up;
- reducing difficult working conditions;
- incentives, bonuses and profit-sharing;
- healthcare and disability;
- promoting the inclusion of target groups such as people with disabilities and older 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 working conditions in practical ways.

Priority is given to reducing workplace accidents and work-related musculo-skeletal 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.

Either at its own initiative or in cooperation with the employee representative bodies, the Group takes 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 on a local level;
- 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 the Group's continuous efforts to prevent occupational hazards, the common objective shared by everyone 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 the resulting action plans, aim to bring facilities, tools (protective equipment, training) and working methods 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 provide its employees with a working environment conducive to well-being; staff rooms are more spacious, comfortable and well equipped; buildings are designed to let in as much light as possible with windows at eye level and 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 and stress; these issues are a priority in all countries.

STATISTICS ON WORKPLACE ACCIDENTS

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.

The number of workplace accidents and occupational illnesses is a crucial HR indicator that must be kept as low as possible.

The frequency and severity of workplace accidents as defined by the INRS (French National Institute for Research and Safety for the Prevention of Workplace Accidents and Illnesses) cannot be measured uniformly in all countries where the Group operates.

The Group has therefore decided to introduce a single indicator for its international operations, based on the same definition of severity and frequency, in order to monitor workplace accidents on an overall Group level.

	International	Belgium	Spain	Italy	China	Poland	Germany	Switzerland	Austria	Czech Republic
Frequency	16.11	16.26	32.47	29.11	10.41	17.10	14.80	13.28	3.14	8.83
Severity	0.39	0.38	0.82	0.62	0.23	0.42	0.34	0.37	0.15	0.15

However, the very definition of a workplace accident, its reporting and the conditions for it to be recognised as such depend on national legislation.

In addition, the significant variances between countries may also be due to initial teething troubles in adopting the new Group indicator, which has its own definition and different rules. In Spain, for example, workplace accidents are treated very differently from sick leave and the number of accidents reported will therefore be much higher than in other countries. Although there has been an increase in the number of accidents in Spain, due in large part to growth in the workforce, conversely there was a decrease in the number of days sick leave in 2016 compared with 2015. In Austria, outsourcing of the kitchen functions (and the related staff) also had an impact on the frequency rate, as did the lack of consolidated data in previous years.

As these new indicators were only introduced in 2016 for the first time, it is not possible to compare them with previous years or draw a conclusion from the initial year data.

Furthermore, as the countries get used to using the new indicators, there could be some changes in future years.

Lastly, France does not have the technical capability to switch to the new definition used for the international operations this year.

As in previous years, therefore, the calculation is based on hours worked, not hours paid as is the case in other countries, and hours worked by managerial staff whose working time is based on a set number of working days per year are not included in the calculation. These factors also have the effect of artificially inflating frequency and severity rates.

Consequently, the headline frequency and severity rates reported for France in 2016 are higher but are not comparable.

	France
Frequency	59.28
Severity	1.99

This is all the more true in that, for the first time this year and with a view to taking a global approach, the French rates include the Domidom and Adhap scope. On a like-for-like basis, therefore, the French frequency and severity rates remained more or less stable.

As regard occupational illnesses, it is not as yet possible to envisage an overall Group indicator, as this would require a common basis for recognition for the indicator to be monitored effectively and consistently.

But local legislation on the recognition of occupational diseases and disorders varies significantly from country to country. Each country therefore has its own definition of the various disorders (whether or not listed) and its own rules for establishing cause and effect and for determining whether the disorder should be recognised as an illness or a workplace accident.

However, musculo-skeletal disorders, which are now considered to be the most prevalent form of occupational illness in the developed countries, are a main focus of attention in the prevention policies implemented by the ORPEA Group. In addition to being disabling or painful for the affected employees, these disorders are a source of difficulty for the Group as they lead to disruptions in work organisation and thus the smooth running and quality of work within its facilities.

The Group therefore takes action to combat these disorders on several different levels, which has a positive effect on reducing absenteeism and staff turnover.

Bearing in mind that these disorders are largely caused by repetitive strain, employees are taught to limit repetitive movements as far as they can and to handle and lift heavy weights properly, not only through training but also by providing proper equipment (baths, beds, ceiling rails, etc.).

Secondly, from an organisational point of view, which is also a recognised cause of these disorders, the Group informs, trains and makes employees aware of “risky” positions and their potential effects, and makes sure that shifts are organised in such a way as to ensure a proper balance between work and break time.

This approach is taken in all countries where the Group operates, in cooperation with the occupational physician where there is one, and guidelines are made available to the existing employee representative bodies, in particular the Health & Safety Committee, as well as the prevention advisers, doctors and training departments.

In this area, as in many others, the Group strives to take a responsible approach and remain attentive to everyone’s needs. It is extremely important to engage in dialogue with employees in this field in order to identify areas for improvement.

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 Emergency Intervention Unit” consisting of qualified psychologists with specific training in institutional trauma. The unit began operating in France and, more recently, expanded into Belgium and Switzerland.

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 2016, 26 interventions took place, restoring a feeling of security or serenity among staff, and 246 people in France, Belgium and Switzerland sought to benefit from the support (individual and group) of the psychological unit.

Fewer than 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 staff 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 aims to provide a living environment that promotes the daily well-being of residents and patients.

Developing, acquiring and consolidating professional skills guarantee the Company's success. The training provided for employees continues to expand so as to meet the various challenges in the sector.

The Group has an ambitious staff development policy that aims to enable all employees to always be at 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, shared goals.

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

The widest possible range of training is therefore offered (for example, training programmes for targeted groups of employees, training in prevention, psychosocial risk, employee inclusion, disability, etc.).

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 ORPEA to create a pool of young professionals willing to make a commitment and take on a managerial role.

Breakdown of employee training hours in 2016:

	Group	France	International	Belgium	Italy	Spain	Austria	Switzerland	China	Poland	Czech Republic
Number of hours of training	413,392	280,905	132,487	38,347	11,767	26,639	47,690	2,887	1,904	502	2,750

In 2016, the Group's training momentum was extremely dynamic. The integration of new countries obviously significantly increased the number of hours training provided (368,839 hours in 2015 *versus* 413,392 in 2016), but, more importantly, on a like-for-like basis, the increase was almost 10% (403,413 hours in 2016 on the same scope), proof of the importance of training in the Group's HR policy.

Furthermore, although for technical reasons Germany was unable to provide full consolidated data for 2016, each Celenus and Senevita facility invests the time required to provide their staff with support through specific training courses.

ORPEA Germany only began to compile consolidated data during 2016, and more than 50,000 hours of training were provided.

The popularity of these training courses illustrates the ORPEA Group's success in meeting the needs and aspirations of its employees both in terms of professional training and personal fulfilment at work. This bears out the policy described below and the Group is therefore particularly keen to deploy it internationally.

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. 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 2016, as 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 continued in 2016, with a particular focus on regulatory changes brought about by new legislation.

PARTNERSHIPS WITH SCHOOLS TO PROMOTE JOBS IN THE SERVICES FOR THE ELDERLY INDUSTRY

Domea, the carer training institute set up by the Group in 2005 (IFAS approved by prefectural order), reflects the Group's historical commitment to providing its employees with the means to obtain qualifications and with lifelong learning opportunities. In addition to individual support, Domea can accommodate young apprentices in classes 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 Group is also very aware of the importance of making its business sector more attractive. It continues to forge partnerships with educational organisations to provide training in care and nursing, adapted as necessary to local needs and realities, and with business schools.

The training provided by the Group, whether specific training to improve expertise, training leading to formal qualifications or training designed to improve working conditions, must not only be high quality, it must also and above all be of practical use in all the Group's business operations.

The Group has therefore developed university diplomas in partnership with French universities to enrich the skills of its employees.

The university diploma in Care Facility Management awarded by the University of Nice is designed to improve the managerial skills of its facility directors and is a good example of the Group's ambition of implementing an overall, international approach to its training policy.

In the final quarter of 2016, the Group wanted to give all countries the opportunity to benefit from the existing partnership by giving them access to a recognised syllabus but tailored to their own specific local requirements.

ESCP Europe continues to host the *"Cadrélan Stratégique"* programme, which enables Group employees to hone their managerial skills in a privileged environment. The 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 the Paracelsus Medizinische Privatuniversität (PMU) in Salzburg and with other recognised training organisations such as the Donau Universität Krems. The SeneCura Academy was officially opened in May 2016 and will enable the Group to offer its employees training courses recognised by the Austrian government. All employees will therefore benefit from an individual lifelong learning programme and training leading to a diploma in nursing sciences. 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 AS A WAY TO IMPROVE WORKING CONDITIONS

ORPEA strives to provide training courses, whether in care practice or in well-being in the workplace, that will lead to continuous progress in working conditions for everyone and at all levels.

Lifting, ergonomics, hygiene and dealing with pain are all subjects covered by the training policy. They enable all employees to learn best practices in their profession and environment in the best possible conditions.

Facility directors and team leaders also receive training to optimise their management role. 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 staff (for example appraisal interviews, stress management, delegation of skills, leading meetings, risk prevention, and conflict management).

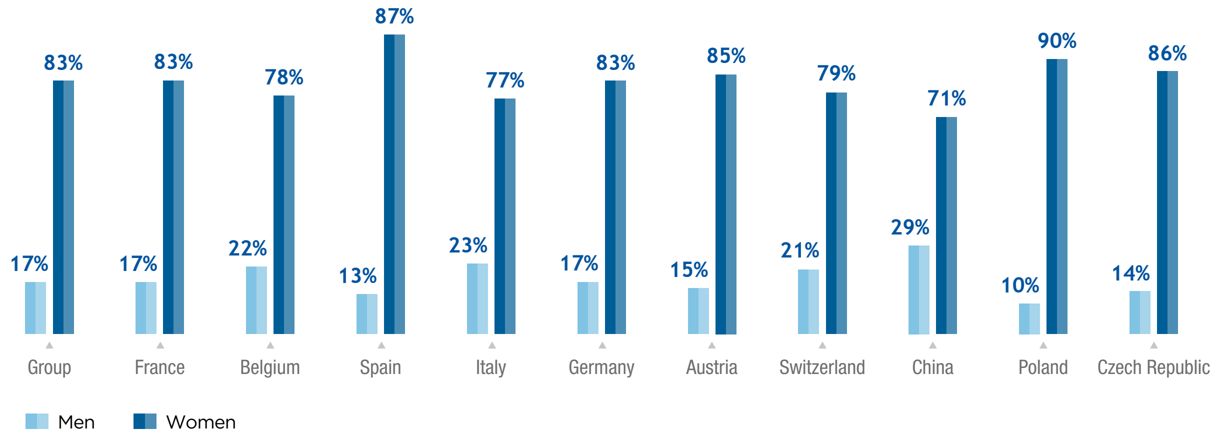
The countries are also encouraged to develop specific training according to local needs. For example, Belgium has introduced a "living and working together" course at the request of its staff and in cooperation with the staff representative bodies. The purpose of this training is to strengthen team spirit and mutual support within its facilities, and to develop understanding and respect between the different job and employee categories. These topics are very important to the ORPEA Group and the training provided is highly popular among all staff.

The purpose of this proactive approach and quest to diversify the training on offer is to use all these initiatives throughout the Group by successfully adapting them to local needs.

4.1.6 EQUAL OPPORTUNITIES POLICY

As the Group develops, it has become clear that the business sector itself has a determining influence on the gender breakdown, regardless of country.

	Group	France	International	Belgium	Spain	Italy	Germany	Austria	Switzerland	China	Poland	Czech Republic
% Men	17%	17%	17%	22%	13%	23%	17%	15%	21%	29%	10%	14%
% Women	83%	83%	83%	78%	87%	77%	83%	85%	79%	71%	90%	86%



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, the ORPEA Group had 585 employees with disabilities on a like-for-like basis, compared with 502 in 2015.

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 social 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 Group 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 hazardous 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 consumption (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 minimise 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) and conducted energy audits in 2016.

In the Polish subsidiary, energy audits are scheduled for the fourth quarter of 2017.

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.

ORPEA now requires all its Business Units to monitor their water and energy consumption accurately, and to implement a policy designed to reduce their environmental impact (identifying the most energy hungry and the most energy efficient facilities, determining best practices, raising employee awareness about ecological behaviour, etc.).

The aim is to teach everyone to respect the environment through simple everyday gestures, and to adopt eco-responsible behaviour.

Spain is examining ways in which it can reduce its water and energy consumption, in particular in certain services such as in-house laundries.

Belgium has installed sensors on all meters in three pilot facilities to obtain real-time data on consumption peaks and to rapidly identify excess consumption. A series of mini-training courses on eco-behaviour is currently being prepared.

Italy is systematically introducing waste sorting and has also launched a campaign to replace conventional lighting with LED bulbs. The Verdello facility is using photovoltaic energy to cover part of its consumption.

The ORPEA Group has not set aside any provisions for environmental risks.

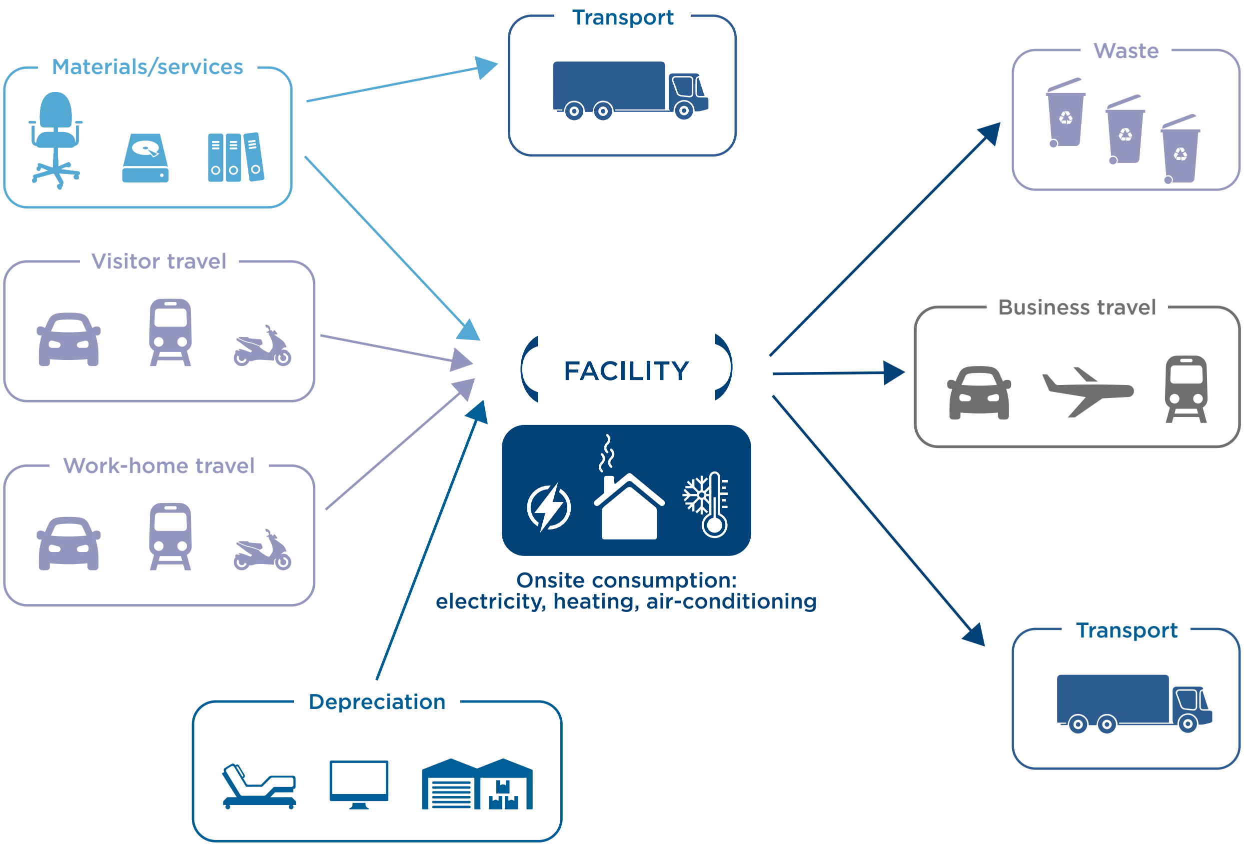
4.2.2 CLIMATE CHANGE

GREENHOUSE GAS EMISSIONS

At the end of 2015, ORPEA performed a carbon assessment of 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.

At facility level, the operational scope encompasses all sources of greenhouse gas emissions caused by its business operations. These sources are shown in the diagram below and include all greenhouse gas emissions generated directly or indirectly in upstream or downstream business processes.



CO_2 EMISSIONS FROM ENERGY CONSUMPTION IN 2016

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).

2016 data	Unit	Total	France	Italy	Spain	Belgium	Switzerland	Germany	Czech Republic	Poland	China	Austria
Scope 1* (fuel oil, gas, district heating, wood)	Tonnes of CO_2	88,415.6	40,349.1	2,700.5	3,988.6	9,477.4	2,442.7	21,502.1	16,2	729,5	331,0	6,878.5
Scope 2**	Tonnes of CO_2	44,182.5	11,905.5	2,482.0	3,939.0	3,906.5	246,7	15,954.8	716,2	740,5	1,387.5	2,903.8
TOTAL	**TONNES OF CO_2**	**132,598.1**	**52,254.6**	**5,182.5**	**7,927.6**	**13,383.9**	**2,689.4**	**37,456.9**	**732,4**	**1,470.0**	**1,718.5**	**9,782.3**

* *Scope 1: direct emissions (fuel oil, gas, wood, district heating).*
** *Scope 2: indirect emissions (electricity production).*

Regardless of the type of fuel used for heating and regardless of BU, the CO_2 emission factor used is that for gas in Europe, i.e. 0.244 kg of CO_2 per kWh.

CHANGE IN CO_2 EMISSIONS

	Unit	Total 2016*	Total 2015**	% change 2016/2015
Scope 1	Tonnes of CO_2	88,415.6	54,106.0	63
Scope 2	Tonnes of CO_2	44,182.5	38,722.0	14
TOTAL	**TONNES OF CO_2**	**132,598.1**	**92,828.0**	**43**

* *2016 scope: 10 countries (France, Italy, Spain, Belgium, Switzerland, Germany, Czech Republic, Poland, China and Austria).*
** *2015 scope: 7 countries (France, Italy, Spain, Belgium, Switzerland, Germany and Austria).*

The energy efficiency of buildings is the most important area of focus for the ORPEA Group in its sustainable development approach.

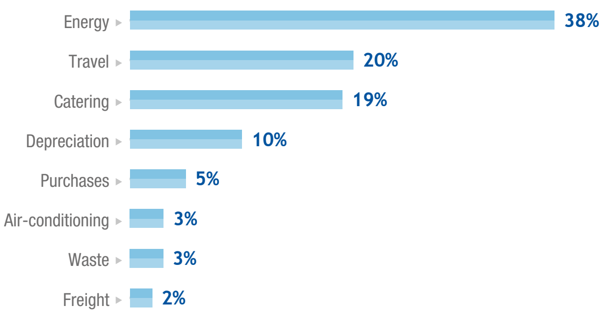
ORPEA has already committed to a strategy of reducing future CO_2 emissions at its facilities, thereby contributing to the fight against climate change, both for new buildings under construction (renewable energy, eco-design and eco-management) and for existing facilities with the ongoing measures set out in its multi-year plan.

OTHER INDIRECT EMISSIONS

The ORPEA Group's carbon assessment revealed that the largest source of emissions (38%) is energy consumption in the facilities (electricity and heating).

In keeping with its service and accommodation business, the next two largest sources are:

- travel (20%), whether employees (home/work/home) or patients and/or visitors;
- catering (19%), for food production.



ORPEA therefore 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.

In 2016, all the Business Units used videoconferencing wherever possible, which contributed significantly to reducing staff travel.

The vehicle fleet was optimised in all countries by preferring models with lower CO_2 emissions.

In addition, to combat greenhouse gas emissions caused by food production, the Group has introduced a food purchasing policy that reduces the number of deliveries by food suppliers (for example, once a week for groceries) and encourages the use of dual-temperature trucks that can carry both frozen and fresh produce.

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.

All facilities have signed an agreement with a nearby hospital or clinic in order to set out the terms of cooperation and in particular the admission of 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 hazardous waste than obstetric medicine and surgery.

In 2016, 579 tonnes of hazardous medical waste was produced in France, compared with 596 tonnes in 2015. The calculation of production is based on quarterly production tables supplied by the service provider. To calculate the weight of hazardous medical waste, a volume/weight conversion table is applied.

Belgium produces 4.8 tonnes of hazardous medical waste.

As the definition of hazardous medical waste is not the same under French and Belgian regulations, nor is the level of medical care required by residents, it is not possible to compare data by country.

All of the Group's facilities comply with local regulations concerning the management of hazardous medical 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

At present, it is not possible to systematically quantify the volume of waste produced as waste is collected primarily by public operators.

However, each facility has introduced a selective sorting policy in line with local municipal rules.

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.

ACTION TO COMBAT FOOD WASTE

The ORPEA Group has a policy for preventing food waste, which arises from two sources:

- food production, *i.e.* producing more food than is required to meet needs. The Group combats this risk by using weight specifications based on diner type (*e.g.* elderly person, person in rehabilitation, adult at work, etc.), which defines the quantities of goods to be ordered from suppliers and the amounts to be taken out of store for preparing meals;
- food consumption, *i.e.* serving portions that are too big for the needs of diners. The Group combats this risk by monitoring how much is thrown away after meals. Based on that information (and on diner feedback), the Group identifies the least popular recipes and takes them off the menu. It also adapts the portions served, leaving diners the option of having seconds depending on their appetite.

For both of these risks, the Group draws up a daily list of staff present at meals in order to have a more precise idea of the amount of food to be taken out for preparation and the exact number of meals to be served, and also to better prepare the portions of food to be served.

The Group also produces its meals onsite at each facility. In addition to quality of service, this strategic choice allows each facility to better identify its own food needs, both in terms of quantity and quality.

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 consumption in its facilities by optimising the use of resources.

This procedure entails monthly checks and analyses of energy consumption 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.).

In France and Switzerland, ORPEA monitors its meters, and of course its bills, using a consumption-tracking platform. Other Business Units produce a weekly report.

All identified anomalies are dealt with immediately. Each facility has an independent agent responsible for the everyday maintenance and repairs of the building, including water leaks.

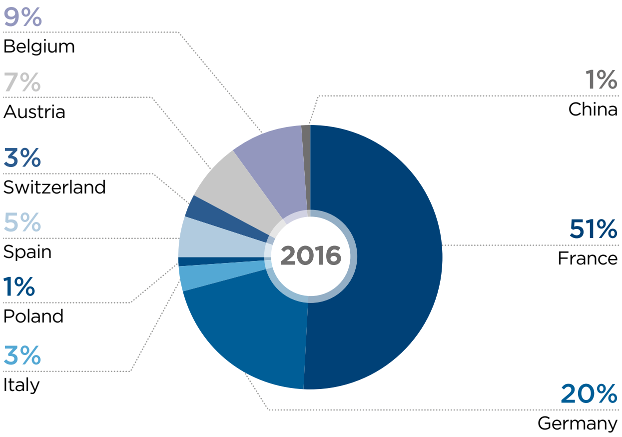
ELECTRICITY AND HEATING CONSUMPTION AND MANAGEMENT

	Total	France	Italy	Spain	Belgium	Switzerland	Germany	Czech Republic	Poland	China	Austria
2016 data	**Consump-tion**	**Consump-tion**	**Consump-tion**	**Consump-tion**	**Consump-tion**	**Consump-tion**	**Consump-tion**	**Consump-tion**	**Consump-tion**	**Consump-tion**	**Consump-tion**
Electricity *(in MWh)*	254,002.3	150,511.4	6,113.2	16,550.4	17,761.2	9,036.0	34,609.2	1,215.9	948.2	1,811.3	15,445.8
District heating *(in MWh)*	362,358.6	165,365.2	11,067.7	16,346.9	38,841.8	10,011.0	88,123.2	66.4	2,989.6	1,356.7	28,190.5
TOTAL	**616,360.9**	**315,876.6**	**17,180.9**	**32,897.3**	**56,603.0**	**19,047.0**	**122,732.4**	**1,282.3**	**3,937.8**	**3,168.0**	**43,636.3**

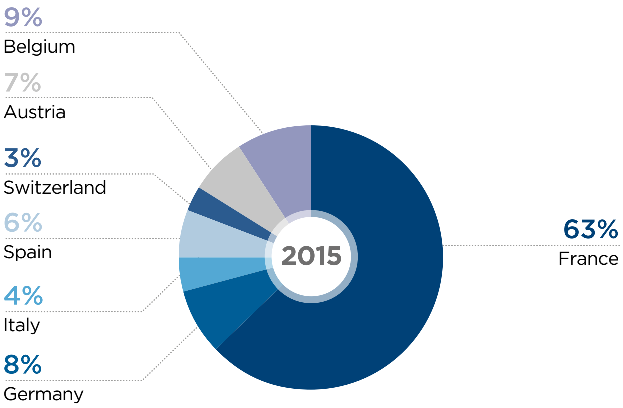
The types of energy used for heating are town gas, propane, fuel oil, wood and district heating.

▶ CHANGE IN BREAKDOWN OF TOTAL ENERGY CONSUMPTION BY COUNTRY

2016



2015



ORPEA wants to reduce the energy consumption of its buildings as much as possible, by installing 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 2015, energy consumption amounted to 474,113 MWh across seven countries (France, Italy, Spain, Belgium, Germany, Austria and Switzerland), compared with 616,361 MWh in 2016 across ten countries (France, Italy, Spain, Belgium, Germany, Austria, Czech Republic, Poland, China and Switzerland).

WATER CONSUMPTION AND MANAGEMENT

	Total	France	Italy	Spain	Belgium	Switzerland	Germany	Czech Republic	Poland	China	Austria
2016 data	**Consump-tion**	**Consump-tion**	**Consump-tion**	**Consump-tion**	**Consump-tion**	**Consump-tion**	**Consump-tion**	**Consump-tion**	**Consump-tion**	**Consump-tion**	**Consump-tion**
Water *(in cubic metres)*	3,445,390	1,743,404	94,402	260,624	240,520	159,990	679,542	4,981	17,175	10,126	234,626

In 2015, total water consumption amounted to 2,974,811 m^3 across seven countries (France, Italy, Spain, Belgium, Germany, Austria and Switzerland).

To reduce its water consumption, the ORPEA Group installed aerators in all its French facilities in 2014 and in its Belgian facilities in 2015. It plans to similarly equip its facilities in the other countries as of 2017.

In France and Belgium where aerators have already been installed, there was a 7% and 5% reduction respectively in water consumption in 2016, *versus* 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.

Staff as well as residents and 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 that 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).

For example:

- for all new buildings, a building management system is implemented to programme and centralise the heating and cooling of the premises;
- in Italy, all new buildings are designed to be classified as low energy consumption;
- in Switzerland, all new facilities meet the requirements for the Minergie label;
- in Belgium, an environmental approach is taken for all new construction (external insulation, dual-flow ventilation, aerators, etc.).

Lastly, before purchasing land, ORPEA ensures that the soil is not contaminated and, if necessary, carries out soil remediation.

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 GROWTH

Contribution to local economic life through employment

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, accommodation & catering, social activities organisation and administrative services.

Moreover, with more than 9,000 beds under construction or redevelopment throughout Europe, ORPEA also 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.

A local recruitment policy encouraging partnerships with schools and training institutes

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 332 educational institutions that received the apprenticeship tax in 2016).

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:

- **the intake 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 2016 in France, ORPEA continued its policy of partnering with training institutions by funding a chair at Toulouse Business School and also signed a partnership with the *InterSyndicat National des Internes en Médecine* with a view to raising the profile of the Group's facilities and attracting future doctors for internships as well as locum and salaried positions. In Switzerland, Senevita's facilities partner the *"Fachfrau Gesundheit"* training provided by Oda Gesundheit Bern to raise their profile among young healthcare trainees. In Spain, ORPEA Ibérica provides training courses in geriatric practices for medical students at the CEU San Pablo University. In Germany, the Group's psychiatric facilities have forged a partnership with the psychology training institutes to provide courses and train future professionals;

- **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.**

  For example, in France a partnership has been forged with ESCP Europe and INSEEC to provide a specific management training programme leading to a recognised diploma.

  In addition, through a partnership with the University of Nice, new facility Directors completing the induction course are awarded an international university diploma in "Care Facility Management". Launched in France in 2016, this management programme is now being deployed in all countries where ORPEA operates. The theory courses are being adapted to the specific needs of each country. Austria and Switzerland have already accepted their first intake. For consistency of training and education, the diploma will always be awarded by the University of Nice, in partnership with local universities depending on the country.

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.

As part of this recruitment model, CLINEA in France has signed a partnership with *Défense Mobilité*, an organisation that helps former military personnel and their spouses retrain for a new career after they leave the armed forces.

ORPEA also promotes the inclusion and employment of people with disabilities.

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 continuity of care and offer coordinated care at every stage of dependency.

For example, in France all post-acute and rehabilitation care facilities that have specialised beds for geriatric care belong to the geriatric networks in their region. For example, in the Finistère department of Brittany, the Group's post-acute and rehabilitation care facilities and its psychiatric care facility (which has a geriatric psychiatric service) belong to the Ouest Cornouaille geriatric network alongside the general hospitals and a non-profit public hospital.

In Spain, ORPEA Ibérica works regularly with various teaching hospitals not only to ensure continuity of care and to coordinate the intervention of specialists within the nursing homes but also to train staff (Puerta de Hierro, 12 d'Octubre, Getafe, Jimenez Diaz Foundation, Henares and Infanta Sofia). Specific cooperation agreements have also been implemented with the Emergency Service and specialised services at the "Principe de Asturias (Alcalá de Henares)" teaching hospital.

In the Tyrol region of Austria, SeneCura is an active member of the Integrated Social and Health Network.

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 Belgium, the Group's facilities have organised various events to raise funds for the Comequi association, which campaigns for economic growth in the Minova region of Congo. The actions supported by ORPEA Belgium more specifically involve the fight against poverty and isolation of elderly people, in order to improve their quality of life.

In Austria, the SeneCura facilities supported the Konferenz St Vinzenz community in 2016 in its efforts to assist families in need.

In France, the facilities in the Rhône-Alpes region organised a "Celebrating Christmas together" campaign, providing a Christmas Eve meal for isolated elderly people.

In Spain, ORPEA employees took part in outreach sporting initiatives in 2016, which also served as opportunities to strengthen team cohesion: IV° carrera popular en marcha por la salud de Sevilla (14 February 2016), II° carrera solidaria médula para Mateo (28 February 2016), X° carrera solidaria Alcobendas Gran Ciudad (15 May 2016). In parallel, several ORPEA Ibérica facilities supported HelpAge International, an association that aims to promote the well-being and social inclusion of the elderly.

In the Île-de-France region, all the Group facilities supported the "Imagine for Margo" association, which raises funds to finance new therapeutic programmes for children with cancer. Throughout the year, hundreds of events were organised at the care facilities in the region, raising a total of almost €130,000, and more than 500 employees took part in the "Children without cancer" run organised by the association. As this partnership proved so popular with employees, it has been renewed in 2017.

In Germany, staff at Celenus Kliniken facilities also took part in a run in 2016 to raise funds for children with cancer.

In favour of children and intergenerational links

In France, the nursing homes in the Rhône-Alpes region supported the "Maxou pas à pas" association to help the family of a disabled child needing surgery abroad. They raised €7,500 throughout the year from various events such as raffles and exhibition sales.

For the second consecutive year, the Côte d'Azur care facilities contributed to the Adrien Association in Cannes, which provides schooling support for children in hospital, as well as outings and trips. In 2016, various events held raised a total of €9,000.

In the same vein, the La Talaudière facility helped to fund a project run by the Les Blouses Roses association to improve the care of children hospitalised in the Saint-Étienne teaching hospital.

In favour of the environment and the protection of local heritage

Throughout 2016, ORPEA's care homes in Aquitaine, Midi-Pyrénées and Languedoc-Roussillon regions organised many events to raise donations for Les Voies Navigables de France, an association that protects and maintains navigable waterways, which are an important factor in local tourist appeal.

Events included garage sales, raffles, flower markets and themed meals, raising a total of €2,500 for VNF, as well as many awareness-raising campaigns organised by the Group's facilities to promote the preservation of the Canal du Midi.

In favour of medical research

ORPEA also contributes to the development of associations working in the medical research field:

- **neuro-degenerative diseases and dementia**: in Austria, SeneCura's facilities support a research programme run by the Karl Landsteiner Institute; in France, the Group's nursing homes support the local branches of Association France Alzheimer through various events, while the Group supports the national association; in Belgium, ORPEA Belgium supports the Ligue Alzheimer;
- **cancer**, through various community events organised by the Group's facilities raising funds to finance therapeutic programmes: in Switzerland for the Association Hubert Gouin,

in Belgium for the "Les Amis de l'Institut Bordet" association and in France for the "Imagine for Margo" association and the "Ligue contre le cancer";
- **loss of sight**: in Belgium, ORPEA supports the "Ligue Braille".

In Switzerland, Senevita partnered conferences and research conducted by Senesuisse and the Gottlieb Duttweiler Institute (a well-known think tank).

In France, ORPEA is also a committed player in the Telethon. Involvement was once again strong last year: walks and sporting challenges (including at the Group's headquarters), sales of objects, themed meals, exhibitions, shows and raffles were held in facilities to raise money. More than €30,000 was raised 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.

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, 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 drive this momentum forward, ORPEA cemented a partnership in 2015, which continued in 2016, with the Association Française des Aidants, 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 Café network, running health workshops, and providing training on support-related issues.

In this context, ORPEA and the Association Française des Aidants run joint regional initiatives with the support of the Carers Café network and some ORPEA facilities have undertaken to open and run a Carers Café based on the instructions and tools provided by the Association Française des Aidants.

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.

In Italy, a similar initiative has been set up with a training and family carer support programme in Turin.

In Spain, ORPEA Ibérica's care homes have developed various actions to provide carers with information and advice. For example, staff work with the Spanish Alzheimer Foundation (FAE) and each week a nurse fills a spot on "Radio Alzheimer" (web radio) to provide expert information or answer frequently asked questions about Alzheimer's, its development and care. Through a partnership with the Quirón Clinica La Luz clinic in Madrid, weekly chat sessions are offered to family carers with a relative suffering from Alzheimer's or related disorders.

In Poland, still in support of carers, MEDI-system staff organised seven information sessions in 2016 (5 hours of workshops on Saturdays) to provide home carers with advice and practical information about caring for elderly people.

In addition, during the "Seniors' Parade" in Warsaw in the Summer (the key annual event for older people in Poland) and during the International Day of Older Persons in October, MEDI-system organised a "Physiotherapy Town" event during which staff provided advice and ran "ageing well" workshops, including activities such as Nordic walking. These two events also provided an opportunity to promote the training sessions offered to carers throughout the year.

Lastly, to promote healthcare education among the very young, nurses and physiotherapists from the Kijowska Medical centre run two workshops a year for children at the neighbouring junior school to teach them about health and hygiene.

In Germany, Celenus Kliniken regularly organises conferences and open days 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.

In Austria, the Group also actively promotes health through physical activity. SeneCura has equipped its facilities with fitness centres adapted to the needs of its elderly residents in order to improve their muscular strength, endurance, coordination and balance. Under its Fit & Beweglich 77+ (Fit & Flexible 77+) programme, available in 15 of the Group's facilities, nursing home residents and all locals over the age of 77 have free access to its fitness centres and specially trained instructors. This programme was also pilot tested in 2016 with the Paracelse private medical university in Salzburg and was awarded a prize by the Group's Scientific and Ethics Council at the ORPEA Excellence Awards 2016, in the "Caring Innovation" category. This fitness programme is gradual in intensity and monitored by specialised instructors. It also provides physiotherapy and ergotherapy services as well as dietary and nutritional advice. The programme has had positive effects on mobility, nutritional status, physical function, confidence, activities of daily living and autonomy. A source of well-being, it has contributed to building a relationship and encouraging exchange with local people, for whom the fitness centres have become a popular meeting place.

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.

In Germany, Celenus Kliniken's facilities also propose mutual support groups throughout the year for targeted pathologies to support and train patients affected.

In France, some facilities have even had their prevention programmes accredited by the Regional Health Agency as therapeutic patient education programmes; these include La Rochelle and Saint-Raphaël, where the Cardiocéan and La Chenevière facilities teach heart failure patients how to live with their condition, Pau, where classes are given on fall prevention, Douarnenez, which proposes a care, education and rehabilitation programme for chronic pain, and Viry-Châtillon, 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 the psychiatric care field, the Kerfriden facility in Chateaulin proposes a psychoeducation group for patients with bipolar disorder and their families, while the Lyon Lumière facility in Meyzieu offers a therapeutic education programme for patients with recurring or persistent depression or similar disorders.

DEFIBRILLATORS IN THE FRENCH FACILITIES AVAILABLE TO EVERYONE

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 everyone, 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

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;
- technological innovation and technology-aided practices;
- psychosocial innovation;
- professionalism, professional ethics and improvement of professional practices.

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, the main ones in 2016 being:

1/ **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, the "Pain-free residence" *("Schmerzfreies Pflegeheim")* programme, which aims to improve the detection, care and prevention of pain in institutionalised elderly people, particularly those with cognitive impairment. It is based on the OSiA research, a long-term study initiated in 2011 as part of a joint collaboration between the Paracelse faculty of medicine in Salzburg and the SeneCura facilities, which led to the optimisation of pain detection in elderly subjects and prescription of pain killers combined with the training of 300 nurses specialising in algology, in association with the local networks of pharmacists and doctors(1);
- in France, the Lyon-Lumière psychiatric care facility is assessing the potential use of virtual reality software to desensitise patients with driving phobia, in association with Arts & Métiers ParisTech and the University of Savoie.

2/ **Funding doctorates and contributing to the training effort through corporate research:** four new PhD theses in France:

- one in the field of neuroscience devoted to the development and validation of a system for measuring balance in the elderly and the prediction of the risk of fall (Armed Forces Health Department/Pierre & Marie Curie University);
- the second, supervised by the Pierre & Marie Curie University and the nursing sciences research chair at Paris 13 University, is a public health thesis focusing on improving the quality of support in care homes for the elderly and their families;
- lastly, at the initiative of the Group's panel of psychologists and the Psychiatry Division, two clinical psychology theses are currently being prepared at Paris-Descartes University, one devoted to the use of storytelling as a mediation tool with adolescents, and the other on the use of projective methods for the study of the relationship between narcissism and object relations in patients with Alzheimer's.

3/ **Continuing the development of the Association for the Promotion of Psychiatric Care in Facilities (APSPI),** 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 2016 it organised its second scientific symposium open to the public on repetition in institutions. It was attended by more than 400 professionals, 60% of whom were external to the Group, from a variety of backgrounds (public and private organisations, associations, care facilities in France and abroad), representing a broad range of different therapeutic approaches.

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

- 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";
- creation of an induction course and educational programme leading to a university diploma in "Care Facility Management" from the University of Nice;
- creation of a university diploma in Geriatric Rehabilitation in association with the University of Nice;
- creation of a university diploma in Psychiatric Nursing Care in association with the University of Lille;
- hosting of medical interns in some authorised clinics, such as Meyzieu, Argenteuil, Crosne and Andilly for psychiatry, Fréjus and Marseille for medicine, and Callian for cardiology.

GROUP'S ORGANISATION FOR PROMOTING RESEARCH AND INNOVATION

The Group has set up various bodies to support all these projects:

1/ International Scientific and Ethics Council

In 2016 the Group's International Scientific & Ethics Council (ISEC), founded in 2015, strengthened its action.

Chaired by Professor Alain Franco, its membership has been extended with the appointment of Professor Liu Xiao Hong (Peking Union Medical College Hospital), who adds her experience to that of the existing eminent figures in European Geriatrics: Professor Jean Petermans, Head of the Geriatrics department at the Liège teaching hospital (Belgium), Professor Thomas Frühwald, member of the Austrian Federal Bioethics Committee, and Professor José Manuel Ribera Casado from the Spanish Royal Medical Academy.

The ISEC's role is to address issues relating to clinical and relationship ethics, to analyse and evaluate clinical research and caring innovation opportunities to be developed within the Group, and to ensure the consistency of initiatives in education and training.

As part of this role, ISEC organised the second ORPEA Excellence Awards in 2016, which are designed to promote a responsible and pragmatic clinical ethics culture and to encourage everyone to create, innovate, challenge themselves and continuously improve the care they provide. The Awards reward the most deserving clinical ethics approach, scientific research project, and caring innovation project put forward by teams within the Group.

Three of the 24 entries received from eight countries *(see inset)* won awards:

- in the "Clinical ethics" category, the "Ethical Cinema" cycle organised by the Le Moulin de Viry post-acute and rehabilitation care facility (France); each month the facility organises a "Cinema & Ethics" evening comprising a film followed by a debate. Each session is open to patients, their relatives and friends, staff and users, as well as the facility's external partners. A film with an ethics-related theme is shown and followed by a debate led by a member of the facility's Ethics Committee in the presence of a specialist in the chosen theme. Each showing is accompanied by a themed exhibition displayed in the facility throughout the month.

(1) This study was cited twice at the 15th International Association for the Study of Pain congress in Buenos Aires (Argentina), and has also been cited in several international publications, including Schreier MM, Stering U, Pitzer S, Iglseder B, Osterbrink J (2015); Schmerz und Schmerzerfassung in Altenpflegeheimen; Ergebnisse der OSiA-Studie. Schmerz 29: 2013-210.

This project encourages exchange between professionals and users on an equal footing: non-judgemental experience sharing through a work of fiction. It forms part of a continuous improvement approach, as regular surveys are carried out to assess the satisfaction, expectations and wishes of users, professionals and partners;

- in the "Research" category, the study on "Chronic pain and post-traumatic stress disorder" conducted by ORPEA's Magagnosc nursing home (France): this study of five recently institutionalised elderly female subjects suffering from chronic pain verified the hypothesis that chronic pain in elderly institutionalised subjects can be symptomatic of post-traumatic stress disorder. In all five cases, the chronic pain proved to be related to the retriggering of an old trauma or the impact of a recent trauma. In addition, a brief therapeutic protocol diminished both the pain and the state of post-traumatic stress. In conclusion, these results should prompt all care facilities to look for post-traumatic stress upon the admission of elderly people with chronic pain;
- in the "Caring innovation" category, the "Fit & Mobile 77+" physical fitness programme to improve endurance and balance in the elderly, developed in Austria by the SeneCura facilities (see above for a description).

In addition, the jury awarded a special prize to the Group's panel of psychologists for its overall work (see below).

ORPEA EXCELLENCE AWARDS 2016: 24 ENTRIES FROM 8 COUNTRIES

Clinical Ethics category

1. A case of conflict between the legal representative of a resident and the medical team (ORPEA Alamillo, Spain).
2. Acceptability of a refugee hosting programme in an Austrian nursing home (SeneCura Salzburg Lehen, Austria).
3. An inter-clinical Ethics Committee (CLINEA Orgemont, France).
4. "Les Orchidées": designated hospice room (ORPEA Uccle, Belgium).
5. Ethical cinema (Moulin de Viry care facility, Viry-Châtillon, France).
6. Carers at the heart of Ethics (CLINEA Navenne, France).

Research category

1. Neurological awakening in old age: vibration therapy as a drug-free approach (ORPEA Richelmy, Italy).
2. Chronic pain and post-traumatic stress disorder (ORPEA Magagnosc, France).
3. Merits of light therapy in a protected Alzheimer's unit (ORPEA Les Pastoureaux, Valenton, France).
4. Enhancing breakfasts in nursing homes to combat undernourishment (ORPEA Saint-Maur-des-Fossés, France).
5. Use of acceptance and commitment therapy (ACT) and mobile applications to support patients returning home after hospitalisation (CLINEA Lyon-Lumière, Lyon, France).

Caring Innovation category

1. Creation of a "Mediterranean-style" unit in a Swiss nursing home (Senevita Lindenbaum, Switzerland).
2. A training programme for care of the elderly set up jointly by the Xiehe teaching hospital and ORPEA (ORPEA Nanjing, China).
3. ORPEA Group's panel of psychologists.
4. Use of a neuromuscular bandage to prevent recurrent sialorrhea: four clinical cases (ORPEA Las Rozas, Spain).
5. Merits of transcutaneous electrical stimulation for the care and disinfection of pressure sores (ORPEA San Blas, Spain).
6. Gaia: Merits of motion rehabilitation for breast cancer patients (CLINEA Cardiocean, Puilboreau, France).
7. Relapse prevention in alcohol dependent subjects: personalised therapeutic education (CLINEA Collines du Revest, Toulon, France).
8. An intercultural psychosomatic rehabilitation programme for migrants of Turkish origin (Celenus Bad Herrenalb, Germany).
9. Gerial Plus: a personalised nutrition programme for elderly persons at risk of undernourishment (SeneCura Vienna, Austria).
10. Treating undernourishment in elderly people in nursing homes with lactoserum protein supplements (ORPEA Région Centre, France).
11. The "Fit & Mobile 77+" physical fitness programme to improve endurance and balance in the elderly (SeneCura, Vienna, Austria).
12. Horus, the mediator dog (ORPEA Choiseul, France).
13. Physiological axial alignment concept and new technologies in rehabilitation care for patients with chronic back pain (CLINEA Sancellemoz, France).

2/ Innovative Projects Management Committee to stimulate and evaluate innovation to serve our residents and patients

ORPEA wants to promote evidence-based innovation for its stakeholders, through a rigorous multi-disciplinary evaluation of projects before their deployment in the Group's facilities.

It therefore set up an Innovative Projects Management Committee (CGPI) in France in 2016, responsible for identifying, analysing, prioritising and steering innovations in order to assist General Management in its choices. Projects approved may be deployed internationally according to need.

The CGPI is currently reviewing other projects, mainly involving:

- telemedicine (six projects under review);
- anti-wandering devices (two projects under review);
- anti-fall devices (two projects under review);
- pharmacy (two projects under review);
- prevention of musculo-skeletal disorders among carers.

Other actions carried out in 2016 within the Group include:

- in Italy, a Memory Centre for early diagnosis and non-drug treatment of cognitive degenerative diseases was opened in the Richelmy facility (Turin);
- a pilot study conducted in nine facilities in the Centre region of France, which showed that the introduction of lactoserum powder in meal preparation protocols for residents on a high protein diet contributed to improving their protein status and combating undernourishment, with a good level of acceptance by residents and staff;
- a scientific study on the benefits of light on the quality of life of Alzheimer's patients, conducted in a nursing home in the Paris region in partnership with the Nice teaching hospital, the Centre d'Innovation et d'Usage en Santé, and the company Trilux (designer of the lighting system used); the results of the study provided concrete, impartial evidence of the positive impact of light therapy on sleep and behavioural disorders as well as anxiety levels in Alzheimer's patients;
- equipment using virtual reality is currently being evaluated by staff at Clinea's Taverny post-acute and rehabilitation care facility, in association with the manufacturer Motekforce Link (Netherlands).

3/ "Research & Publications" unit

In 2010, a **"Research & Publications" unit** was set up to support the Group's carers and doctors seeking to promote their work in French-language or international professional or scientific journals.

Significant articles published in 2016:

- Bucher S, Panjo H, Al-Salameh A, Bauduceau B, Benattar-Zibi L, Bertin P, Berrut G, Corruble E, Danchin N, Derumeaux G, Doucet J, Falissard B, Forette F, Hanon O, Ourabah R, Pasquier F, Piedvache C, Pinget M, Becquemont L, Ringa V, representing the S. AGES investigators (2017). Relationship between achieved personalized glycaemic targets and monitoring of clinical events in elderly diabetic patients. ***Diabetes & Metabolism***. 43(1):59-68 ;
- Becquemont L, Bauduceau B, Benattar-Zibi L, Al-Salameh A, Berrut G, Bertin P, Bucher S, Corruble E, Danchin N, Derumeaux G, Doucet J, Falissard B, Forette F, Hanon O, Pasquier F, Pinget M, Ourabah R, Piedvache C (2016). Cardiovascular Drugs and Metformin Drug Dosage According to Renal Function in Non-Institutionalized Elderly Patients. ***Basic & Clinical Pharmacology & Toxicology***. 118(6):468-73 ;
- Delrue N, Plagnol A. Chronic pain and state of post-traumatic stress in elderly patients (ORPEA Magagnosc, France). ***Annales Médico-Psychologiques***. 174 (2016) 331-37.

SHARING 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, such as the Quality Award (given in France, Belgium and Spain), the ORPEA Excellence Awards for ethics, caring innovation and research, and the Cookery 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 13 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 200. The panel encourages cross-cutting collaboration between the Group's practitioners, supports professionals in their clinical approach and continuous training, and encourages cooperation with professionals from other horizons in a continuous progress approach to care for patients and residents. The panel of psychologists organises two meetings a year around an annual theme related to institutional care practices, combining induction days for the Group's new psychologists with study days. 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.).

  It coordinates the "Clinics – Words from Institutional Practitioners" journal published by Erès twice a year.

  The panel of psychologists runs the emergency intervention unit composed of 20 specially trained practitioners. The unit was set up to provide a common approach to emergency situations in the facilities, *i.e.* extreme events in the life of a facility that could lead to "institutional trauma";

- **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 (CLINÉA psychiatric charter). Such meetings are also held in post-acute and rehabilitation care facilities and in nursing homes. In each of our three business lines, the regional and national coordinators visit each of the Group's 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 of these criteria are included in the Group's tender invitations 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 2017 it will further strengthen its environmentally responsible purchasing policy through an ORPEA Environmental Responsibility Charter, which will form part of the environmental criteria in its tender invitations and thus ensure that listed products are environmentally responsible.

In early 2018, an "e-purchasing" application will centralise all tender invitations, Group contracts, listed products and suppliers, orders and deliveries for all facilities in France and abroad. This centralised application will apply to the entire Group and will enable accurate, harmonised monitoring of the purchasing policy (through reporting tools) in all countries where the Group operates, in compliance with its social and environmental commitments.

RESPECTING THE ENVIRONMENT

ORPEA is committed to encouraging its suppliers, partners and subcontractors to work with companies that 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 one of the main consumables used in the Group, given its business activity. 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 double-sided 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 an obligation of specific performance on the appointed contractors;
- separating equipment from the structure;
- 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).
- thermal calculation of the building according to regulations;
- choice of energy efficient technologies;
- for large rooms, dual flow ventilation with energy recovery.

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.

To strengthen this prevention approach and encourage the sharing of best practices within the Group, a dedicated internal control department will be created in early 2017 and a code of ethics is currently being drawn up.

RESPECTING THE RIGHTS OF PATIENTS AND RESIDENTS

ORPEA's social responsibility consists of providing a high quality of life and care for 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 relationships.

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 staff 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 staff 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 staff have an impartial 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 its staff.

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 all Business Units, self-assessments are conducted by facility directors and their management team (including the coordinating doctor and nurse for the "care" aspect, 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.

Lastly, as described in the "Risk Management" section of the management report, ORPEA has identified all risks related to the health and safety of dependent people in its facilities, and for many years has used 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, which evolve throughout their stay.

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:

- availability of the management team through the Group's centralised organisation, who also raise awareness among their staff to ensure that they are attentive to the needs and expectations expressed by everyone;
- 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 through:
  - committees (menus, entertainment, etc.) and residents' 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,
  - user representatives in clinics from accredited healthcare associations, who sit on the Users Committee (CDU), and whose role is to ensure respect for the rights of users and to contribute to the improvement of the accommodation and care policy by reviewing complaints made by patients and user satisfaction indicators,
  - independent satisfaction surveys, organised site by site, in all countries, in post-acute, rehabilitation and psychiatric clinics, nursing homes and Domidom home care units alike. In clinics, 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 METHODOLOGY USED FOR DATA REPORTING

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 97.5% of open beds. The environmental impact of the administrative head offices is not included in the scope of consolidation except for the Group's main headquarters in Puteaux (France);
- 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 uses a common set of social, environmental and societal reporting guidelines.

These documents specify the methodologies to be followed for reporting 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 2016;
- for all countries, permanent employees are those whose employment contracts have an undefined term (neither defined nor indefinite); the local definition of permanent contract is used, *i.e.* including for example the concept of work on demand contracts (Switzerland) and excluding the concept of undefined-term replacement contract (Belgium). A person with several permanent contracts in x facilities will appear x times. For calculation purposes, the number of contracts is used. For Austria, the applicable legislation and collective agreement do not distinguish between permanent and temporary contracts. For Senevita, there is no distinction between permanent and fixed-term contracts;
- for all countries, employees whose contractual working hours are equivalent to the legal duration applicable locally are considered full-time; the number of theoretical hours under the contract is taken into account. The legal working hours obviously differ from one country to another and sometimes from one region or one function to another;
- the concept of manager *(cadre)* is specifically French.

JOINERS AND LEAVERS

For joiners:

- permanent contracts signed between 1 January and 31 December are taken into account;
- this method includes all new hires who sign a permanent contract during that period even though they may already have left during that period for whatever reason, such as end of trial period, resignation, dismissal, etc.;
- for Austria, the applicable legislation and collective agreement do not distinguish between permanent and temporary contracts and it is therefore not possible to consolidate these data;
- for Switzerland, there is no distinction between permanent and fixed-term contracts and it is therefore not possible to consolidate these data.

For leavers:

- termination only applies to permanent contracts;
- it includes lay-offs for economic reasons as well as dismissals for other reasons, in both cases at the sole initiative of the employer;
- employees leaving on 31/12 of year Y are not included in year Y leavers but in year Y+1.

TRAINING

Hours or days training provided to employees during the reference year.

In France, this also includes "open" training hours provided after 31 December, when they involve:

- training leading to a recognised qualification;
- training that began during the current year.

In Switzerland, data are not compiled as there is no legal requirement to do so. For Germany, there is no centralised monitoring of training provided for Celenus and ORPEA Germany only began to collect data during 2016.

ABSENTEEISM

- France/Germany Celenus/Italy:

  number of hours absence (paid and unpaid) due to sickness (occupational or not) and workplace accidents;
- Belgium:

  number of hours absence (paid and unpaid) due to sickness (occupational or not) and workplace accidents; unlike 2015, this year includes all hours of absence due to sickness or workplace accident, paid or unpaid;
- Switzerland ORPEA/Spain/Austria:

  number of days absence (paid and unpaid) due to sickness (occupational or not) and workplace accidents;
- for ORPEA Switzerland, it is the number of days absence due to sickness or workplace accident without distinction between occupational or not;
- for ORPEA Germany, absenteeism includes sickness, sickness of an employee's child, unjustified absence and maternity leave.

Absence is counted in calendar days.

WORKPLACE ACCIDENTS

Frequency and severity rates for 2016 are calculated for the international BUs on the following basis.

Frequency: number of workplace accidents (+ journey to and from work) leading to at least one day off work/number of hours paid 1,000,000

- a workplace accident is defined as any accident generating a case number (internal) or insurance claim (external) reported between 1 January and 31 December leading to at least one day off work;
- the number of hours is the number of hours paid across the entire scope from 1 January to 31 December;
- for ORPEA Germany, the number of hours paid does not include the number of additional/supplementary hours that are made up.

Severity: number of days lost/number of hours paid 1,000

- the number of days lost is the number indicated on the accident report (in calendar days).

In France, the formula used is still the same as in previous years, that is based on hours worked and not hours paid, and hours worked by managerial staff whose working time is based on a set number of working days per year are not included in the calculation.

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 2016

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

For electricity consumption, the following conversion factors were applied:

- Switzerland: 0.0273 kg of CO_2 per kWh;
- France: 0.0791 kg of CO_2 per kWh;
- Belgium: 0.220 kg of CO_2 per kWh;
- Spain: 0.238 kg of CO_2 per kWh;
- Italy: 0.406 kg of CO_2 per kWh;
- Germany: 0.461 kg of CO_2 per kWh;
- China: 0.766 kg of CO_2 per kWh;
- Poland: 0.781 kg of CO_2 per kWh;
- Czech Republic: 0.589 kg of CO_2 per kWh;
- Austria: 0.188 kg of CO_2 per kWh.

For heating, a factor of 0.244 kg of CO_2 per kWh was applied to all countries.

HEATING, ELECTRICITY AND WATER CONSUMPTION AND MANAGEMENT

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

- France: Résidence Bellerive, Clinique du Mont Valérien, Résidence l'Atrium, Résidence Chaillot, Résidence L'Oustau de Léo, Résidence Saint-Marc, Résidence Aquarelle, Résidence Klarène, Résidence Le Cèdre, CRF Livry, Résidence Les Fables, Résidence L'Oasis, Résidence Rognac, Marseille dietary unit;
- Germany: Niedernhausen;
- Austria: Graz-Lend, Schwaz, Dornbirn, Frauenkirchen;
- Switzerland: Pratteln-Sonnenpark, Dietikon-Limmatfeld, Bern-Grüneck;
- Belgium: Villers-La-Ville, Deurne de Mannevinck, Schoten Vordenstein, Knokke-Heist.

CLINICAL WASTE MANAGEMENT

In 2016, only data for the France and Belgium scope could be consolidated.

Tonnes of clinical waste are calculated on the basis of invoices received from the sole service provider that processes the waste (for 325 facilities). For the few facilities that use a different service provider (20 facilities or 6% of the total number of facilities in France that report clinical waste data), the number of tonnes has been estimated based on the average number of tonnes per facility type (nursing home, post-acute and rehabilitation care home, psychiatric care home).

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 audits of 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 work, comments and conclusions of the independent third party are set out in the certification of presentation and fairness appearing in Section 5.

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 2016

To the Shareholders,

In our capacity as Statutory Auditors of ORPEA designated as an independent body, accredited by COFRAC under number 3-1048(1), we hereby report on the consolidated social, environmental and societal information for the year ended 31 December 2016, 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 from 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 as to 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 five people and took place between March and April 2017 for a period of about six weeks. To assist us in conducting our work, we referred to the CSR experts of our firms.

We conducted our work as described below in accordance with the decree of 13 May 2013 on the conditions under which the independent body is required to perform its engagement and with the professional standards of the French national auditing institute *(Compagnie nationale des Commissaires aux comptes)* as regards such engagement, and in accordance with international standard ISAE 3000 as regards the reasoned opinion on the fairness of the CSR Information(2).

(1) The scope of which is available on the website www.cofrac.fr
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial 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 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 limitations referred to above, we hereby certify that the required CSR Information is presented in the management report.

2. REASONED OPINION ON THE FAIRNESS OF THE CSR INFORMATION

NATURE AND SCOPE OF THE WORK

We conducted about 10 interviews with some 15 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[(1)]:

- 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[(2)] 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 represented between 64% and 92% of the social data presented, and between 61% and 70% of the environmental data presented.

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.

(1) **Quantitative information:** *Breakdown of workforce by country and type of employment contract, Breakdown of workforce by age group, percentage breakdown of permanent and fixed-term contracts, percentage breakdown of men and women, percentage breakdown of full- and part-time employees, Permanent contract recruitments, Permanent contract dismissals, Gross compensation paid to employees, Number of days or hours absence, Frequency of workplace accidents, Severity of workplace accidents, Number of hours training, Water consumption, Electricity consumption, Heating consumption, CO_2 emissions from 2016 energy consumption (Scope 1, Scope 2 and Total), Volumes of hazardous medical waste.*
Qualitative information: *Health and safety of residents and patients.*

(2) **France, Germany** *(ORPEA Deutschland).*

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, 10 May 2017

One of the Statutory Auditors,

Deloitte & Associés

Joël ASSAYAH
Partner

MANAGEMENT REPORT FOR THE 2016 FINANCIAL YEAR

This management report provides details of the Company's activities and those of its Group during FY 2016. The accompanying Chairman's report complements all the stated sections. The Board of Directors has presented its reasoning for the draft resolutions to be submitted for shareholders' approval at the Annual General Meeting in a separate report.

5.1 OVERVIEW OF FY 2016

In 2016, ORPEA continued to pursue its strategy of international expansion. It completed four acquisitions and launched its own organic developments (new facilities), as well as making selective acquisitions of independent facilities.

In FY 2014 and FY 2015, the Group demonstrated its ability to roll out its expertise in a number of countries. In FY 2016, ORPEA achieved healthy profitability and demonstrated its skill in integrating acquisitions.

Lastly, thanks to its healthy finances, ORPEA continued to pursue its real estate strategy to increase the ownership rate of the real estate it uses.

5.1.1 FOUR INTERNATIONAL ACQUISITIONS

In 2016, ORPEA completed four major acquisitions, which will add around €165 million in full-year revenue when they reach maturity. The Group acquired MEDI-SYSTEM (704 beds) in Poland, which represents a platform for expansion in a new country. The Group also completed two acquisitions rounding out the existing networks in Germany (with the addition of VITALIS) and Spain (Sanyres). Lastly, ORPEA acquired a homecare company in Switzerland to expand its range of services and accelerate its development.

ACQUISITION OF MEDI-SYSTEM IN POLAND, A NEW PLATFORM FOR DEVELOPMENT

On 1 January 2016, ORPEA acquired MEDI-SYSTEM, Poland's leading private long-term care company, which operates 704 beds in seven facilities.

Founded in 2001, MEDI-SYSTEM has built a unique network of modern facilities in Poland, with a diversified long-term care offering consisting of nursing homes, and post-acute and rehabilitation hospitals.

MEDI-SYSTEM fits ORPEA's acquisition criteria perfectly given its:

- large-scale facilities (100 beds on average) built recently (80% of facilities are less than ten years old);
- urban locations, with six out of seven facilities located in the Warsaw region;
- excellent reputation for quality and innovation;
- real estate policy based on ownership of properties, mirroring ORPEA's own strategy, with six of its seven buildings fully owned.

In 2015, MEDI-SYSTEM recorded revenue of around €10 million.

With the addition of this new platform for development in a rapidly-growing economy, ORPEA will be able to roll out its offering to help meet the strong growth in demand in Poland.

ACQUISITION OF VITALIS TO BOLSTER THE NETWORK IN GERMANY

In September 2015, ORPEA secured control of VITALIS in Germany, consolidating it with effect from 1 January 2016. VITALIS is a regional group present primarily in southern Germany. It operates 2,487 beds in 25 facilities (295 beds under construction). The attractive network consists of facilities with an average of 100 beds, 78% in private rooms, and 80% of facilities built within the past five years.

What's more, VITALIS dovetails with the geographical footprint of the existing German network. It gives ORPEA a stronger presence right across southern (Bavaria) and south-east Germany (Saxony) where its positions were previously limited. Lastly, VITALIS harbours substantial potential for margin improvement by unlocking synergies and operational efficiency gains *via* the introduction of ORPEA procedures, and by ramping up recently opened facilities.

In 2015, VITALIS posted revenue of €58 million. The acquisition was funded solely using the Group's cash reserves.

ACQUISITION OF SANYRES IN SPAIN

On 1 July 2016, ORPEA acquired the Sanyres group in Spain, doubling its presence and making it a leading player in the country. It now operates over 7,000 beds, mostly in Spain's major urban centres (55% of facilities located in Madrid).

Sanyres fits ORPEA's acquisition criteria perfectly. Private beds account for 72% of the total, and over 60% of its rooms are private. Its recently built facilities (average age of ten years) are located in Spain's major urban centres (Madrid, Malaga, Cordoba, etc.). What's more, Sanyres owns the real estate of almost all its facilities, bolstering ORPEA's real estate portfolio.

Sanyres posted revenue of around €55 million in 2015. This deal was paid for exclusively in cash from the Group's reserves.

ACQUISITION OF SPITEX VILLE ET CAMPAGNE IN SWITZERLAND

In late 2016, ORPEA acquired the Spitex Ville et Campagne group, Switzerland's leading private provider of homecare and services.

Founded in 1986, Spitex Ville et Campagne has built Switzerland's leading private network of homecare and services for the elderly. With a presence in 25 Swiss cantons, Spitex Ville et Campagne has a unique nationwide footprint in a sector with substantial barriers to entry and requiring separate permits in each canton.

Spitex Ville et Campagne posted revenue of €40 million in 2016.

For SENEVITA, ORPEA's Swiss subsidiary, this acquisition represents a unique opportunity to:

- build a seamless homecare and facility-based offering that fits the needs of the elderly at every stage of their later life and for every level of care requirement;
- step up its development in nursing homes, especially in locations where ORPEA does not yet have a presence. SENEVITA will be able to accelerate the construction of assisted-living facilities, with Spitex Ville et Campagne providing homecare services in these facilities.

5.1.2 FURTHER SELECTIVE DEVELOPMENTS IN CORE MARKETS

In addition to these strategic and bolt-on acquisitions, ORPEA continued to pursue its longstanding expansion strategy during FY 2016 across all the countries where it already had a presence based on:

- organic growth, with more than 20 facilities accounting for some 2,200 beds opening in Europe as a result of construction or redevelopment projects;
- new operating licences and extensions in various countries where the Group already operates, including Poland and the Czech Republic;
- selective acquisitions, with the purchase of several independent operators in France, Spain, Austria and Germany.

5.1.2.1 HEALTHY PACE OF ORGANIC GROWTH POWERED BY NEW FACILITIES AND REDEVELOPMENTS

18 new facilities opened

In FY 2016, ORPEA opened 18 new facilities and extensions to existing facilities. In all, it added some 2,100 new beds through the addition of new facilities or major redevelopments.

In France, the ORPEA group opened six new facilities during the year with an average capacity of 87 beds and featuring private rooms, highly attractive accommodation and prime locations in the Île-de-France region (including Paris), Cannes and Arcachon. The Group also expanded its capacity at certain facilities, including by obtaining licences to operate day beds in post-acute and rehabilitation hospitals.

In Belgium, the Group opened three newly built and redeveloped facilities, adding around 400 new beds in areas with high purchasing power, such as Brussels and Flanders.

In Switzerland, SENEVITA opened a 95-bed facility in the Basel region.

In Germany, the Group opened five new facilities and extensions to existing facilities, adding a total of around 500 beds, which were under construction when Silver Care and Residenz Gruppe Bremen were acquired.

In Austria, SENECURA opened a new facility at Wilbad with a capacity of over 103 beds.

In the Czech Republic, the Group opened its first two facilities in Prague (Klamovka and Chrudim), adding 210 beds to its total capacity.

New licences awarded during the year

ORPEA also continued its strategy of organic growth with the launch of plans to build new facilities. These include projects in countries into which it has expanded recently, such as Poland and the Czech Republic.

5.1.2.2 FURTHER SELECTIVE ACQUISITIONS

ORPEA continued to pursue its policy of selective acquisitions of facilities in operation. These transactions took place across the full spectrum of the long-term care sector and provide sources of future growth and profitability improvement over the coming years.

France

The Group continued to pursue its policy of selective acquisitions by focusing on projects creating significant value.

Acquisition of business franchises

None.

Acquisitions of participating and controlling interests

SARL Primavera	100% of the share capital	Assisted-living residences in La Teste-de-Buch (Gironde) and Chambray-Lès-Tours (Indre-et-Loire)
SAS Résidence Normandie	100% of the share capital	Nursing home at Croisilles (Calvados)
SARL La Pergola	100% of the share capital	Small facility in Mougins (Alpes-Maritimes)
SAS Familisanté	99% of the share capital (buyout of shares it did not already own)	Nursing home in Montigny-lès-Cormeilles (Val-d'Oise), Flourens (Haute-Garonne), Coubron (Seine-Saint-Denis)

***Via* Domidom Services (subsidiary wholly-owned by ORPEA)**		
SARL Primavera SAP	100% of the share capital	Homecare

***Via* SARL 96 (subsidiary wholly-owned by ORPEA)**		
SAS France Seniors	48.99% of the share capital	Holding company
Gevea Santé & Gevea Senior	49% of the share capital	

Outside France

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

5.1.2.3 OPENING OF A PILOT PROJECT IN NANJING, CHINA

The ageing of its population represents a major challenge for China, and the situation will become more acute over the next few years. The number of people over 60 years old will increase by a multiple of 2.5x from 185 million to 450 million by 2050, with 30% of them, or 150 million, over 80.

The country has very little accommodation and care capacity to cope with this expected surge in its population. As a result, China will need to make vast investments in nursing homes geared to looking after people with major care requirements and neurodegenerative conditions such as Alzheimer's.

Even though the public authorities will assume the bulk of the cost of these requirements, a large part of the sector will remain entirely in private hands, catering for individuals and families with strong purchasing power looking for very high-calibre services.

After several months of research and numerous contacts, ORPEA decided in 2013 to move into the market, launching a pilot nursing home project in Nanjing. Nanjing is a rapidly expanding city with a population of 8 million, where the over 65s account for 10%. The project is located in a newly built residential area on the site of the prestigious Gulou hospital.

ORPEA handled all the fixtures and fittings for the upscale 140-bed nursing home, which opened in mid-2016. The facility provides a unique showcase for ORPEA's know-how in China. As the first foreign group to open a high-end facility in China for elderly people requiring long-term care, ORPEA has gained an excellent reputation, attracting interest from major Chinese public- and private-sector investors. To expand further, while keeping its risks under control, the Group is also planning to enter into management agreements and joint ventures with well-known local investors.

5.1.3 NETWORK OF 77,094 BEDS IN 10 COUNTRIES

At the beginning of 2017, the network consisted of 77,094 beds across 751 facilities in 10 countries. The number of beds outside France (43,972) now accounts for 57% of the overall network, double the figure two years ago.

Its growth pipeline consists of 9,115 beds under redevelopment and construction – three-quarters outside France – with many facilities in high-potential locations such as Berlin, Zurich and Prague.

	Total number of facilities	Total number of beds	Beds in operation	o/w beds under redevelopment	Beds under construction
France	357	33,122	31,743	1,030	1,379
Germany	165	16,824	14,518	-	2,306
Austria	59	4,995	4,776	-	219
Belgium	60	7,389	5,651	239	1,738
China	1	140	140	-	-
Spain	45	7,857	7,697	-	160
Italy	16	1,738	1,331	60	407
Poland	10	1,174	704	-	470
Czech Republic	6	784	210	-	574
Switzerland	32	3,071	2,538	-	533
TOTAL	**751**	**77,094**	**69,308**	**1,329**	**7,786**

5.1.4 FURTHER OPTIMISATION OF ITS CAPITAL STRUCTURE

The policy to diversify its sources of financing and optimise its capital structure originally launched in 2012 continued in 2016 with further Schuldschein note issues totalling around €343 million and the arrangement of conventional bank loans. All these funding operations went ahead on highly attractive terms owing to the record low level of interest rates and ORPEA's risk profile. Given the visibility of the sector in which it operates, its track record of profitable growth and its real estate portfolio, ORPEA's risk profile is regarded as being low risk by investors over the short, medium and long term.

5.1.5 EXPANSION OF THE REAL ESTATE PORTFOLIO

In line with its stated policy, ORPEA expanded its real estate portfolio in 2016. Its longstanding real estate strategy is to retain ownership of a large proportion (around half) of its real estate portfolio. That said, the vast majority of the groups it acquired in 2014 and 2015 occupy properties under long-term leases, and so its real estate ownership rate fell when they joined the Group.

In 2016, the size of ORPEA's real estate portfolio increased by €630 million, or 18.3%. This growth was achieved through acquisitions of assets in Germany, Austria, Spain, Belgium and Poland on attractive terms and through the construction of new facilities.

5.2 OPERATING AND FINANCIAL REVIEW OF FY 2016

5.2.1 CONSOLIDATED RESULTS

(in thousands of euros)	FY 2016	FY 2015
Revenue	**2,841,225**	**2,391,604**
Purchases used and other external expenses	(817,369)	(698,551)
Staff costs	(1,467,301)	(1,216,688)
Taxes other than on income	(96,555)	(90,731)
Depreciation, amortisation and charges to provisions	(126,456)	(96,893)
Other recurring operating income	24,036	22,784
Other recurring operating expense	(9,510)	(8,008)
Recurring operating profit	**348,070**	**303,517**
Other non-recurring operating income	167,887	177,042
Other non-recurring operating expense	(144,975)	(155,572)
Operating profit	**370,982**	**322,988**
Financial income	13,876	15,264
Financial expense	(125,427)	(112,081)
Net interest expense	**(111,551)**	**(96,817)**
Change in FVO*	(1,800)	(43,000)
Profit before tax	**257,631**	**183,171**
Income tax expense	(85,000)	(60,015)
Impact of the measurement of deferred taxes at the rate expected to apply	80,000	
Share in profit/(loss) of associates and joint ventures	3,817	3,429
Net profit of consolidated companies	**256,448**	**126,586**
Attributable to non-controlling interest	9	(48)
ATTRIBUTABLE TO OWNERS OF THE PARENT	**256,440**	**126,634**
Net profit attributable to owners of the parent excluding net change in FVO (€1.2 million in 2016)	**257,620**	**153,294**
Number of shares	60,273,691	60,273,691
Basic earnings per share *(in euros)*	4.26	2.12
Diluted earnings per share *(in euros)*	4.26	2.12

* *FVO: Fair value of the entitlement to the allotment of shares embedded in the ORNANE bonds.*

ORPEA GROUP'S 2016 CONSOLIDATED REVENUE

2016 was another record year for ORPEA with its revenue rising 18.8% to €2,841.2 million. This figure was €122 million ahead of the initial guidance provided at the beginning of last year and also above the updated target released mid-way through the year.

This performance is a testament to the tremendous resilience of ORPEA's business to the economic, financial and geopolitical environment since there is structural demand for the long-term care it provides, which cannot be postponed to a later date. ORPEA's business is relatively insensitive to macroeconomic factors such as commodity prices, currency fluctuations and economic growth. Demographic trends – a reliable and easily predictable statistic – are far more important for its business.

This top-line expansion was underpinned by the execution of the Group's strategy combining:

- brisk organic growth of 6.0%. Mature facilities posted consistently high occupancy rates owing to the structural demand in the sector and the location, appeal and reputation of ORPEA's facilities. As every year, ORPEA's organic growth was topped up by the ramp-up in the facilities that opened in 2015 and by the opening in 2016 of around 2,100 beds (in new and redeveloped facilities);

- strong acquisition-led growth outside France, with a full-year contribution from the acquisitions completed in 2015 (SENECURA in Austria, CELENUS KLINIKEN and Residenz Gruppe Bremen in Germany) and the contribution from the acquisitions made in 2016 – VITALIS in Germany over 12 months, MEDI-SYSTEM in Poland over 12 months and Sanyres in Spain over 6 months. Spitex Ville et Campagne did not contribute to the Group's revenue because it will be consolidated only from 31 December 2016.

With the boost provided by these various acquisitions, ORPEA's revenue outside France grew by 44.1% to €1,145.8 million. Overall, the Group generated 40% of its total revenue outside France.

(in millions of euros) **(IFRS)**	**FY 2016**	**FY 2015**	**Δ 2016/2015**	**FY 2014**
France	**1,695.4**	**1,596.6**	**+6.2%**	**1,499.8**
% of total revenue	*60%*	*67%*		*77%*
Outside France	**1,145.8**	**795.0**	**+44.1%**	**448.8**
% of total revenue	*40%*	*33%*		*23%*
o/w:				
Germany	501.0	287.5		102.2
Austria	176.3	109.8		0.0
Belgium	162.1	157.8		164.9
China	0.4	-		-
Spain	101.7	63.9		55.6
Italy	48.5	45.9		41.6
Poland	11.3	-		-
Switzerland	142.9	130.1		84.4
Czech Republic	1.7	-		-
TOTAL REVENUE	**2,841.2**	**2,391.6**	**+18.8%**	**1,948.6**
*o/w organic growth**			*+6.0%*	

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

In France, 2016 revenue grew by 6.2% to €1,695.4 million on the back of a strong performance by mature facilities and the ramp-up in facilities opened or redeveloped over the previous two years.

ORPEA maintained high occupancy rates at its mature facilities, which provide residents and patients a high-calibre and modern range of services perfectly attuned to the changing needs of people requiring long-term care. The ramp-up in the facilities opened in 2015 and the opening of six new facilities in 2016 previously under construction or redevelopment also contributed to this healthy performance. All these new facilities boast high-quality accommodation, are situated in key strategic locations in highly populated areas (Paris, Arcachon, Cannes, etc.) and feature all the latest modern conveniences. The Group also made a number of selective acquisitions.

In Germany, revenue totalled €501.0 million, up 74.3% compared with the previous financial year.

This growth was powered by the contribution made over a full year in 2016 by the various acquisitions completed in 2015 and at the beginning of 2016: CELENUS KLINIKEN was consolidated from 1 July 2015, Residenz Gruppe Bremen from 1 October 2015 and VITALIS from 1 January 2016.

In Austria, revenue increased 60.6% to €176.3 million owing to the full-year contribution made in 2016 by SENECURA, which was consolidated from 1 April 2015. In addition, revenue was boosted by the opening of new facilities and a few selective acquisitions in 2016.

In Belgium, 2016 revenue came to €162.1 million, up from €157.8 million in 2015. The small increase reflected the impact of the redevelopment of the Belgian network.

Between 2015 and 2017, the Belgian network has undergone a major overhaul, with the various redevelopments and new openings of very-high quality facilities in regions with strong purchasing power such as Brussels and Flanders.

While these developments will create value in the medium and long term, they are holding back the Group's performance in the short term.

In China, the Nanjing facility generated revenue of €0.4 million in its opening year.

In Spain, revenue grew by 59.2% to €101.7 million. This performance reflected:

- the firm activity levels at established facilities, most of which are located in Madrid and have established a solid reputation as long-term care providers;
- the consolidation of the Sanyres group and its 3,300 beds over a 6-month period.

In Italy, ORPEA's revenue rose 5.7% to €48.5 million. This growth was driven by the ramp-up in recently opened facilities.

This performance reflects the benefits of ORPEA's long-term strategy in Italy of gaining licences to operate and of building or redeveloping high-quality facilities in northern Italy, with a very high proportion of private rooms.

In Poland, revenue totalled €11.3 million following the acquisition of MEDI-SYSTEM with effect from 1 January 2016.

In Switzerland, revenue totalled €142.9 million, up 9.8% compared with 2015. This growth reflected the ramp-up in the SENEVITA facilities that opened in 2015 and during 2016.

In the Czech Republic, revenue came to €1.7 million with the opening of the Group's first two facilities there. These facilities were developed by SENECURA.

PROFITABILITY AND NET PROFIT

(in millions of euros) **(IFRS)**	**FY 2016**	**% of revenue**	**FY 2015**	**% of revenue**	**%**
Revenue	2,841.2	*100%*	2,391.6	100%	***+18.8%***
EBITDAR (recurring EBITDA before rent)	769.4	*27.1%*	652.5	27.3%	***+17.9%***
Recurring EBITDA	474.5	*16.7%*	400.5	16.7%	***+18.5%***
Recurring operating profit	348.1	*12.3%*	303.6	12.7%	***+14.7%***
Operating profit	371.0	*13.1%*	323.0	13.5%	***+14.9%***
Net interest expense	(111.6)	*n.m.*	(96.8)	n.m.	***+15.3%***
Change in the FVO*	(1.8)	*n.m.*	(43.0)	n.m.	***n.m.***
Impact of the measurement of deferred taxes at the rate expected to apply**	80.0		-		
ATTRIBUTABLE NET PROFIT EXCLUDING NET CHANGES IN THE FVO* AND EXCLUDING THE UPDATED MEASUREMENT OF DEFERRED TAXES**	**177.6**	***6.3%***	**153.3**	**6.4%**	**+15.8%**
NET PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	**256.4**		**126.6**		**N.M.**

* *FVO = Fair value of the entitlement to the allotment of shares embedded in the ORNANE bonds.*
** *Deferred taxes payable from 2020 onwards have been updated based on the statutory rate expected to apply to this period for ORPEA SA and its French subsidiaries (28.92% rather than 33.33%).*

All the key performance indicators showed improvement as a result of acquisitions and the ramp-up in the mature facilities.

Recurring EBITDAR (recurring EBITDA before rent, including provisions set aside from external charges and staff costs) advanced by 17.9% to €769.4 million and accounted for 27.1% of revenue – a clear improvement on its level of 26.7% in the first half of 2016. This modest decline year to year reflects the impact of the acquisitions made in 2015 and 2016, including SENECURA, CELENUS KLINIKEN, Residenz Gruppe, VITALIS, MEDI-SYSTEM and Sanyres.

Recurring EBITDA (recurring operating profit before depreciation and amortisation, which includes provisions for external charges and staff costs) rose 18.5% to €474.5 million. This represented 16.7% of revenue, stable compared with 2015.

Rental expenses came to €294.9 million, compared with €252.0 million in 2015. This increase was primarily attributable to the first-time consolidation of certain companies acquired during the period (CELENUS, VITALIS and Residenz Gruppe in Germany), which lease almost all of their facilities. At comparable structure, rental expenses recorded a very modest increase of around 1%.

Recurring operating profit advanced by 14.7% to €348.1 million, representing 12.3% of revenue.

Operating profit rose 14.9% to €371.0 million. This reflected a non-recurring gain after tax of €22.9 million, compared with €19.5 million in 2015.

Net interest expense came to €111.6 million, up 15.3% on 2015, excluding changes in the fair value of the entitlement to the allotment of shares (calculated based on ORPEA's share price) embedded in the ORNANE bonds issued in July 2013, which worked out at €1.8 million. The Group continued to optimise its capital structure by arranging new financing and putting in place hedges on very attractive terms.

Pre-tax profit (excluding changes in the fair value of the entitlement to allotment of shares embedded in the ORNANE bonds) rose 14.7% to €259.4 million.

Excluding changes in the fair value of the entitlement to allotment of shares embedded in the ORNANE bonds and the positive impact of €80 million from measuring deferred taxes at the rate expected to apply, income tax expense came to €85.6 million, compared with €76.3 million in the previous year. This represented an increase of 12.2%, and 2016 net profit attributable to equity holders of the parent rose 15.8% to €177.6 million.

Taking these factors into account, net profit attributable to equity holders of the parent came to €256.4 million in 2016, up from €126.6 million in 2015.

5.2.2 CONSOLIDATED BALANCE SHEET

ASSETS

(in thousands of euros)	31/12/2016	31/12/2015
Goodwill	982,106	841,532
Intangible assets, net	1,889,176	1,751,217
Property, plant and equipment, net	3,632,401	3,008,814
Properties under construction	442,643	436,301
Investments in associates and joint ventures	62,235	58,184
Non-current financial assets	34,248	36,934
Deferred tax assets	38,424	36,389
Non-current assets	**7,081,232**	**6,169,371**
Inventories	8,369	8,076
Trade receivables	148,330	127,409
Other assets, accruals and prepayments	407,689	347,542
Cash and cash equivalents	539,924	518,925
Current assets	**1,104,312**	**1,001,952**
Assets held for sale	**140,020**	**200,000**
TOTAL ASSETS	**8,325,564**	**7,371,324**

EQUITY AND LIABILITIES

(in thousands of euros)	31/12/2016	31/12/2015
Share capital	75,342	75,342
Consolidated reserves	1,433,636	1,356,321
Revaluation reserves	310,410	251,223
Net profit for the year	256,440	126,634
Equity attributable to owners of the parent	**2,075,828**	**1,809,520**
Non-controlling interest	199	190
Total consolidated equity	**2,076,027**	**1,809,710**
Non-current financial liabilities	3,801,254	3,218,989
Change in the fair value of the entitlement to the allotment of shares embedded in the ORNANE bonds	74,793	72,993
Provisions	143,108	86,243
Post-employment and related benefit obligations	63,919	51,215
Deferred tax liabilities	784,703	851,714
Non-current liabilities	**4,867,776**	**4,281,153**
Current financial liabilities	418,531	314,218
Provisions	25,304	23,241
Trade payables	232,019	254,137
Tax and payroll liabilities	226,587	215,141
Current income tax liabilities	15,041	
Other liabilities, accruals and prepayments	324,259	273,724
Current liabilities	**1,241,741**	**1,080,460**
Debt associated with assets held for sale	**140,020**	**200,000**
TOTAL EQUITY AND LIABILITIES	**8,325,564**	**7,371,324**

Operating assets

At 31 December 2016, goodwill totalled €982.1 million, compared with €841.5 million at 31 December 2015. This increase derived to a great extent from the acquisitions of VITALIS in Germany, MEDI-SYSTEM in Poland and Spitex in Switzerland, as intangible assets cannot be recognised in respect of operating licences in Switzerland owing to the operating arrangements there. Intangible assets (predominantly operating licences) amounted to €1,889.2 million(1), compared with €1,751.2 million(1) at 31 December 2015. This increase was attributable to the acquisition of Sanyres in Spain, plus further acquisitions in France and Austria.

Impairment testing of goodwill, intangible assets and real estate assets did not reveal the need to recognise any losses.

Real estate portfolio

The portfolio had a total value of €4,075.0 million(2), including €443 million in land and assets under construction or redevelopment.

In keeping with its strategic goal, ORPEA increased the size of its real estate portfolio by €630.0 million in FY 2016, or 18.3%. This growth was achieved through acquisitions of assets in Germany, Poland and Spain.

All operating properties are carried at fair value.

The real estate portfolio chiefly consists of new and recently built properties in economically vibrant areas, and is a significant source of asset value for the Group that will help to secure its profitability in the medium and long term. It also holds great investment appeal for many individual and institutional investors (family offices, life insurers, European and US-based real estate investment trusts, etc.) looking for a secure long-term investment.

In FY 2016, overall real estate expenses, including rent and depreciation of real estate assets wholly or partially owned, came to €422.0 million (€110.3 million in depreciation and €294.9 million in rent), compared with €346.0 million in 2015 (€94.0 million in depreciation and €252.0 million in rent).

Capital structure and debt

At 31 December 2016, the Group's equity attributable to equity holders of the parent stood at €2,075.8 million, up from €1,809.5 million at 31 December 2015.

At 31 December 2016, the Group had €539.9 million in cash and cash equivalents, compared with €518.9 million at 31 December 2015. This increase reflected the proceeds from the issue of Schuldschein notes in the second half of 2016 and from conventional bilateral loans.

Net debt stood at €3,679.9 million(3), compared with €3,014.3 million(3), at 31 December 2015. The brisk pace of investment in real estate and operating assets during FY 2016 was responsible for this increase. Net debt at 31 December 2016 breaks down as follows:

- gross current financial liabilities: €418.5 million(3);
- gross non-current financial liabilities: €3,801.3 million;
- cash: €(539.9) million.

Net debt also breaks down into:

- €584 million(1) in operating debt, putting ORPEA's operational gearing at a modest 2.1x EBITDA;
- €3,096 million(2) in net real estate debt secured by a real estate portfolio valued at €4,075 million.

Gross current financial liabilities stood at €418.5 million at 31 December 2016(3). These consist of bridging loans financing properties recently acquired or under redevelopment or construction, lease financing and other borrowings and loans due in less than one year.

ORPEA retains significant financial flexibility to continue with its real estate and operational investments since its debt ratios are comfortably within the maximum levels permitted by its covenants. At 31 December 2016, they were as follows:

- financial leverage ratio restated for real estate of 2.3x compared with 2.9x at 31 December 2015 (level of up to 5.5x authorised);
- restated gearing of 1.5x *vs.* 1.4x at 31 December 2015 (level of up to 2.0x permitted).

During 2016, the Group continued to optimise its capital structure, by putting in place additional hedges and various different borrowing arrangements. As a result of these efforts:

- borrowings other than bank loans accounted for 47% of net debt at 31 December 2016;
- the average maturity of net debt was 5.0x years at 31 December 2016;
- fixed-rate net debt, either by nature or after hedging, accounts for almost 100% of the total over the 2017-2022 period.

Other assets and liabilities

Changes in Other receivables and Other financial liabilities reflect construction projects, disposals of real estate assets and acquisitions in connection with the Group's expansion drive.

(1) Less intangible assets held for sale amounting to €73 million at both 31 December 2015 and 31 December 2016.
(2) Excluding €67 million in real estate assets held for sale.
(3) Excluding €140 million in debt associated with assets held for sale at 31 December 2016 and €200 million at 31 December 2015.

5.2.3 CASH FLOWS

(in millions of euros)	FY 2016	FY 2015	FY 2014
Gross cash flow from operations	+386	+301	+260
Net cash generated by operating activities	+347	+314	+290
Net cash generated/(used by) investing activities	(787)	(1,014)	(587)
Net cash generated by financing activities	+461	+597	+450
Change in cash and cash equivalents	+21	(103)	+154

Cash flow generated by operating activities rose 10.5% in 2016 to reach €347 million.

Cash used by investing activities came to €787 million. Over 80% of this total was devoted to real estate investments, including continuing construction projects and acquisitions of properties operated by the Group in Spain, Poland, Germany and Austria to secure its profitability over the long term.

Cash flow generated by financing activities came to €461 million as a result of the various transactions completed during the course of the year.

5.2.4 DIVIDEND PROPOSED AT THE ANNUAL GENERAL MEETING

The Board of Directors has decided to propose an 11% increase in its dividend payment to €1.00 per share after the appropriation to the statutory reserve at the Annual General Meeting on 22 June 2017 called to approve the financial statements for 2016. The total dividend payment would amount to around €60.3 million based on the number of shares in issue at 31 December 2016, representing a payout ratio of 34.3% of 2016 net profit attributable to equity holders of the parent (excluding changes in the fair value of the entitlement to the allotment of shares embedded in the ORNANE bonds and the positive impact of €80 million from measuring deferred taxes at the rate expected to apply).

5.2.5 RESEARCH AND DEVELOPMENT

The Company did not incur any research and development expenses during the year.

5.3 REVIEW OF THE PARENT-COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2016

5.3.1 ORPEA SA'S INCOME STATEMENT

(in euros)	FY 2016	FY 2015
Revenue	**723,748,182**	**687,048,320**
Production transferred to inventories	(36,172,563)	(25,084,224)
Other operating income	56,950,045	28,712,323
Purchases and other external charges	272,569,229	251,155,413
Taxes other than on income	37,981,337	36,773,221
Staff costs	345,975,374	323,580,191
Depreciation, amortisation and charges to provisions	22,407,167	23,915,430
Other operating expense	1,443,473	1,331,444
Operating profit	**64,149,083**	**53,920,720**
Financial income	92,950,147	78,961,651
Financial expense	110,138,451	106,412,146
Net finance cost	**(17,188,304)**	**(27,450,495)**
Pre-tax profit on ordinary activities	**46,960,779**	**26,470,225**
Net non-recurring items	(10,568,119)	(10,118,919)
Employee profit-sharing		
Income tax	6,483,743	5,112,712
NET PROFIT	**29,908,916**	**11,238,594**

Revenue

ORPEA SA's revenue came to €723.7 million in FY 2016, up 5.3% compared with FY 2015.

ORPEA's core business of operating nursing homes generated revenue of €713.9 million, up 7.6% on the FY 2015 level of €663.2 million. The increase reflects the ORPEA Group's development strategy combining organic growth and acquisitions as outlined above.

Revenue from the disposal of real estate disposals came to €9.8 million, down from €23.8 million in FY 2015. This decrease flowed from the Company's real estate strategy of retaining ownership of a larger proportion of its real estate assets.

Operating profit

Operating expenses rose in line with the growth in the business:

- purchases and other external charges increased by 8.5% to €272.6 million;
- staff costs remained under control, rising 6.9% to €346.0 million.

Taxes other than on income moved up 3.3% to €38.0 million.

Depreciation, amortisation and charges to provisions totalled €22.4 million, down from €23.9 million in FY 2015.

Taking these factors into account, ORPEA SA's operating profit rose 18.9% to €64.1 million in FY 2016.

Net finance cost

ORPEA SA's net finance cost came to €(17.2) million, down from €(27.5) million in FY 2015. This reflected net interest expense on the Company's net debt of €(48.2) million, compared with €(40.6) million in 2015. The 37.5% improvement in the net finance cost reflected a €30 million dividend payment by CLINEA SAS in FY 2016, compared with €20 million in FY 2015.

Net non-recurring items

Net non-recurring items showed a net expense of €(10.6) million, compared with €(10.1) million in FY 2015.

Net profit

After €(6.5) million in income tax expense, ORPEA SA's net profit came to €29.9 million, up from €11.2 million in FY 2015.

Expenses not deductible for tax purposes pursuant to Article 39-4 of the French General Tax Code (Article 223 *quater* of the French General Tax Code)

A total of €232,458 in expenses were not deductible for tax purposes in 2016.

5.3.2 ORPEA SA'S BALANCE SHEET

ASSETS

	31/12/2016			31/12/2015
(in euros)	Gross	Depr., amort. and provisions	Net	Net
Non-current assets				
Intangible assets	271,445,691	1,940,795	269,504,896	283,350,875
Property, plant and equipment	378,031,953	139,992,479	238,039,474	181,116,630
Financial assets	1,072,713,391	18,371,627	1,054,341,764	1,104,018,634
Total non-current assets	**1,722,191,034**	**160,304,901**	**1,561,886,133**	**1,568,486,140**
Current assets				
Inventories and work-in-progress	43,837,841	1,188,655	42,649,186	58,522,245
Advances and downpayments made	4,030,636		4,030,636	4,389,475
Trade receivables	18,297,065	6,085,835	12,211,230	13,532,457
Other receivables	1,991,003,484	13,461,368	1,977,542,116	1,720,834,842
Short-term investments	19,232,763		19,232,763	11,232,763
Cash	327,191,402		327,191,402	265,272,241
Prepaid expenses	10,039,006		10,039,006	9,254,733
Total current assets	**2,413,632,197**	**20,735,858**	**2,392,896,339**	**2,083,038,756**
Deferred charges		-	-	-
TOTAL ASSETS	**4,135,823,232**	**181,040,760**	**3,954,782,475**	**3,651,524,896**

EQUITY AND LIABILITIES

(in euros)	31/12/2016	31/12/2015
Equity		
Share capital	75,342,114	75,342,114
Share premiums and reserves	526,953,669	569,526,433
Retained earnings	466,713	901,676
Net profit for the year	29,908,916	11,238,594
Tax-regulated provisions	7,069,252	6,391,832
Total equity	**639,740,663**	**663,400,650**
Provisions for liabilities and charges	39,016,945	34,907,689
Financial liabilities		
Borrowings and financial liabilities	2,661,957,944	2,278,936,390
Advances and downpayments received	4,418,048	5,143,947
Trade payables	42,967,781	45,385,852
Tax and payroll liabilities	97,760,664	79,636,509
Other financial liabilities	429,646,414	518,146,888
Prepaid income	37,451,087	25,966,970
Total financial liabilities	**3,274,201,939**	**2,953,216,557**
Unrealised foreign currency gains	1,822,928	
TOTAL EQUITY AND LIABILITIES	**3,954,782,475**	**3,651,524,896**

ORPEA SA had net non-current assets of €1,561.9 million at 31 December 2016, compared with €1,568.5 million one year earlier, with the difference attributable to the decline in financial investments following the transfer of its investment in Swiss subsidiary SENEVITA to the ORPEA Switzerland sub-group.

Net current assets totalled €2,392.9 million, up 14.9% from €2,083.0 million at 31 December 2015.

ORPEA SA's equity totalled €639.7 million at 31 December 2016, compared with €663.4 million at 31 December 2015.

Borrowings and financial liabilities, the main component of ORPEA's debt, amounted to €2,662.0 million at 31 December 2016, compared with €2,278.9 million at 31 December 2015, with the increase reflecting recent bond issues.

Its assets totalled €3,954.8 million at 31 December 2016, compared with €3,651.5 million at 31 December 2015.

5.3.3 INFORMATION ON SUPPLIER PAYMENT TERMS

In accordance with Articles L. 441-6-1 and D.441-4 of the French Commercial Code, the amounts owed to suppliers at the end of the past two years break down by due date as follows (payment times for trade payables at the end of the financial year were determined by comparing the date of each invoice with the actual payment date).

	31/12/2016	31/12/2015
Trade payables	**24,113,178**	**27,550,166**
Less than 30 days	4,022,812	3,498,538
30-60 days	7,650,198	7,253,668
60-90 days	1,800,851	15,272,278
More than 90 days	10,639,317	615,559

5.3.4 SUBSIDIARIES AND OTHER EQUITY INTERESTS

5.3.4.1 CLINEA SAS' REVENUE AND RESULTS

Revenue

CLINEA SAS' revenue from the operation of hospitals came to €596.4 million, up 13.5% from the €525.6 million recorded in FY 2015. This growth reflects the Group's development strategy combining organic growth and acquisitions as outlined above.

Operating profit

CLINEA SAS kept a tight grip on its operating expenses, which rose at a slightly slower pace than revenue:

- purchases and other external charges increased by 7.9% to €180.7 million from €167.5 million in FY 2015;
- staff costs moved up 13.3% to €277.4 million.

Taxes other than on income increased by 15.1% to €47.8 million.

Taking these factors into account, CLINEA SAS' operating profit came to €83.7 million, up 27.4% compared with FY 2015.

Net finance cost

CLINEA SAS' net finance cost came to €(14.3) million, down from €(14.6) million in FY 2015. This expense mainly consisted of net interest expense on the Company's net debt.

Net non-recurring items

CLINEA SAS' net non-recurring items showed a net gain of €1.4 million, compared with a loss of €(0.7) million in FY 2015. Technical losses arising on mergers were the key factor accounting for the change.

Net profit

After income tax expense up 21.9% to €(20.0) million, CLINEA SAS' net profit came to €45.9 million, compared with €31.0 million in FY 2015.

Balance sheet

CLINEA SAS' net non-current assets totalled €762.3 million at 31 December 2016 compared with €719 million at 31 December 2015, illustrating the Company's brisk pace of expansion.

Its **net current assets** came to €173.4 million, compared with €239.4 million at 31 December 2015.

Its **equity** stood at €323.5 million at 31 December 2016, compared with €307.1 million at 31 December 2015.

Borrowings and financial liabilities declined to €18.5 million at 31 December 2016 from €29.1 million at 31 December 2015.

CLINEA SAS' **total assets** dropped to €935.7 million at 31 December 2016 from €958.6 million at 31 December 2015.

5.3.4.2 REVENUE AND RESULTS OF THE OTHER MAIN SUBSIDIARIES

The Belgian subsidiaries posted revenue of €162.1 million in FY 2016, up 2.7% from €157.8 million in FY 2015 as a result of ongoing redevelopment projects. Recurring EBITDAR(1) totalled €29.3 million, down from €31.2 million in FY 2015. As in 2014, this decline reflected the numerous ongoing developments and the opening of new facilities in Belgium.

The Spanish subsidiaries posted revenue of €101.7 million in FY 2016, up 59.2% from €63.9 million in FY 2015 owing mainly to the acquisition of Sanyres in the second half of 2016. Recurring EBITDAR(1) totalled €21.5 million, up 41.4% from €15.2 million in FY 2015.

The Italian subsidiaries generated revenue of €48.5 million in FY 2016, up 5.7% from €45.9 million in FY 2015 chiefly as a result of the ramp-up in recently opened facilities. Recurring EBITDAR(1) totalled €7.2 million compared with €5.5 million in FY 2015. This 30.9% increase flowed from the encouraging ramp-up in facilities that opened for the first time in 2015.

The Swiss subsidiaries posted revenue of €142.9 million, compared with €130.1 million in FY 2015, with this 9.8% increase driven by the opening of new facilities. Recurring EBITDAR(1) came to €51.4 million, up from €49.1 million in FY 2015.

The German subsidiaries, including a full-year contribution from the acquisitions made in 2015 of CELENUS KLINIKEN and Residenz Gruppe Bremen and the impact of VITALIS, which was consolidated from 1 January 2016, posted revenue of €501.0 million, well above the FY 2015 level of €287.5 million. Recurring EBITDAR(1) rose in line with the growth in revenue to €133.5 million, up from €76.6 million in FY 2015.

The Austrian subsidiaries, which were consolidated from 1 April 2015 following the acquisition of SENECURA, posted revenue of €176.3 million in FY 2016, up 60.6% from €109.8 million in FY 2015. Their recurring EBITDAR(1) totalled €34.5 million, compared with €23.6 million in FY 2015.

The Czech subsidiary, which opened its first facilities in 2016, posted revenue of €1.7 million and a recurring EBITDAR(1) loss of €2.4 million.

The Chinese subsidiary, which opened its first facility in Nanjing during 2016, posted revenue of €0.4 million and a recurring EBITDAR(1) loss of €3.1 million.

5.3.4.3 DETAILS OF MAIN PARTICIPATING INTERESTS

See Appendix 1: details of main participating interests.

(1) EBITDAR = recurring EBITDA before rent. Recurring EBITDAR is recurring operating profit before net additions to depreciation and amortisation, including provisions related to external charges and staff costs.

5.4 OUTLOOK AND EVENTS SUBSEQUENT TO 1 JANUARY 2017

5.4.1 OUTLOOK

In 2017 and beyond, ORPEA intends to continue pursuing its strategy of international expansion by:

- building new facilities to a high quality standard in prime locations in all the countries where it has a presence;
- making selective acquisitions to complement its existing network, while strictly observing the Group's profitability criteria;
- steadily raising its real-estate ownership rate by retaining and/or acquiring assets in the most attractive locations;
- expanding to new geographical territories where there is substantial demand for long-term care, and especially to regions with strong purchasing power;
- developing the complementary nature of ORPEA's offering with homecare and services, independent living facilities and outpatient treatment to bolster the spectrum of care it provides.

For 2017, ORPEA is confidently reiterating its revenue target of €3,125 million (a 10% increase on 2016), without factoring in the impact of any fresh developments and with the operating margin remaining consistently firm.

5.4.2 EVENTS SUBSEQUENT TO 1 JANUARY 2017

GOVERNANCE: DR MARIAN, ORPEA'S FOUNDING CHAIRMAN, HANDS OVER THE REINS – PRESS RELEASE OF 27 MARCH 2017

ORPEA announced on 27 March 2017 the appointment of Philippe Charrier as Non-Executive Chairman, following Dr Marian's decision to step down.

Dr Jean-Claude Marian is retiring as Chairman, and Philippe Charrier has been appointed Non-Executive Chairman Dr Jean-Claude Marian has been named Honorary Chairman.

Dr Marian, 78, has decided to focus on his private life after spending 28 years building up the ORPEA group and making it a leading provider of integrated long-term care in Europe.

Dr Marian said:

"For several years, I have naturally been thinking about passing on the reins. In 2011, the roles of Chairman and Chief Executive Officer were split, with the appointment of Yves Le Masne as Chief Executive Officer, responsible for the operational management and for the development of ORPEA.

Over the past three years, I have taken tremendous satisfaction from ORPEA's spectacular transformation. It has gone from being a French company with several European subsidiaries to a truly multinational group. Together with their teams, Yves Le Masne and Jean-Claude Brdenk have been the driving force behind the powerful expansion momentum in Germany, Austria, Switzerland, Poland and Czech Republic, and have striven to build a strong strategic and managerial organisation to oversee these developments.

It became clear that we needed to look for a suitable Non-Executive Chairman. We have chosen to appoint Philippe Charrier, whose entrepreneurial drive, knowledge of the healthcare sector and personal values will enable him to support and continue the roll-out of ORPEA's business model.

I will, of course, continue to keep a close eye on the progress of the Group, to which I remain deeply attached."

Dr Jean-Claude Marian has retired from his duties as a director and the Board of Directors, after consulting with Executive Management, has co-opted Philippe Charrier, who has been named as Non-Executive Chairman of ORPEA. Dr Marian has been appointed Honorary Chairman.

To display its full confidence in the senior management team, the Board of Directors has also decided to renew Yves Le Masne's term in office as Chief Executive Officer and Jean-Claude Brdenk's term as Chief Operating Officer.

Philippe Charrier, 62, is a graduate of the HEC business school and began his career with Procter & Gamble where he later became Chairman and CEO for France in 1999. Since then his career has been more entrepreneurial, and he took the helm at two French companies – Oenobiol (food supplements) and Labco (European leader in clinical diagnostics) – that he successfully built into multinationals operating in a number of countries including Spain, Germany and Italy. He is also a director of MédiPôle Partenaires until the merger with Elsan, which has given him solid experience of the healthcare sector.

He is currently Executive Chairman of Ponroy Santé (natural health products). Philippe Charrier has also been active in the charity sector.

He has been involved in projects to combat the social exclusion of vulnerable individuals with neurological and psychiatric conditions through social and employment integration projects.

Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, added:

"On behalf of all our teams, we wish to express our sincere gratitude and extend our best wishes to Dr Marian, who has worked for close to 30 years to build a European leader in long-term care. Dr Marian has helped to change practices in our industry, and in particular to raise the standard of care. This longstanding central concern has guided his actions on a daily basis. We have all learned a great deal from him. He has passed on his passion, his experience and his ground-breaking vision to us.

We have always shared his strategic decisions, such as, for example, in 1990, to secure a high level of real-estate ownership and, from 2004, to export the model outside France.

This decision was anticipated, and plans were in place for it a long time ago, and we are very confident that we will able to maintain ORPEA's growth momentum with a view to making a world leader."

ACQUISITION OF ANAVITA IN THE CZECH REPUBLIC AND DR. DR. WAGNER IN AUSTRIA – PRESS RELEASE DATED 18 APRIL 2017

ORPEA announced two more acquisitions creating substantial value on 18 April 2017: Anavita (932 beds) in the Czech Republic and Dr. Wagner (1,812 beds) in Austria.

ORPEA now no. 1 in the Czech Republic following the acquisition of Anavita

Founded in 2008, Anavita is one of the leading operators of nursing homes in the Czech Republic. It has a network of 6 facilities with 932 beds (including one 256-bed facility under construction).

These large (average of 155 beds) and recently built (2.5 years old on average) nursing homes are located in major cities. Furthermore, the Anavita brand has established a very strong reputation in the Czech Republic for the quality of the long-term care it provides, especially in neurodegenerative illnesses.

This acquisition represents an exceptional opportunity in the country in view of the expertise of its management, which will retain its operational duties within the Group, the size of its network of facilities, and the calibre of its newly built and wholly-owned real-estate assets. Anavita's revenues totalled €7.0 million in 2016 and are expected to double once all six facilities have opened and reached maturity. ORPEA has acquired Anavita with effect from 1 April 2017, and it will be consolidated from the same date.

Following this deal, which was agreed on attractive terms, ORPEA is now the number one private nursing home operator in the Czech Republic, with 1,716 beds (including 830 under construction) in 12 facilities. By harnessing its high-calibre network and its experienced and highly reputed local team, the Group will be able to actively pursue its expansion, including by setting up new facilities.

ORPEA extends its leadership position in Austria with the acquisition of the Dr. Dr. Wagner group

Founded by Dr. Wagner, its current manager, the Dr. Dr. Wagner group is a leading player in the Austrian market for healthcare institutions, with a presence in post-acute and rehabilitation hospitals and in nursing homes. The Group now possesses 18 facilities representing 1,812 beds across five regions of Austria. This network boasts all the characteristics sought by ORPEA:

- a very good reputation (patient and resident satisfaction rate of 96%);
- an integrated and diversified range of long- and medium-term care facilities, with multiple specialisations, including post-acute care and rehabilitation;
- recently-built premises (new builds or refurbishments over the past 10 years), a real-estate ownership rate of 80%, and attractive locations.

The Dr. Dr. Wagner group posted revenue of €60.0 million in 2016. The transaction remains subject to clearance by the anti-trust authorities.

This acquisition will round out SeneCura's geographical coverage of Austria and extend its range of care and services across the entire spectrum of long- and medium-term care.

Via its SeneCura local subsidiary, ORPEA has bolstered its leadership in the Austrian private nursing home sector, where it now operates 77 facilities with 6,807 beds (279 under construction).

Two value-creating acquisitions

With these two deals, ORPEA's network will grow to 79,838 beds at 775 facilities in 10 countries. Overall, 59% of its beds are now located outside France.

An updated target for full-year 2017 revenue incorporating these acquisitions will be provided in the interim revenue report in July 2017.

Q1 2017 REVENUE – PRESS RELEASE DATED 2 MAY 2017

ORPEA reported its revenue for the first quarter of 2017, ended 31 March, on 2 May 2017. Revenue totalled €751.7 million, an increase of 10.5%, with organic growth of 5.7%.

(in millions of euros)	Q1 2017	Q1 2016	Change
France	**434.0**	**413.6**	**+4.9%**
% of total revenue	*58%*	*61%*	
Outside France	**317.7**	**266.9**	**+19.0%**
% of total revenue	*42%*	*39%*	
Belgium	127.2	121.8	
Spain	51.2	38.7	
Italy	41.0	40.9	
China	0.3	-	
Switzerland	34.5	17.1	
Germany	12.2	11.6	
Austria	3.0	2.6	
Czech Republic	47.5	34.0	
Poland	0.9	0.2	
TOTAL REVENUE	**751.7**	**680.5**	**+10.5%**
*o/w organic growth**			+5.7%

* *Organic growth is calculated based on an equivalent number of days to 2016 and reflects the following factors: 1. The year-on-year change in the revenue of existing facilities as a result of changes in their occupancy rates and per diem rates 2. The year-on-year change in the revenue of redeveloped facilities or those where capacity has been increased in the current or year-earlier period 3. Revenue generated in the current period by facilities created in the current or year-earlier period, and the change in revenue at recently acquired facilities by comparison with the previous equivalent period.*

Sanyres in Spain has been consolidated since 1 July 2016, and Spitex in Switzerland since 1 January 2017.

Yves Le Masne, ORPEA's Chief Executive Officer, said:

ORPEA had a strong start to the year, recording revenue growth of 10.5% to €751.7 million. This excellent performance was underpinned by a brisk pace of organic growth (+5.7%) and the contribution made by our acquisitions, chiefly Sanyres in Spain and Spitex (homecare network) in Switzerland.

Once again, we have managed to deliver a very sound organic growth across all the countries where we operate as a result of:

- *consistently high occupancy rates across our network;*
- *the appeal of the Group's facilities in Europe, which comes from the quality of care they provide, their reputation and their location;*
- *the ramp-up in facilities that we have opened over the past two years, mostly in large towns and cities or in areas with strong purchasing power;*
- *the opening of over 500 additional beds in the first quarter of 2017 in France, Germany, Italy and Belgium.*

Our international business, which accounts for 42% of the Group's consolidated revenue, continues to expand very rapidly, recording growth of +19% in the first quarter. This trend is set to continue over the upcoming quarters.

As demonstrated by our recent acquisitions in Austria and the Czech Republic, we are actively pursuing growth through selective acquisitions. We are also going ahead with our plans to open new facilities in countries where we already operate, while continuing to consider opportunities in new territories.

Given our first-quarter performance, we are confidently restating our revenue target of €3,125 million, which represents a +10% increase on 2016."

5.5 RISK MANAGEMENT

5.5.1 GENERAL RISK IDENTIFICATION AND 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 strive to find ways 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 ones most likely to have a significant adverse impact on the Group, its business, its results or its development.

Risk management is promoted by Executive Management and implemented by the Quality and Medical Departments, as well as by the Operational Departments. On a day-to-day basis, risk management consists of the attention paid by each facility, through its management team, to the management of its activities: identifying risks through risk mapping, defining preventive action to eliminate or reduce risks, implementing staff training and raising awareness, strengthening self-assessment and auditing processes, and monitoring 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 RISKS RELATED TO 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 autonomous communities in Spain, groups of municipalities in Belgium, etc.). The ease with which such licences are obtained varies according to national and regional regulations.

In some countries, such as France, Belgium and Austria, obtaining such licences depends 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 make granting of a licence dependent on complying 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 procedures for assessing and checking service quality, which are carried out by the national or regional regulatory authorities depending on the country.

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, due in particular to its internal control procedures and the rigorous monitoring carried out by its various departments and support units (Quality Department, Medical Department, Operational Departments, works, purchasing and catering units, etc.).

The Group's quality procedures, which apply to all subsidiaries and all stages of resident and patient care, as well as the care provision traceability approach implemented by the Medical Department and audits performed by support units, 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 levels (*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 paid by the public sector could have a negative impact on the Group, its results and financial position.

Risk management

The Group now operates in 10 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 public funding, the Group has a degree of flexibility because of the proportion of its funding coming from private sources.

5.5.2.3 MANAGEMENT OF RISKS RELATED TO A CHANGE IN PUBLIC POLICY

Risk identification

Generally speaking, regardless of the country, governments are keen to promote home care for the dependent elderly, and as such to support 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, where the second reform of the management of dependency care (known as PSG2) came into force on 1 January 2017. 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 to be a direct competitor but a complementary service, since 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 provided for the elderly in all countries in the coming years.

Moreover, in recent years, the Group has developed a complementary range of home care services, including its DOMIDOM and ADHAP Services networks in France, and in Switzerland, where in late 2016 the Group acquired Spitex Ville et Campagne, the country's leading private-sector home care network. In many countries, the Group also adapts its offering so as to respond not only to demand for retirement homes, but also for serviced residences, hospitals 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 proportion paid by the resident or patient, thereby reducing their purchasing power.

Risk management

ORPEA now operates in 10 countries, which means that it has diversified this risk. Some of its countries, such as Switzerland, are very stable and are not planning any reforms.

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 next few 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 by comparison with the statistical distribution of assets owned by 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.

Any failure by ORPEA to identify, attract and retain competent employees and train them 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 compliance with personnel standards applies to all subsidiaries.

All facilities must be able to ensure continuity of care and medical treatment for residents and patients through 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 development plans and the age structure;
- ensure the visibility of our job offers using media suited to our needs and new modes of communication (social networks, etc.);
- develop mobility within countries but also between business units in different countries. The aim is to retain staff and skills within the Group, offering career development opportunities to those who want them;
- lead a dynamic policy in establishing relationships with schools in all countries. This allows us to promote our jobs and our Group, and anticipate our requirements by hiring and training interns and people on work/study contracts in our facilities;
- take part in such events as job fairs, speed recruitment events and medical conferences, focusing on profiles that show the greatest potential shortages, especially at the regional level, and develop local initiatives 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 for transferring employees, training at ESCP in order to promote our talent, and specialised and rewarding degree courses for care teams in partnership with renowned universities;
- implement meaningful projects for teams, so as to bring them together and forge links to help develop a motivating and inclusive work environment for our staff;
- pursue labour-management dialogue in a way that best ensures the stability of teams within 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 hot or cold weather conditions that could endanger the health of residents and patients.

The Medical Department has drawn up procedures and protocols (mobilising staff, hydrating residents, adapting diets, etc.) to be applied across the Group's facilities, and staff training has been organised to guarantee the ongoing care and well-being of residents.

Agreements and/or partnerships have been signed with nearby health facilities in order to set out arrangements for co-operating and in particular for caring for residents who are vulnerable in the event of a heatwave.

In accordance with prevailing regulations in each country, specific equipment (air conditioned rooms, generators, etc.) has been installed in all facilities where required.

At the same time, facilities located in high-risk zones (*e.g.* at risk of 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 PANDEMIC RISK

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 an epidemic outside of its facilities, ORPEA has implemented all appropriate preventive measures:

- preparing and ensuring the availability of a Crisis Management Plan incorporating the Business Continuity Plan;
- providing information and training to staff, including a reminder of best hygiene practices and isolation protocols in the event of patient or resident infection, etc.;
- identifying and ordering the necessary equipment (masks, protective eyewear, antiseptic solution, etc.) to cope with an epidemic and prevent the virus spreading, whilst protecting residents, patients and staff;
- informing visitors through notices, limiting visits and giving recommendations in terms of good hygiene practices;
- setting up a national crisis unit (comprising members of the Operational, Medical and Quality Departments), which is responsible for co-ordinating actions across the entire Group and centralising information issued by each facility's crisis unit.

In addition to these internal arrangements, each country must refer to the measures imposed by the different governments, both in relation to the procedures to be followed and the forms of conduct to be implemented.

Finally, every year, the Group's facilities take part in a major campaign to communicate with patients, residents and staff in order to raise awareness and encourage them to get immunised.

5.5.2.7 MANAGEMENT OF COMPETITION RISKS

Risk identification

The dependency care sector's offering is highly diversified in terms of both the type of facilities and care arrangements available, which include home care, sheltered housing, serviced residences and long-term care facilities. Industry players come from very different backgrounds and may be part of the public, charity or private sector, offering different services and prices. Consequently, patients, residents and their families 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

The key influencers consist of 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: investing and redeveloping buildings, offering locations in city centres and carrying out ongoing quality audits. Each facility manager cultivates local relationships with influencers, often inviting them to visit their facility.

A satisfaction survey is conducted annually among influencers in order to gauge their expectations and their level of satisfaction.

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 requires an operating licence in most countries.

In addition, due to population ageing, the supply of beds in retirement homes remains well below requirements identified in all countries in which the Group operates.

5.5.3 RISKS SPECIFIC TO THE ORPEA GROUP OR RELATED TO ITS STRATEGY

5.5.3.1 MANAGEMENT OF MALTREATMENT RISK

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 maltreatment 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 maltreatment – through recruitment, staff integration, support and training – but also allows any person suspected of maltreatment 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. There is a special focus on the traceability of medical care provided in order to guarantee the quality of care and provide a personalised care programme.

Consistent quality standards appropriate 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 maltreatment. The training includes discussions of personal 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 people, their dignity and their individuality.

Good treatment also requires collective discussion regarding practices, ensuring regular objective assessment by professionals, and the rigorous application of the measures resulting from this collective discussion in order to improve practices.

In this sense, it is a culture that involves continuous self-reflection, including in terms of the development of knowledge and discoveries in human, social and medical sciences.

Striving to provide good treatment entails continuous discussion and co-operation among professionals, users and close relatives, as well as other stakeholders, with a view to best meeting needs identified at any given time.

In 2015, the Group established an International Ethics Committee, whose work helps nurture the practices of the various 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 good 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 values that are important 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 for respecting the freedom, rights, individuality and dignity of the resident or patient 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 MANAGEMENT OF RISKS RELATED TO THE 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 750 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 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 implementing and monitoring 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.

Facilities carry out preventive maintenance to ensure that our buildings are maintained in optimal conditions in terms 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 extraction system, fire doors, fire extinguishers, 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 implemented 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 related to domestic hot water

Risk identification

Legionellosis is a serious lung disease caused by inhalation of water particles 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 regarding 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 analyses 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 corrective action 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 domestic hot water. To prevent this risk, temperature mixers are installed on showers for residents/patients.

Quality of drinking water

Potability analyses are performed (bacteriological and physio-chemical analysis) to ensure the quality of drinking water in all countries where ORPEA operates.

Risk related to asbestos

Every year the ORPEA group makes the necessary investments to ensure that its facilities 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 related 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 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 analyses 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 RELATED TO THE 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 alcohol hand sanitisers in facilities reduces the risk of infection through hand contact.

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.

To strengthen risk-prevention efforts within our facilities, a Hygiene unit was created in 2016 featuring external professionals (such as a representative of France's committee for the prevention of nosocomial infections).

Management of potentially infectious healthcare waste (DASRI)

Risk identification

Employees handle certain types of healthcare waste and so 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 infectious waste.

Waste is removed by an authorised company under a service agreement or partnership.

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 risks. Those risks can arise through the way they work, the way they are used or a combination of other causes. Risks may affect the patient, the user or third parties.

They 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 are followed across 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. However, 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 claimants. 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 maltreatment: 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, problems with the label or information leaflet, 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 makes major efforts to control this risk with many departments (operations, medical, quality, purchasing, IT, training, legal, etc.), which are involved in deploying tools and aids that help ensure safety when providing medication to patients/residents.

In each country where ORPEA operates, computerised tools for prescribing, dispensing and administering drugs have been deployed, and are adjusted to meet requirements specific to the business sector and 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 medication, storage conditions, preparation, management of expired products, withdrawal of batches, etc.

To ensure consistency in these safety arrangements, each of the Group's quality departments has deployed tools for reporting 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 wandering away from health facilities and nursing homes.

Wandering by senile patients or patients with psychiatric conditions may lead to significant harm and the facility may be held responsible.

Risk management

Preventing residents/patients from 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, other anti-wandering devices, etc.). These 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 living and care plan.

Should a resident/patient wander, the ORPEA group has drawn up a very strict protocol for all its facilities to enable all search initiatives to be taken very rapidly based on a detailed alert sheet (description of patient/resident, clothes, photograph, previous address, etc.).

Suicide

Risk identification

Given the number people residing in its facilities, particularly in psychiatric facilities, the Group may be held liable in the event of the suicide or attempted suicide of a patient or resident.

Risk management

The healthcare team assesses the potential suicide risk from the time of 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 strengthening family and social connections or projects that allow the resident/patient to make future plans and/or find alternative life options.

The resident/patient is in all cases cared for in a protected environment, with limited opening of windows, no access to areas identified as "dangerous" for residents/patients, and the removal of hazardous objects.

In parallel, a care plan is adjusted to take into account the resident/patient's suicide risk.

To promote prevention within our facilities, action including staff training and awareness-raising initiatives regarding suicide risk has been taken. Some facilities have appointed advisers in charge of disseminating best practice.

If a suicide takes place, a procedure describes the practices to be followed in order to manage the situation. 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 around 20 psychologists specifically trained in managing 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. In other countries, subsidiaries use specialist organisations or professionals from facilities other than the one in which an incident arises.

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 health of residents/patients and employees, 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; they 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.

The sanitary quality of manufactured products is monitored by 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 the temperatures at which meals are made, stored and distributed. Sampling is performed on a random basis by a technician appointed 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 relevant food and/or quality units in that country.

At the same time, consumers are informed about the presence of any allergens in certain prepared products.

5.5.3.5 MANAGEMENT OF RISKS RELATED TO THE GROUP'S DEVELOPMENT

Competition risk in acquisitions

For many years now, ORPEA has implemented 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 consolidation trend seen in the dependency care sector in the last few years. The emergence of national groups in the long-term care and post-acute and rehabilitation care sectors could cause those groups to bid up the prices paid to acquire independent facilities.

However, to date, the number of potential targets remains significant, because, apart from a few private groups (Korian, Domus Vi, Attendo, etc.), the private sector remains highly 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. In addition, given funding difficulties faced by local authorities, certain facilities in the charitable sector are struggling and therefore represent a new source of growth for the Group.

ORPEA operates in 10 countries, which means that it has a very diverse set of potential targets.

Risks related to the integration of facilities recently acquired by the Group

The network of ORPEA facilities has grown rapidly 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 equity or debt.

However, ORPEA's banking partners are confident in the Group due to the excellent visibility over its future cash flows, which are not particularly affected by the current economic crisis.

Furthermore, ORPEA has a flexible financial position, with covenant ratios that are lower than the authorised limits. Since the second half of 2012, ORPEA has greatly diversified its funding sources by carrying out various bond issues:

- private bond placements with major French institutional investors (insurance companies and mutual insurance groups);
- €198 million ORNANE bond issue in July 2013;
- several Schuldschein bond issues in the German market, bought by a wide variety of European and Asian investors.

As such, the Group had cash of €539.9 million at 31 December 2016, 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 applicable standards regarding 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 maintain the appeal of its facilities, 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 exposed 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 adverse opinions from 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 co-operation with:

- operational staff (Regional Directors, Medical Department and Pricing Department) to draw up a functional project that will ensure the 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 properties and therefore a lack of 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 the 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 differ from office and residential properties due to their visibility and ability to maintain high occupancy rates.

Risks related to property disposal

The Group regularly sells operating properties in blocks or individually to third-party investors. Where these sales take place 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 some of the properties it operates and leases them back for a given period of time. There is a risk of rent increases based on rent indexation and of rent increases 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 RISKS RELATED TO INFORMATION SYSTEMS

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 risks related to possible failures among 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, every year, ORPEA devotes a large budget to developing and consolidating its information system, as well as enhancing security by also addressing cyber risks, for instance.

IT security is an essential component of the method ORPEA uses to validate projects. Each year, concrete actions in respect of IT security and data privacy are implemented and monitored: awareness-raising regarding security and data privacy, integration of a questionnaire assessing the risk in terms of IT system security for each project, impact assessment procedure, efforts to enhance the skills of staff in the IT Department, 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 plan that involves the following actions regarding risks: avoid, share, maintain, reduce.

For each identified risk, security criteria are applied – confidentiality, integrity, availability and traceability (or auditability) – and residual risks are identified and accepted.

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's efforts fall into four categories: strategic, organisational, project and technical.

- Strategic: this category has been discussed above, notably through the close and effective co-operation between the Information Systems Security department and the Data Protection Officer;
- Organisational: 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.

- Project: the personalisation of applications, the effectiveness of solutions implemented and the pragmatism of project managers who listen to their internal clients represent the third category.
- Technical: 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 information security, 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 detailed oversight of data export procedures, continuous improvement 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, featuring:

- CCTV, access control and fire extinguishing system;
- a supervised IT infrastructure;
- safeguarding of all data;
- a secure, reliable service architecture, based on tried and tested procedures;
- a technical escalation plan with operating solutions in impaired 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, its 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 intends to apply ISO 27001 safety management systems and ensure data processing compliance under the Data Protection Act (and the future European Directive on the protection of personal data), both in France and in its other operational countries.

Protection of personal data

European Directive 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 France's 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 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 (medical information, 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 are also preparing 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 RISKS 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, particularly if non-performing subcontractors have to be replaced by 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 purchasing policy for more than 15 years and supports the purchasing departments of subsidiaries outside France. 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 Purchasing Policy optimise costs, 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 RISKS 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 RISKS

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 otherwise). This policy of diversifying and optimising the financial structure continued in 2016, with the Group benefiting from historically low interest rates 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 €3,679.9 million at 31 December 2016 (excluding debt relating to assets held for sale), and broke down as follows:

- net operating debt in an amount of €584 million, resulting in a limited operating debt/EBITDA ratio of 2.1x;
- net real-estate debt in an amount of €3,096 million, secured by property assets valued at €4,075 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 issues with maturities 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 €45 million excluding bonds and Schuldschein financing.

The repayment schedule is provided in Note 3.12 of the notes to the 2016 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 interest rates in the eurozone.

The Group's strategy is to hedge its interest-rate risk on almost 100% 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 2015, the average notional amount of the derivatives portfolio based on a 1-year maturity was €1,403 million.

At 31 December 2016, the average notional amount of the derivatives portfolio based on a 1-year maturity was €2,230 million. As at 31 December 2015, the portfolio comprised fixed-for-floating (mainly three-month Euribor) interest-rate swaps and interest-rate options. These derivative instruments are based on either a constant or decreasing nominal amounts.

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 2016, net debt amounted to €3,680 million (excluding debt relating to assets held for sale), 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-point) rise in interest rates would increase the Group's financial expense by €2.1 million (before tax and capitalisation of financial expenses);
- a 0.2% drop (20 basis points given current interest-rate levels) would have no impact on financial expense.

Details of the Group's hedging positions are provided in Note 3.14.1 of the notes to the 2016 consolidated financial statements.

Counterparty risk

The use of hedging products to limit interest-rate and exchange-rate risk exposes the Group to counterparty risk. Counterparty risk is the risk of having to replace a hedge at current market rates in the event that a counterparty defaults. To limit counterparty risk, ORPEA only carries out hedging transactions with the largest international financial institutions.

Exchange-rate risk

ORPEA has little exposure to exchange-rate risk, as 94.5% of 2016 revenues were derived from the eurozone. ORPEA generates 5.5% of its revenues in Poland, the Czech Republic, China and above all Switzerland, where it reinvests most of its profits in developments within the same country, 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 APPENDIX

5.6.1 APPENDIX 1: DETAILS OF THE MAIN PARTICIPATING INTERESTS

Company	Share capital	Percentage ownership	Profit or loss for the financial year	2016 equity	2016 carrying amount of investments	
					Gross	Net
SCI Route des Écluses	303,374	99%	184,996	2,454,280	303,374	303,374
SCI Les Rives d'Or	1,524	99%	42,377	1,919,003	933,755	933,755
SCI du Château	1,524	99%	374,590	3,357,453	1,353,340	1,353,340
SCI Tour Pujols	1,524	99%	366,180	2,700,235	1,364,795	1,364,795
SCI La Cerisaie	1,524	99%	48,403	2,235,204	47,224	47,224
SCI Val de Seine	1,524	99%	(566,706)	(3,752,187)	711,307	711,307
SCI Cliscouet	1,524	99%	437,439	2,217,544	1,494	1,494
SCI Âge d'Or	2,549,161	99%	27,277	12,246,157	6,234,540	6,234,540
SCI Gambetta	1,524	99%	143,662	5,513,080	1,509	1,509
SCI Croix Rousse	1,524	99%	126,077	4,708,543	1,509	1,509
SCI Les Dornets	1,524	99%	(17,223)	1,221,278	1,494	1,494
SCI Château d'Angleterre	1,646	99%	287,285	8,326,740	1,763,577	1,763,577
SCI Montchenot	1,524	99%	73,922	10,897,669	1,286,933	1,286,933
SCI 115 rue de la Santé	1,524	90%	(1,960,482)	9,657,283	1,372	1,372
SCI Abbaye	1,524	90%	(787,515)	(5,564,164)	344,410	344,410
SCI Les Tamaris	1,524	99%	87,474	2,361,947	1,357	1,357
SCI Passage Victor Marchand	1,524	99%	(626,171)	2,424,927	1,509	1,509
SCI Fauriel	1,524	99%	1,859,142	(9,724,340)	1,618,841	1,618,841
SCI Port Thureau	1,524	99%	(1,396)	1,230,438	63,708	63,708
SCI de l'Abbaye	1,524	99%	327,134	1,227,529	1,509	1,509
SCI Les Maraîchers	1,524	99%	522,133	2,599,684	99,595	99,595
SCI Bosguerard	1,524	99%	121,885	1,266,990	1,274,306	1,274,306
SCI Le Vallon	1,524	90%	(1,984,757)	2,519,790	2,033,228	2,033,228
SCI Brest Le Lys Blanc	1,524	98%	(1,048,698)	(14,777,496)	1,494	1,494
SCI Bel Air	1,524	99%	(130,865)	(223,827)	335,837	335,837
SAS CLINEA	194,008,608	100%	45,864,270	323,452,617	203,855,563	203,855,563
SARL Les Matines	7,622	100%	(109,188)	(3,691,974)	7,622	7,622
SARL Bel Air	1,265,327	100%	287,383	4,434,038	840,604	840,604
SARL Amarmau	7,622	100%	(36,864)	(1,135,566)	7,622	7,622
SARL 94 Niort	231,000,000	100%	13,361,956	278,646,968	231,000,000	231,000,000
SARL 95	7,700	100%	(92,817)	(809,120)	7,700	0
SCI Sainte Brigitte	1,525	100%	(29,668)	(694,511)	1,524	1,524
SARL VIVREA	150,000	100%	78,928	(3,406,672)	150,000	150,000
SA LES CHARMILLES	76,225	98%	234,457	4,475,501	3,094,117	3,094,117
SCI KOD'S	22,650	100%	60,771	646,426	68,116	68,116
SARL LA BRETAGNE	277,457	100%	19,536	(1,409,306)	41,300	41,300

Company	Share capital	Percentage ownership	Profit or loss for the financial year	2016 equity	2016 carrying amount of investments	
					Gross	Net
SARL RÉSIDENCE LA VÉNITIE	13,300	100%	(62,524)	(636,521)	796,267	796,267
SARL L'ATRIUM	7,622	100%	98,168	(524,867)	985,140	985,140
SA BRIGE	9,200,000	100%	(83,783)	7,758,251	670,000	670,000
SRLORPEA ITALIA	3,350,000	5%	(5,079,876)	4,258,792	682,862	682,862
SCI LES TREILLES	15,245	99.99%	57,902	2,298,436	2,363,698	2,363,698
SCI LES MAGNOLIAS	1,525	99%	(342,523)	(3,373,255)	1,510	1,510
SCI le Barbaras	182,939	100%	174,696	6,679,475	821	821
SARL DOMEA	100,000	100%	(6,324)	173,106	100,000	100,000
SARL 96	7,700	90%	(1,906,944)	894,430	6,930	6,930
SCI BEAULIEU	3,049	100%	(20,894)	(80,705)	30,490	0
SAS LA SAHARIENNE	1,365,263	100%	(242,008)	(1,270,068)	5,712,440	5,712,440
SARL ORPEA DEV	100,000	100%	(1,164)	873,640	100,000	100,000
SAS ORGANIS	37,000	100%	175,154	96,397	11,775,946	9,825,946
GRUPO CARE	63,921	100%	1,646,956	52,627,350	19,228,321	19,228,321
DINMORPEA	5,000	100%	468,191	677,621	5,000	5,000
SRL CASA MIA IMMOBILIARE	20,000,000	100%	564,088	14,897,860	13,089,120	13,089,120
SA ORPEA BELGIUM	81,500,000	99.99%	4,683,819	175,771,564	65,479,233	65,479,233
SA DOMAINE DE CHURCHILL	815,012	100%	77,538	17,357,774	12,135,729	12,135,729
SA DOMAINE DE LONGCHAMP	65,026	10%	(69,184)	11,957,173	1,414,449	1,414,449
SA LONGCHAMPS LIBERTAS	600,000	100%	(3,373,937)	(2,323,399)	554,719	554,719
SA RS DOMAINE DE CHURCHILL	265,039	100%	(77,825)	302,644	3,075,311	3,075,311
TRANSAC CONSULTING CORPORATION	3,009	100%	23,494	14,021	1,823,231	1,823,231
SAS Résidence St Luc	37,200	100%	(55,263)	(4,441,462)	2,644,007	0
SARL Benian	1,000	20%	(372)	(42,276)	300,200	0
SCI JEM II	152	90%	62,601	556,501	883,500	883,500
SARL La Doyenne de Santé	8,000	50%	473,896	144,075	1,267,425	1,267,425
SCI Douarnenez	1,500	100%	(171,320)	(1,645,634)	1,485	1,485
SCI Barbacane	1,524	1%	25,951	977,775	15	15
SCI Selika	10,671	0.14%	(17,768)	5,640,291	15	15
SCI SLIM	762	100%	91,470	981,254	1,830	1,830
SCI SAINTES BA	1,524	1%	(279,256)	3,046,313	15	15
SCI Les Ânes	1,000	0.10%	92,603	(1,897,056)	1	1
SARL L'Ombrière	8,000	100%	29,902	(762,542)	822,027	0
SAS MDR La Chêneraie	254,220	2%	131,378	(824,246)	146,044	146,044
SARL IDF résid Ret. Le Sophora	7,622	10%	276,369	(1,184,350)	80,000	80,000

Company	Share capital	Percentage ownership	Profit or loss for the financial year	2016 equity	2016 carrying amount of investments	
					Gross	Net
SNC les Jardins d'Escudie	100,000	100%	(149,493)	(4,648,034)	824,310	824,310
SA Résidence du Moulin	38,112	100%	(247,521)	(3,098,545)	2,100,466	0
SC Les Praticiens	87,600	0.08%	1,580	67,106	67,009	0
SAS Résidence La chêneraie	2,537,040	100%	100,897	6,330,821	7,324,746	7,324,746
SA EMCEJIDEY	293,400	100%	66,657	2,754,200	4,419,887	4,419,887
SARL Résidence du Parc	18,560	100%	(14,083)	(29,397)	5,810	5,810
SCI du Fauvet	1,524	10%	(234,976)	(1,828,791)	68,306	68,306
OPCI	5,301,885	5.02%	236,080	5,269,666	479,732	479,732
SAS SFI France	4,000,000	51%	(32,385)	856,126	23,305,520	23,305,520
SCI Ansi	22,867	0.1%	129,661	5,501,125	40,399	40,399
SARL Viteal les Cèdres	50,000	100%	(79,273)	(1,662,469)	85,039	0
SA Le Vieux Château	50,000	100%	(20,693)	(1,572,943)	367,647	367,647
SAS Home La Tour	40,600	100%	298,733	(113,917)	2,797,720	0
SAS MEDITER	69,650,000	100%	2,640,445	130,808,881	169,198,343	169,198,343
SNC des Parrans	7,622	100%	(15,165)	(385,280)	1,399,856	0
SAS Holding Mandres	8,000	100%	115,865	966,068	3,325,832	3,325,832
SNC Les Acanthes	7,622	100%	(99,998)	(413,458)	1,468,434	0
SA Le Clos St Grégoire	38,173	100%	(349,912)	1,683,577	4,676,964	4,676,964
SA Immobilière de Santé	7,828,400	49%	11,063,000	30,935,000	13,210,000	13,210,000
SARL Domidom	4,992,525	100%	(898,103)	(2,875,878)	12,566,082	9,566,082
GCS	100,000	12.50%	0	1,016,576	23,300	23,300
SAS Immo Nevers	5,000	100%	(59,747)	4,277,941	5,000	5,000
SCI Castelviel	152	50%	(436,464)	(2,965,125)	763,650	0
SAS St Jean	16,000	100%	352,146	166,684	3,135,916	3,135,916
SCI Super Aix	228,674	13%	(57,431)	1,876,011	478,537	478,537
SAS Actiretraite Montgeron	4,000	100%	(86,703)	(1,342,967)	746,843	0
Groupe SILVERCARE	4,975,000	100%	6,251,624	54,039,921	65,552,324	65,552,324
SCI Parc St Loup	150,000	100%	(26,428)	(467,077)	149,079	0
SCI Larry	150,000	100%	(8,542)	3,335,937	150,621	150,621
SA China Holding	1,000,000	100%	(106,243)	672,603	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

Company	Share capital	Percentage ownership	Profit or loss for the financial year	2016 equity	2016 carrying amount of investments	
					Gross	Net
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
CEECSH	20,008,100	100%	(1,101,066)	17,912,466	13,845,500	13,845,500
CHINA CO.	4,413,091	51%	(1,209,098)	474,035	2,250,794	2,250,794
MEDI-SYSTÈME	80,750	100%	263,018	7,888,506	20,225,193	20,225,193
SARL Primavera St Marc	100,000	100%	(470,766)	2,177,852	18,002	18,002
Gevea Senior	nc	49%	0	0	682,251	682,251
Gevea Immo	nc	49%	0	0	406,945	406,945
SCI SENIOR +	nc	49%	0	0	490	490
SAS Familisanté	4,851,200	57.46%	105,366	(2,117,105)	18,771,865	18,771,865
SAS Résidence Normandie	7,700	100%	(133,042)	91,382	1,694,170	1,694,170
SARL La Pergola	7,622	100%	(49,741)	74,530	368,649	368,649
Other securities					335,790	335,790
Other securities (access)					194,505	194,505
TOTAL					**983,695,496**	**965,362,976**

5.6.2 APPENDIX 2: FIVE-YEAR FINANCIAL HIGHLIGHTS

	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Share capital at year-end					
Share capital	75,342,114	75,342,114	69,459,866	69,346,239	66,247,578
Number of ordinary shares in issue	60,273,691	60,273,691	55,567,893	55,476,991	52,998,062
Maximum number of additional shares to be issued					
■ Through bond conversion	4,503,369	4,448,097	8,957,216	8,330,165	4,069,534
■ Through exercise of subscription rights	0	0	171,572	246,016	1,217,779
Key income statement headings					
Revenue	723,748,182	687,048,320	625,094,135	552,525,700	494,474,847
Operating profit	64,149,083	53,920,720	47,478,199	46,678,323	37,838,649
Net finance cost	(17,188,304)	(27,450,495)	(32,760,096)	(34,357,301)	(23,171,095)
Pre-tax profit on ordinary activities	46,960,779	26,470,225	14,718,103	12,321,022	14,667,554
Net non-recurring items	(10,568,119)	(10,118,919)	(2,438,903)	(4,542,032)	(31,738)
EBITDA	69,367,946	52,387,470	37,933,410	25,167,519	30,957,575
Income tax	6,483,743	5,112,712	4,767,843	4,826,545	6,283,056
Net profit	29,908,917	11,238,594	7,511,357	2,952,446	8,352,759
Profit paid out to shareholders	60,273,691	54,246,322	44,454,314	38,833,894	31,798,837
Earnings per share					
Basic earnings per share	0.50	0.19	0.14	0.05	0.16
Diluted earnings per share	0.50	0.19	0.12	0.05	0.14
Dividend paid per share	1.00	0.90	0.80	0.70	0.60
Staff					
Average headcount	9,219	8,735	7,910	7,520	6,228
Total payroll expenses	260,494,876	243,743,094	223,226,103	195,434,777	165,622,902
Total employee benefits	85,434,373	79,837,096	73,865,397	67,649,672	61,957,378

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CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

6.1 CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Notes	31/12/2016	31/12/2015
Revenue		**2,841,225**	**2,391,604**
Purchases used and other external expenses		(817,369)	(698,551)
Staff costs		(1,467,301)	(1,216,688)
Taxes other than on income		(96,555)	(90,731)
Depreciation, amortisation and charges to provisions		(126,456)	(96,893)
Other recurring operating income		24,036	22,784
Other recurring operating expense		(9,510)	(8,008)
Recurring operating profit		**348,070**	**303,517**
Other non-recurring operating income	3.20	167,887	177,042
Other non-recurring operating expense	3.20	(144,975)	(157,572)
Operating profit		**370,982**	**322,988**
Financial income		13,876	15,264
Financial expense		(125,427)	(112,081)
Net interest expense	**3.21**	**(111,551)**	**(96,817)**
Change in FVO*	3.13	(1,800)	(43,000)
Pre-tax profit		**257,631**	**183,171**
Income tax expense	3.22	(85,000)	(60,015)
Impact of the measurement of deferred taxes at the rate expected to apply	3.22	80,000	
Share in profit/(loss) of associates and joint ventures	3.5	3,817	3,429
Consolidated net profit		**256,448**	**126,586**
Attributable to non-controlling interest		9	(48)
ATTRIBUTABLE TO OWNERS OF THE PARENT		**256,440**	**126,634**
Net profit attributable to owners of the parent excluding net change in FVO* (€1.2 million in 2016)		**257,620**	**153,294**
Number of shares		60,273,691	60,273,691
Basic earnings per share *(in euros)*		4.26	2.12
Diluted earnings per share *(in euros)*		4.26	2.12

* *FVO: Fair value of the entitlement to the allotment of shares embedded in the ORNANE bonds.*

The accompanying notes are an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)		31/12/2016	31/12/2015
Net profit for the year	**a**	**256,440**	**126,634**
Change in exchange differences			19,054
Change in fair value of available-for-sale financial assets			
Cash flow hedges		(621)	19,992
Tax effect on items that may be reclassified to profit or loss		214	(7,597)
Total items that may be reclassified to profit or loss	b	(407)	31,450
Comprehensive income net of items that may be reclassified to profit or loss	**a+b**	**256,033**	**158,083**
Actuarial gains/(losses)		(2,704)	4,027
Revaluation of property assets		60,000	18,000
Impact of the measurement of deferred taxes at the rate expected to apply		22,000	
Tax effect on items that may not be reclassified to profit or loss		(19,702)	(9,010)
Total items that may not be reclassified to profit or loss	c	59,594	13,016
COMPREHENSIVE INCOME NET OF ITEMS THAT MAY NOT BE RECLASSIFIED TO PROFIT OR LOSS	**a+b+c**	**315,627**	**171,099**
Other comprehensive income (net of tax)	**b+c**	**59,187**	**44,466**
COMPREHENSIVE INCOME	**a+b+c**	**315,627**	**171,099**

CONSOLIDATED BALANCE SHEET

(in thousands of euros)	Notes	31/12/2016	31/12/2015
ASSETS			
Goodwill	3.1	982,106	841,532
Intangible assets, net	3.2	1,889,176	1,751,217
Property, plant and equipment, net	3.4	3,632,401	3,008,814
Properties under construction	3.4	442,643	436,301
Investments in associates and joint ventures	3.5	62,235	58,184
Non-current financial assets	3.6	34,248	36,934
Deferred tax assets	3.22	38,424	36,389
Non-current assets		**7,081,232**	**6,169,371**
Inventories		8,369	8,076
Trade receivables	3.7	148,330	127,409
Other assets, accruals and prepayments	3.8	407,689	347,542
Cash and cash equivalents	3.12	539,924	518,925
Current assets		**1,104,312**	**1,001,952**
Assets held for sale	**3.9**	**140,020**	**200,000**
TOTAL ASSETS		**8,325,564**	**7,371,324**

LIABILITIES AND EQUITY			
Share capital		75,342	75,342
Consolidated reserves		1,433,636	1,356,321
Revaluation reserves		310,410	251,223
Net profit for the year		256,440	126,634
Equity attributable to owners of the parent	**3.10**	**2,075,828**	**1,809,520**
Non-controlling interest		199	190
Total consolidated equity		**2,076,027**	**1,809,710**
Non-current financial liabilities	3.12	3,801,254	3,218,989
Change in the fair value of the entitlement to the allotment of shares embedded in the ORNANE bonds	3.13	74,793	72,993
Provisions	3.11	143,108	86,243
Post-employment and related benefit obligations	3.11	63,919	51,215
Deferred tax liabilities	3.22	784,703	851,714
Non-current liabilities		**4,867,776**	**4,281,153**
Current financial liabilities	3.12	418,531	314,218
Provisions	3.11	25,304	23,241
Trade payables	3.15	232,019	254,137
Tax and payroll liabilities	3.16	226,587	215,141
Current income tax liabilities	3.16	15,041	
Other liabilities, accruals and prepayments	3.17	324,259	273,724
Current liabilities		**1,241,741**	**1,080,460**
Debt associated with assets held for sale		**140,020**	**200,000**
TOTAL EQUITY AND LIABILITIES		**8,325,564**	**7,371,324**

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Notes	31/12/2016	31/12/2015
Cash flow from operating activities			
■ Net profit of consolidated companies		256,440	126,634
■ Elimination of non-cash income and expense related to operating activities*		37,905	93,933
Net interest expense	3.21	111,551	96,817
■ Gains on asset disposals not related to operating activities, net of tax		(19,669)	(16,497)
Cash generated by consolidated companies		**386,227**	**300,887**
■ Change in the operating working capital requirement			
Inventories		(188)	(788)
Trade receivables	3.7	(17,623)	5,536
Other receivables	3.8	68,128	63,989
Tax and payroll liabilities		14,152	(30,233)
Trade payables	3.15	(43,569)	39,023
Other liabilities	3.17	(60,418)	(64,475)
Net cash generated by operating activities		**346,709**	**313,939**
Cash flow from investing and development activities			
■ Property investments		(795,032)	(945,696)
■ Disposals of property assets		139,378	209,825
■ Other acquisitions and changes		(130,857)	(278,330)
Net cash generated/(used by) investing activities		**(786,511)**	**(1,014,201)**
Cash flow from financing activities			
■ Proceeds from capital increases	3.10		6,039
■ Dividends paid to shareholders of the parent	3.10	(54,246)	(44,454)
■ Net cash inflows/(outflows) related to bridging loans and bank overdrafts	3.12	(95,956)	(26,313)
■ Proceeds from new finance leases	3.12	228,204	284,920
■ Proceeds from new borrowings	3.12	966,645	1,041,426
■ Repayments of borrowings	3.12	(340,447)	(486,484)
■ Repayments under finance leases	3.12	(131,848)	(81,036)
■ Net interest expense and other movements	3.21	(111,551)	(96,817)
Net cash generated/(used by) financing activities		**460,801**	**597,281**
Change in cash and cash equivalents		**20,999**	**(102,981)**
Cash and cash equivalents at beginning of period		518,925	621,906
Cash and cash equivalents at end of period		**539,924**	**518,925**
Analysis of cash and cash equivalents at end of period		**539,924**	**518,925**
■ Short-term investments	3.12	35,816	27,101
■ Cash	3.12	504,108	491,824
■ Bank overdrafts			

* *Chiefly depreciation, amortisation, charges to provisions, deferred taxes, share in income of associates and excess of fair value of assets and liabilities, and the redevelopment costs and non-recurring expenses arising from the acquisition of facilities.*

The accompanying notes are an integral part of the financial statements.

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 parent	Non-controlling interests	Total
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 obligations				1,856			1,856		1,856
Financial instruments				12,395			12,395		12,395
Exchange differences					19,054		19,054		19,054
Other							0		0
Changes in fair value 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 BSAAR share warrants	169,210	212	5,828				6,039		6,039
Exercise of OCEANE convertibles	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**
Change in fair value of properties				39,342			39,342		39,342
Post-employment benefit obligations				(1,748)			(1,748)		(1,748)
Financial instruments				(407)			(407)		(407)
Exchange differences							0		0
Impact of the measurement of deferred taxes				22,000			22,000		22,000
Changes in fair value recognised directly in equity		**0**	**0**	**59,187**	**0**	**0**	**59,187**	**0**	**59,187**
Appropriation of net profit			(40,069)		112,457	(126,634)	(54,246)		(54,246)
2016 net profit						256,440	256,440	9	256,449
Exercise of stock options							0		0
Capital increase							0		0
Bonus share allotment plan					8,455		8,455		8,455
Cancellation of treasury shares					(3,527)		(3,527)		(3,527)
31/12/2016	**60,273,691**	**75,342**	**580,106**	**310,410**	**853,530**	**256,440**	**2,075,828**	**199**	**2,076,027**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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Amounts are stated in thousands of euros unless otherwise stated.

The 2016 consolidated financial statements for the ORPEA Group were approved by the Board of Directors on 27 April 2017.

1 SIGNIFICANT ACCOUNTING POLICIES

ORPEA SA is a French company that has its registered office at 12, rue Jean-Jaurès, 92813 Puteaux Cedex. It is the parent company of a group that operates nursing homes for the elderly and short-term post-acute and psychiatric hospitals.

1.1 Accounting standards

In accordance with EC Regulation 1606/2002 of 19 July 2002, the ORPEA Group has prepared its 2016 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 mandatory at the reporting date of these financial statements.

This framework, available on the European Commission's web site (http:// ec.europa.eu/internal_market/accounting/ias_en.htm), consists of the international accounting standards (IAS and IFRS) and IFRIC interpretations (International Financial Reporting Interpretations Committee).

The accounting methods presented below have been applied consistently to all the periods presented in the consolidated financial statements, except for the new standards and interpretations described below.

The new mandatory standards and interpretations for periods beginning on or after 1 January 2016 and applicable to the ORPEA Group are:

- 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*;
- Amendments to IAS 19: *Employee Contributions to Defined Benefit Plans*;
- Amendments to IFRS 10, IFRS 12, IAS 28: *Investment Entities: Applying the Consolidation Exception*;
- Annual improvements to IFRS – 2010-2012 and 2012-2014 cycles.

The application of these new standards and amendments did not have a material impact on the financial statements for the period.

The Group did not apply any new standards or interpretations for mandatory application in periods beginning on or after 31 December 2016. These standards are:

Standards adopted by the European Union that are not mandatory for the financial year:

- IFRS 15: *Revenue from Contracts with Customers*;
- IFRS 9: *Financial Instruments*.

Standards not yet adopted by the European Union:

- Amendments to IAS 12: *Income Taxes*;
- Amendments to IAS 7: *Statement of Cash Flows: Disclosures*;
- IFRS 14: *Regulatory Deferral Accounts*;
- IFRS 16: *Leases*;
- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*;
- Amendments to IFRS 2: *Classification and Measurement of Share-based Payment Transactions*;
- Clarifications of IFRS 15;
- Annual improvements to IFRS (2014-2016 cycle);
- IFRIC 22: *Foreign Currency Transactions and Advance Consideration*;
- Amendments to IAS 40: *Transfers of Investment Property*.

The impact of these standards and amendments is currently being analysed.

The consolidated financial statements and notes thereto are presented in euros.

Background information about the decision to measure operating properties in accordance with IAS 16

The Group elected with effect from its financial statements for the year ended 31 December 2007 to measure its fully or jointly-owned operating properties, land and buildings in full or joint ownership using the revaluation model set out in IAS 16, which it believes gives a more accurate view of the value of its property portfolio.

Details of how this model is implemented are provided in Note 1.8.

1.2 Basis of accounting

The financial statements have been prepared the historical cost basis of accounting. In an exception to this principle, the fully or jointly-owned properties operated by the Group are measured at fair value (see Note 1.8), as are the entitlement to the allotment of shares embedded in the ORNANE bonds (see Note 1.21), derivatives (see Note 1.22) and cash and cash equivalents.

Available-for-sale financial assets are measured at the lower of carrying amount and fair value less costs to sell.

Financial liabilities are measured at amortised cost.

The carrying amounts of hedged assets and liabilities recognised on the balance sheet are adjusted to take account of changes in the fair value of the hedged risks.

1.3 Use of estimates and assumptions

The preparation of financial statements requires management to make certain estimates and use 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 on the income statement, and commitments relating to the reporting period. Actual amounts appearing in ORPEA Group's future financial statements may differ from current estimates. Those estimates and assumptions are reviewed regularly.

The assumptions primarily concern:

- calculation of the revalued amount of properties;
- inputs used in impairment testing of intangible assets and property, plant and equipment;
- provisions for post-employment and lump-sum benefit obligations (assumptions described in Note 3.11);
- provisions for liabilities and litigation;
- financial instruments.

1.4 Basis of consolidation

Entities indirectly or directly controlled by the Group are fully consolidated.

Joint arrangements classified as joint operations are consolidated line by line in relation to the Group's actual interest. Joint arrangements 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 at the date of acquisition.

Their carrying amount reflects the Group's share in its profits subsequent to the acquisition. If the Group's share of their losses exceeds its interest in the entity, the Group discontinues recognising its share of 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 at 31 December.

1.5 Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 – *Business combinations*, published in January 2008 by the International Accounting Standards Board (IASB) and adopted early by the Group with effect from 1 January 2009.

Acquisitions of businesses are generally contingent upon the award by the supervisory bodies of a licence to the Group as the new operator. Other conditions precedent may be provided for on a case-by-case basis.

In such cases, the acquisition goes ahead and the newly acquired entity is consolidated once the conditions precedent have been satisfied.

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-recurring 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 up to 12 months in which to determine the fair value of identifiable assets, liabilities and contingent liabilities acquired.

In the light of current regulations, licences to operate hospitals and nursing homes are recognised and measured as identifiable intangible assets at the date of acquisition.

Acquisitions of facilities in Belgium and in Italy have given rise to the recognition of intangible assets since 1 July 2007, as have new facilities acquired in Spain and Switzerland since 2014 and those acquired in Austria since 2015.

Operating licences for certain foreign facilities, such as hospitals and nursing homes in Germany, do not meet the requirements for recognition 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 acquisition and the Group's interest in the fair value of acquisition-date amounts of the identifiable assets acquired and the liabilities assumed 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 an indication of impairment and at least once a year at the reporting date (see Note 1.9 below). Any impairment losses are recognised in Other non-recurring operating expenses. Goodwill impairment 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 revised IFRS 3 was adopted, 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 choice 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 entities

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 at the reporting date for assets and liabilities;
- at the average rate for the period for income statement and cash flow statement items.

Any exchange differences resulting from the application of these exchange rates are recognised under Foreign currency translation reserves, a component of consolidated reserves in consolidated equity.

The functional currency of the Swiss, Polish, Czech and Chinese subsidiaries is not the euro.

1.7 Intangible assets

Intangible assets mainly comprise licences to operate nursing homes and post-acute, rehabilitation and psychiatric hospitals in France, Belgium, Switzerland, Spain, Italy and Austria.

These licences are considered to have an indefinite useful life, which is consistent with the Group's leading position in the industry. This status is based on the following observations, backed up by the Group's past experience:

- the probability of the licences being withdrawn or not renewed is low, given that the Group adheres strictly in the management of its facilities to the guidelines and standards set by the various healthcare authorities;
- the costs incurred in maintaining licences are not material.

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 and the following assumptions: licensed capacity of the facility at the date of acquisition, as well as the applicable accommodation and *per diem* rates; occupancy rate of the facility (projected to be 100%), number of private rooms to be available and the corresponding rates; and, for residential facilities for the elderly, the corresponding medical care or dependency care allowances, as applicable.

The multiples used are representative of comparable market transactions.

Intangible assets with an indefinite useful life are not amortised but tested for impairment at each reporting date or whenever there is an indication 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 applied to other intangible assets ranges between 1 and 10 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, 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 in a block or in 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 retained by the Group are generally held under finance leases.

Properties that 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 line with the standard treatment under 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

Properties held mainly under finance leases, comprising land and buildings and 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. Barring significant changes in market conditions, all the properties included in the Group's portfolio are reviewed over a three-year period, with new additions being reviewed at the end of the corresponding period.

Fair value is calculated based on location, type of operation and operating conditions.

The revalued amount of each property is determined by capitalising an estimated market rent for each facility based on industry norms. The capitalisation rates applied depend on location, type of operation and form of ownership.

The difference between cost and fair value is recognised under Revaluation reserves net of taxes in equity.

If the revalued amount of a property is below cost, an impairment loss is recognised in profit or loss under Other non-recurring operating expense.

Fair value adjustments to buildings are amortised 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 based on the expected useful life of each asset or each of its components having different useful lives in line with 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 and equipment is tested for impairment whenever there is there is an indication of impairment. Any impairment losses are recognised in 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 the most of 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 are 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 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 keep them separate from ordinary revenue.

Leases

In accordance with IAS 17, leases 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 agreements are classified as operating leases.

For operating leases, the lease payments (with the exception of service costs such as insurance and maintenance) are expensed 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 the recognition of gains or losses on disposals that are accounted for under Other non-recurring operating income and expense.

1.9 Impairment of assets

In accordance with IAS 36 – *Impairment of Assets*, the Group assesses the recoverability of its non-current assets as follows:

- property, plant and equipment, and intangible assets with a finite useful life are tested for impairment if there is an indication of impairment;
- intangible assets with an indefinite useful life and goodwill are tested for impairment whenever there is an indication of impairment and at least once a year at the reporting date.

Impairment testing consists in comparing the net carrying amount with the higher of the following two values: fair value less costs to sell, and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. 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, first reduces the carrying amount of any goodwill allocated to the cash generating unit and then reduces the carrying amounts of the other assets of the unit (group of units) pro rata on the basis.

Each nursing home or hospital represents a CGU. A CGU's main assets are goodwill when allocated to the CGU, intangible assets (operating licence) and any operating properties measured at fair value if the Group is the owner (see Note 1.8).

1.10 Non-current financial assets

Investments not consolidated because they do not satisfy the materiality thresholds are measured at cost.

Investments not consolidated because of the Group's percentage holding are recognised as available-for-sale financial assets. They are measured at cost on initial recognition and subsequently at fair value if this 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.

Loans held at amortised cost are written down when there is objective evidence of impairment 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 buildings held under finance leases.

This reclassification occurs if the sale is highly probable and the non-current asset or disposal group held for sale meets the criteria for such classification and, crucially, is 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 receivables

Trade receivables are initially stated at their nominal value. This method is considered to be the best estimate of their initial fair value. An impairment loss 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 failure to pay within the usual payment period are indicators of impairment.

The impairment loss is equal to the present value of the cash flows considered to be unrecoverable. Based on past experience, impairment rates are typically as follows:

- Public health insurance:
  - 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 6 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 due in more than one year are discounted if the impact is material.

Trade receivables may be sold to banks to raise financing. An analysis is performed to assess whether the risks and rewards of ownership of these receivables are transferred. If this review shows that substantially all these risks and rewards have been transferred, the trade receivables are derecognised and any rights created or retained in connection with the transfer are recognised. Otherwise, the trade receivables continue to be recognised, and a financial liability is recognised in respect of the amount transferred.

1.13 Other assets, liabilities, accruals and prepayments

Current assets and current liabilities mainly comprise development-related assets and liabilities, property disposals 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 reporting date. The tax rates used are based on the expected timing of the reversal of the temporary differences, tax losses and other tax credits. The impact of a change in tax rate is recognised in profit or loss for the period, or in equity, depending on the item to which it relates.

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 set aside for any taxes that may be due by the Group on dividend payments made by subsidiaries if the dividend payment has been formally agreed at the reporting 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 they arise on a transaction or event recognised directly in equity.

1.15 Local Economic Contribution (CET, France)

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 Économique Territoriale* (Local Economic Contribution, CET) made up of two different components:

- the *Cotisation Foncière des Entreprises* (CFE) is based on the rental values of assets liable to property tax. This component is very similar to Taxe Professionnelle and is accordingly recognised as a recurring 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 levy due on taxable profits and has accordingly been recognised as an income tax in accordance with IAS 12 since 2010.

Consequently, deferred tax expense has been recognised in profit or loss with effect from the year ended 31 December 2009 in accordance with IAS 12. The base used to calculate the tax liability mainly comprises the carrying amounts of property, plant and equipment and intangible assets with a finite useful life.

Goodwill, operating licences with an indefinite useful life and land are not included in the base in the 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, with any changes 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 bonus share allotment plans

Stock options are granted to certain Group employees.

In accordance with IFRS 2 – *Share-based Payment*, plans set up after 7 November 2002 are measured at the date of grant and are recognised under staff costs over the period during which rights vest with beneficiaries. This expense, which represents the option's market value at its date of grant, is recognised as an increase in equity.

The fair value of options and rights is determined using pricing models based on the characteristics of the plan and market data at the date of grant.

1.19 Post-employment and other employee benefit obligations

In France, the Group is governed by the single FHP collective bargaining agreement of 18 April 2002 for the private healthcare sector. This provides for payment of a lump-sum benefit upon retirement based on the employee's length of service, grade and salary at retirement date.

No other post-employment or long-term benefits are granted to employees in service.

Outside France, the Group applies the relevant local provisions in each country. It operates defined benefit pension plans only in Switzerland, Austria 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. They are presented in Note 3.11.

The actuarial obligation is provided for less 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 cost.

Tax credit for competitiveness and employment (CICE)

The 3rd Amending Finance Law for 2012 introduced the CICE (tax credit for competitiveness and employment) from 1 January 2013. Pursuant to IAS 19 – *Employee benefits*, the CICE was recognised as a deduction from staff costs.

1.20 Provisions

The Group sets aside a provision where it has a present obligation arising from a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of this obligation can be estimated reliably.

Where this liability is not probable and the amount of the obligation cannot be measured sufficiently reliably, but an outflow may be required to settle the obligation, the Group recognises a contingent liability.

Provisions related to the operating cycle are classified as current regardless of their probable reversal date. They primarily concern employee-related risks and are estimated by the employee affairs department based on the Group's exposure and the status of any proceedings.

Provisions that are not directly related to the operating cycle and have a probable reversal date of over one year are classified as non-current. They mainly comprise provisions for litigation, taxes and related items, onerous contracts and restructuring.

1.21 Financial liabilities

Financial liabilities are recognised at nominal 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 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 derivatives 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 short-term investments and cash.

It includes property bridging loans, which are bank loans allocated specifically to finance operating properties recently acquired or under construction.

Hybrid bonds are accounted for in accordance with IAS 32 and IAS 39 – *Financial Instruments*. The ORNANE bonds issued in 2013 are the sole remaining borrowing of this type outstanding at the reporting date.

This bond has been broken down into:

(i) an embedded derivative comprising the entitlement to the allotment of shares, with any change in fair value since launch being recognised in profit or loss under a separate heading, 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 arranged with first-rate counterparties.

All derivatives are recognised under Other current assets and liabilities and measured at fair value at 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 revenue is recognised when the service is provided.

The only seasonal effect is the number of business days, which is higher in the second half of each calendar year than the first.

1.24 Key income statement headings

The Group's main business is the operation of long-term and short-term care facilities.

Recurring operating profit derives from these operations at these facilities.

Other non-recurring operating income and expense comprises:

- income and expenditure relating to the Group's property transactions: disposals of properties, development costs and any impairment losses;
- the Group's development expenses and redevelopment costs for recently acquired facilities;
- income and expenses related to business combinations: transaction costs, negative goodwill;
- impairment of intangible assets and goodwill.

1.25 Earnings per share

Basic earnings per share are calculated using 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 assumption is that proceeds from the exercise of rights will be used in priority to buy back shares at the market price. The share buyback method is used to calculate the shares that are "not bought back", and these are added to the number of ordinary shares outstanding to determine the dilutive impact.

1.26 Statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method: it presents a reconciliation of operating profit to cash generated from operating activities.

Given that the Group funds a significant part of its construction projects with property leases, cash flow from financing activities includes advance payments by lessors and their repayments under Proceeds from new finance leases and Repayments under finance leases.

Cash and cash equivalents at the beginning and end of the period include cash and other short-term investments, less any overdraft facilities that are not considered as bridge financing for operating properties recently acquired or under construction or redevelopment.

1.27 Segment information

Segment information is provided for the segments used by management to analyse its activity and monitor its development. The operating segments are presented by geographical area, *i.e.* France and International, which includes Belgium, Spain, Italy, Switzerland, Austria, Germany, the Czech Republic, Poland and China (see Note 3.19).

1.28 Organic growth

The Group regularly publishes the organic growth rate in its revenue.

Organic growth in revenue reflects the following factors:

- the year-on-year change in the revenue of existing facilities as a result of changes in their occupancy rates and per diem rates;
- the year-on-year change in the revenue of redeveloped facilities or those where capacity has been increased in the current or year-earlier period;
- revenue generated in the current period by facilities created in the current or year-earlier period, and the change in revenue at recently acquired facilities by comparison with the previous equivalent period.

1.29 Growth by acquisition

This includes acquisitions of facilities in operation or under development (directly or indirectly through companies).

2 SCOPE OF CONSOLIDATION

2016 revenue rose by 19% compared with 2015, representing an increase of €450 million.

The Group has expanded through a combination of organic growth and acquisitions.

Organic growth in revenue was 6% during 2016.

In 2016, the Group opened facilities both in and outside France after completing construction and redevelopment projects launched in previous years as follows:

- six facilities offering highly attractive accommodation in prime locations such as the Paris region (France);
- five facilities that were under construction at the time of various acquisitions by Silver Care and Residenz Gruppe Bremen (Germany);
- three facilities (Belgium);
- a facility at Wilbad (Austria);
- two facilities in Prague (Czech Republic);
- a facility in the Basel region (Switzerland);
- a facility in Nanjing (China).

ORPEA also continued to pursue its policy of acquisitions in 2016 by purchasing facilities in operation or at the proposal stage:

- a facility at Croisilles (24 beds) in France, plus the purchase of an additional 57.46% interest in the Familisanté group, lifting the Group's stake to 98.41% in the operator of five facilities (419 beds);
- the Vitalis Group in Germany, with its 25 facilities (2,487 beds);
- three facilities located in Malaga, Coruna and Barcelona Esplugues (462 beds) and the Sanyres group with its 18 facilities (3,300 beds) in Spain;
- the Kräutergarten Group in Austria, with its five facilities (343 beds);
- the MEDI-System group in Poland, with its seven facilities (704 beds);
- a facility at Lenk (31 beds) in Switzerland, plus the Spitex Ville et Campagne network of homecare services for the elderly.

Two operating subsidiaries in Belgium were also sold.

Lastly, the Group purchased, directly or *via* companies, specific assets necessary for its expansion, such as intangible property and operating rights.

Based on a provisional estimate of the fair value of assets acquired, the total investment at the acquisition date breaks down as follows:

	Number of facilities	Number of beds	Operating intangible assets *(in millions of euros)*	Intangible concession assets *(in millions of euros)*	Goodwill and other intangible assets not yet assigned *(in millions of euros)*	Properties *(in millions of euros)*
France	6	443	31		19	31
Outside France	59	7,327	85	44	107	119
Germany	25	2,487			50	
Austria	5	343	14			
Belgium			1			
Spain	21	3,762	67	44		102
Poland	7	704			11	17
Switzerland	1	31	3		46	
TOTAL	**65**	**7,770**	**115**	**44**	**127**	**150**

Deferred tax liabilities recognised in respect of these acquisitions amounted to approximately €19 million.

In 2015, total investments at the date of consolidation were:

	Number of facilities	Number of beds	Operating intangible assets *(in millions of euros)*	Intangible concession assets *(in millions of euros)*	Goodwill and other intangible assets not yet assigned *(in millions of euros)*	Properties *(in millions of euros)*
France	6	342	25		18	2
Outside France	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**

3 COMMENTARY ON THE FINANCIAL STATEMENTS

3.1 Goodwill

The main movements during the year were as follows:

	France	Outside France	Total
Net goodwill at beginning of period	359,334	482,199	841,532
Business combinations	19,450	107,318	126,768
Adjustments to previous goodwill and deconsolidations	1,195	12,610	13,805
Exchange differences			0
NET GOODWILL AT END OF PERIOD	**379,979**	**602,128**	**982,106**

Business combinations include the provisional allocation of the goodwill in relation to the Vitalis sub-group in Germany, the Spitex sub-group in Switzerland and the Familisanté sub-group in France.

The following groups of CGUs account for significant goodwill:

	31/12/2016	31/12/2015
MÉDITER MIEUX VIVRE sub-group acquired in 2010	87,652	87,652
SENEVITA sub-group	61,349	60,245
German operations	395,420	332,998
Other	437,684	360,637
NET GOODWILL AT END OF PERIOD	**982,106**	**841,532**

No other group of CGUs accounted for more than 5% of total goodwill at the end of the period.

3.2 Intangible assets

Gross intangible assets and accumulated amortisation break down as follows:

	31/12/2016			31/12/2015		
	Gross	Amort. Impair.	Net	Gross	Amort. Impair.	Net
Operating licences	1,884,042	8,229	1,875,812	1,786,449	4,386	1,782,064
Advances and downpayments	2,278		2,278	2,235		2,235
Other intangible assets	107,606	23,130	84,476	61,761	21,452	40,309
Intangible assets held for sale	(73,391)		(73,391)	(73,391)		(73,391)
TOTAL	**1,920,535**	**31,359**	**1,889,176**	**1,777,054**	**25,837**	**1,751,217**

At 31 December 2016, Operating licences include the intangible operating assets considered to have an indefinite useful life in France, Belgium, Italy, Spain, Switzerland and Austria.

Intangible assets held for sale correspond to operating licences held for facilities earmarked for sale within 12 months.

Groups of CGUs with material operating licences were as follows:

	31/12/2016	31/12/2015
Méditer Mieux Vivre sub-group acquired in 2010	195,850	195,840
Senevita sub-group	102,056	98,050
Senecura sub-group	123,989	109,689
Other	1,453,917	1,378,485
NET OPERATING LICENCES AT END OF PERIOD	**1,875,812**	**1,782,064**

No other group of CGUs accounted for more than 5% of total operating licences at the end of the period.

Amortisation of other intangible assets is recognised in profit or loss under Depreciation, amortisation and charges to provisions.

Impairment losses are recognised in Other non-recurring operating expense.

The following table shows movements in intangible assets (net) by category:

	Operating licences	Advances and downpayments	Other intangible assets	Intangible assets held for sale	Total
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)
Amortisation and charges to 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**
Increase	13,082	24	4,360		17,465
Decrease	(37,244)		(861)		(38,105)
Amortisation and charges to provisions			(4,663)		(4,663)
Reclassifications and other	2,750	19	1,530		4,299
Changes in scope	115,162		43,801		158,963
At 31 December 2016	**1,875,812**	**2,278**	**84,476**	**(73,391)**	**1,889,176**

Changes in the scope of consolidation derived mainly from the acquisition of the Sanyres group (€56 million), of the Familisanté group (€28 million) and of facilities in Austria (€14 million).

The reduction derived from the sale of Belgian subsidiaries for €38 million.

Advances and downpayments recognised in intangible assets mainly comprise prepayments in connection with contractually agreed acquisitions of operating licences.

Other intangible assets include €28 million in intangible concession assets acquired in Spain in 2012 and €44 million in 2016 as a result of the acquisition of the Sanyres group.

3.3 Regular impairment testing

In accordance with IAS 36, the cash generating units were tested for impairment at the end of 2016, including goodwill, intangible assets with an indefinite useful life and property, plant and equipment (see Note 1.9). The tests did not reveal any impairment.

The useful life adopted in business plans is five years. The main operating assumptions and rates used in the 4th quarter of 2016 were as follows:

- perpetual growth rate: 1.5%;
- discount rate: 6.5%;
- maintenance capex: 2.5% of revenue.

Certain cash generating units may be sensitive to a potential increase in one of the aforementioned three rates.

A potential change of 100 basis points in one of them 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

Gross property, plant and equipment and accumulated depreciation break down as follows:

	31/12/2016			31/12/2015		
	Gross	Depr. Impair.	Net	Gross	Depr. Impair.	Net
Land	1,099,600	3,021	1,096,579	953,576	2,829	950,747
Buildings	2,825,842	504,824	2,321,018	2,354,854	429,325	1,925,529
Technical installations	322,851	198,614	124,237	311,867	185,398	126,469
Properties under construction	443,894	1,251	442,643	437,552	1,251	436,301
Other property, plant and equipment	316,690	159,493	157,196	247,850	115,173	132,677
Property, plant and equipment held for sale	(66,629)		(66,629)	(126,609)		(126,609)
TOTAL	**4,942,247**	**867,203**	**4,075,044**	**4,179,090**	**733,976**	**3,445,115**

Depreciation is recognised in profit or loss under Depreciation, amortisation and charges to provisions.

Impairment losses are recognised in Other non-recurring operating expense.

Movements in the net carrying amount of property, plant and equipment are as follows:

	Land	Buildings	Technical installations	Properties under construction	Other	Property, plant and equipment held for sale	Total
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 deconsolidations	(7,555)	(29,808)	206	(89,616)	(548)		(127,321)
Depreciation and charges to provisions	(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**
Acquisitions	42,235	224,623	48,501	211,949	40,123		567,431
Change in fair value	60,000						60,000
Disposals and deconsolidations	(1,276)	(8,820)	(66)	(56,763)	(6,885)		(73,809)
Depreciation and charges to provisions	(177)	(78,784)	(31,259)		(24,789)		(135,008)
Reclassifications and other	24,928	129,426	(19,942)	(150,102)	14,320	59,980	58,609
Changes in scope	20,122	129,044	533	1,257	1,750		152,707
At 31 December 2016	**1,096,579**	**2,321,018**	**124,237**	**442,643**	**157,196**	**(66,629)**	**4,075,044**

The main changes during 2016 were:

- the revaluation of property assets (see Note 3.4.2);
- investments necessary for the continuing operation of the facilities, investments in new buildings or extensions, properties under construction, other items of property, plant and equipment acquired during the year through business combinations and those under construction;
- property disposals in France.

3.4.2 Revaluation of operating properties

The impact of the revaluation of operating properties in accordance with IAS 16 was as follows:

Impact of IAS 16 measurement	31/12/2016	31/12/2015
Gross revaluation reserve	519,953	459,953
Depreciation	(17,439)	(17,439)
NET REVALUATION RESERVE	**502,514**	**442,514**

The gross revaluation reserve for properties totalled €520 million at 31 December 2016, versus €460 million at 31 December 2015.

The net impact of the revaluation was €60 million in 2016.

The corresponding tax, calculated at the statutory tax rate, amounted to €152 million in the year ended 31 December 2016.

The average values of properties in France under the revaluation model were as follows:

Price *(in euros)* per m² in net floor area	31/12/2016	31/12/2015
Paris	6,383	6,105
Inner Paris suburbs	4,442	4,237
Outer Paris suburbs and other major cities	2,851	2,900
Other	1,827	1,985

3.4.3 Finance leases

Gross lease-financed property, plant and equipment breaks down as follows:

	31/12/2016	31/12/2015
Land	239,755	204,285
Buildings	1,000,271	822,958
LEASE-FINANCED NON-CURRENT ASSETS	**1,240,026**	**1,027,243**

All finance leases are property leases.

Minimum payments due under finance leases are disclosed in Note 3.23.

3.4.4 Operating leases

Rental payments break down as follows:

	31/12/2016	31/12/2015
Rental payments	294,865	252,039
TOTAL RENTAL PAYMENTS	**294,865**	**252,039**

Operating leases consist almost exclusively of renewable leases with fixed rents adjustable mainly at fixed rates, or in accordance with the INSEE construction cost index or the rate of increase in old age pensions.

Total rental payments rose to €295 million from €252 million in 2015.

Three-quarters of this increase resulted from acquisitions in Switzerland and in Germany where almost all operating properties are rented, and to a lesser extent, from those in Austria.

At comparable structure, rental expenses edged up by around 1%.

Minimum payments due under operating leases are disclosed in Note 3.23.

3.5 Investments in associates and joint ventures

At 31 December 2016, investments in associates and joint ventures break down as follows:

Associates and joint ventures	Percentage ownership at 31 December 2016	Carrying amount of investments *(in thousands of euros)*
PCM (six care facilities)	45.0%	20,604
Cofinea (property company)	49.0%	5,011
IDS (property company)	49.9%	13,210
Other	25% to 49.9%	9,773
Total		**48,598**
Equity accounted profit/(loss) in previous financial years		9,820
Equity accounted profit/(loss) in current financial year		3,817
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES		**62,235**

Based on the value of the individual investments, existing cash flows with these companies and the ORPEA Group's overall strategy in and outside France, management believes that these interests are not material when taken individually.

At 31 December 2016, the main aggregates related to associates and joint ventures, presented based on the Group's percentage ownership, break down as follows:

(in thousands of euros)	
Non-current assets	189,036
Current assets	51,508
Equity	34,109
Non-current liabilities	113,188
Current liabilities	89,431
Revenue	46,417
Equity accounted profit/(loss)	3,817
Other comprehensive income	269
Net comprehensive income	4,086

3.6 Non-current financial assets

Non-current financial assets break down as follows:

	31/12/2016	31/12/2015
	Net	Net
Non-consolidated investments	7,845	13,752
Loans	19,441	16,206
Security deposits and guarantees	6,962	6,976
TOTAL	**34,248**	**36,935**

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 arranged by French subsidiaries.

Security deposits and guarantees include all types of security deposits and guarantees that the Group may be called upon to provide in the normal course of its business.

3.7 Trade receivables

	31/12/2016	31/12/2015
Trade receivables	148,330	127,409
TOTAL	**148,330**	**127,409**

All trade receivables in France are payable within one month by virtue of the nature of the Group's activities.

In December 2016, the Group sold a total of €60 million in receivables. A total of €57 million was derecognised in respect of this sale, reflecting the financing received. The remaining €(3) million held as security continues to be recognised on the balance sheet.

At the end of 2015, €51 million in receivables were sold and derecognised.

3.8 Other assets, accruals and prepayments

	31/12/2016	31/12/2015
Development-related receivables	83,444	85,179
Receivables related to property disposals	23,138	25,102
VAT receivables	35,039	31,203
Advances and downpayments made	4,705	6,742
Shareholder advances (associates and related parties)	176,913	121,021
Other receivables	50,648	46,374
Receivables from suppliers	7,846	12,202
Prepaid operating expenses	25,956	19,720
TOTAL	**407,689**	**347,542**

Development-related receivables mainly comprise amounts paid in connection with acquisitions of companies, operating licences for nursing homes and post-acute, rehabilitation and psychiatric hospitals, or the construction of new properties.

VAT receivables arise mainly from property construction projects forming part of the Group's growth strategy.

3.9 Assets held for sale

Assets held for sale comprise €67 million in operating properties that the Group has decided to sell in a block or in lots to third-party investors plus €73 million in associated operating licences.

3.10 Equity

3.10.1 Share capital

	31/12/2016	31/12/2015
Total number of shares	60,273,691	60,273,691
Number of shares in issue	60,273,691	60,273,691
Nominal value of the share *(in euros)*	1.25	1.25
Share capital *(in euros)*	75,342,114	75,342,114
Treasury shares	56,819	11,442

Since 31 December 2014, capital increases and the exercise of stock options have had the following impact on share capital and share premiums:

(in thousands of euros)	Total number of shares	Share capital	Share premiums
Share capital at 31/12/2014	**55,567,893**	**69,460**	**476,121**
Appropriation of net profit			(35,000)
Exercise of BSAAR share warrants	169,210	212	5,828
Exercise of OCEANE convertibles	4,536,588	5,671	173,226
Capital increase			
Share capital at 31/12/2015	**60,273,691**	**75,342**	**620,175**
Appropriation of net profit			(40,069)
Capital increase			
Share capital at 31/12/2016	**60,273,691**	**75,342**	**580,106**

3.10.2 Earnings per share

Weighted average number of shares in issue:

	31/12/2016		31/12/2015	
	Basic	Diluted	Basic	Diluted
Ordinary shares	60,273,691	60,239,561	55,567,893	59,759,947
Treasury shares	(34,130)		(15,471)	
BSAAR share warrants			93,523	31,310
OCEANE convertibles			4,114,002	422,586
WEIGHTED AVERAGE NUMBER OF SHARES	**60,239,561**	**60,239,561**	**59,759,947**	**60,213,843**

Earnings per share:

	31/12/2016		31/12/2015	
(in euros)	Basic	Diluted	Basic	Diluted
NET PROFIT/(LOSS) ATTRIBUTABLE OWNERS OF THE PARENT	**4.26**	**4.26**	**2.12**	**2.12**

3.10.3 ORNANE bonds

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).

A total of 12 ORNANE bonds were converted in 2015 and 100 in 2016. No new shares were issued, since existing shares held in treasury were remitted instead.

3.10.4 Treasury shares

The General Meeting of the Shareholders has authorised a share repurchase programme.

This programme has a number of aims, including to allow the ORPEA to maintain the liquidity of and stimulate trading in its shares, to optimise its capital management and to grant shares to employees including under bonus share allotment plans.

At 31 December 2016, the Group held 56,819 treasury shares.

On 10 February 2016, the Board of Directors approved, pursuant to the authorisation granted by the General Meeting of 6 November 2015, the introduction of a bonus share allotment plan for certain corporate officers and employees of ORPEA or its affiliated companies. There are two categories of grantees (categories A and B) under the plan. It provides for the grant of a maximum of 118,350 ORPEA SA shares, subject to the satisfaction of performance conditions linked to EBITDA and revenue.

The bonus share allotment to Category A grantees became definitive on 10 April 2017. For Category B grantees, it will become definitive on 10 April 2018, provided they are still with the Group. Grantees are not permitted to transfer the shares they receive under this plan for two years following the definitive vesting date.

The fair value of the benefits provided to the grantees under IFRS 2 was measured by an actuary. This takes into account the market value of the shares, less a discount to reflect the fact that no dividend is paid until the end of the vesting period and that shares may not be sold for two years following the vesting date. The total expense is then calculated taking into account the probability that grantees will remain with the Group and the probable number of shares that they will be granted according to whether the performance criteria are satisfied.

The fair value of the plan (excluding social security contributions) under IFRS 2 was estimated at €8.4 million. The amount expensed in 2016 was €3.8 million (excluding social security contributions).

3.10.5 Dividends

The General Meeting of the Shareholders on 23 June 2016 approved payment of a dividend in respect of the 2015 financial year of €0.90 per share, representing a total payout of €54,246,322 in July 2016.

3.11 Provisions

Provisions break down as follows:

						Reversals in the period		
(in thousands of euros)	31/12/2015	Changes in scope and other	Actuarial gains or losses	Reclassification	Charges in the period	Provisions used	Provisions not used	31/12/2016
Prov. for liabilities and charges	63,724	342		(3,370)	20,772	(4,084)	(4,476)	72,906
Prov. for restructuring	45,760	60,994			165	(11,414)		95,506
TOTAL	**109,484**	**61,336**		**(3,370)**	**20,938**	**(15,498)**	**(4,476)**	**168,412**
Post-employment ben. ob.	51,215	4,047	2,704	3,370	3,229	(490)	(157)	63,919

The movements in provisions are mainly due to the changes in scope and in particular acquisitions by the German, Spanish and Swiss businesses. They also reflect the risk that ORPEA and the tax authorities may apply the rules on the calculation of pro rata VAT differently. This risk is estimated at €5.6 million at 31 December 2016, with the corresponding provision amounting to €33 million.

In October 2016, the *Conseil d'État* issued a ruling confirming the Group's calculation method. Even so, in agreement with its advisors, the Group has decided to maintain the provisions it has already set aside pending a definitive ruling by the tax authorities in the review of its dispute.

ORPEA and Clinea, as well as some of the Group's subsidiaries, are undergoing tax audits. Most of the reassessments notified by the tax authorities have been challenged by these companies, and so no provisions have been set aside for these reassessments. Tax reassessments that are not challenged are recognised in the year in which they are received.

The current portion of provisions (*i.e.* due in less than one year) at 31 December 2016 totalled €25 million, breaking down into €18 million for employment disputes and €7 million for restructuring.

The provision for post-employment benefit obligations breaks down as follows:

(in thousands of euros)	31/12/2016	31/12/2015
France	27,275	23,480
Outside France	36,644	27,736
TOTAL	**63,919**	**51,215**

Movements in post-employment benefit obligations in France break down as follows:

	31/12/2016				31/12/2015			
(in thousands of euros)	Present value of obligation	Provision set aside	Profit or loss	Equity	Present value of obligation	Provision set aside	Profit or loss	Equity
Beginning of period	**23,480**	**(23,480)**			**31,286**	**(31,286)**		
Current service cost	2,403	(2,403)	(2,403)		2,547	(2,547)	(2,547)	
Interest cost	265	(265)	(265)		613	(613)	(613)	
Expected return on plan assets								
Employer contributions								
Actuarial gains and losses	3,234	(3,234)		(3,234)	(9,606)	9,606		9,606
Benefits paid	(2,106)	2,106			(1,948)	1,948		
Changes in scope					589	(589)		
END OF PERIOD	**27,275**	**(27,275)**	**(2,668)**	**(3,234)**	**23,480**	**(23,480)**	**(3,160)**	**9,606**

Movements in post-employment benefit obligations outside France break down as follows:

	31/12/2016				31/12/2015			
(in thousands of euros)	Present value of obligation*	Provision set aside	Profit or loss	Equity	Present value of obligation*	Provision set aside	Profit or loss	Equity
Beginning of period	**27,736**	**(27,736)**			**14,851**	**(14,851)**		
Current service cost	2,454	(2,454)	(2,454)		1,287	(1,287)	(1,287)	
Interest cost	111	(111)	(111)		261	(261)	(261)	
Expected return on plan assets					(137)	137	137	
Employer contributions	(381)	381	381		(629)	629	629	
Actuarial gains and losses	(530)	530		530	5,579	(5,579)		(5,579)
Past service cost					(189)	189	189	
Changes in scope	4,047	(4,047)			5,206	(5,206)		
Other (exchange differences)					1,507	(1,507)		
Reclassification	3,206	(3,206)						
END OF PERIOD	**36,644**	**(36,644)**	**(2,184)**	**530**	**27,736**	**(27,736)**	**(593)**	**(5,579)**

* *Net of plan assets.*

The main actuarial assumptions adopted at 31 December 2016 are as follows:

	31/12/2016		31/12/2015	
	France	Outside France	France	Outside France
Discount rate	1.50%	between 0.85% and 1.20%	1.96%	between 0.85% and 1.20%
Annual rate of salary increase taking account of inflation	1.50%	between 1.25% and 1.75%	2.50%	between 1.25% and 1.75%
Expected rate of return on plan assets	n/a	between 1% and 1.20%	n/a	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 adjustments reflecting changes in the financial environment (discount rate).

At 31 December 2016, the sensitivity of the post-employment benefit obligations in France to a 0.5% increase in the discount rate was €2,081 thousand.

3.12 Financial liabilities and cash

ORPEA's net debt breaks down as follows:

	31/12/2016	31/12/2015
(in thousands of euros)	Net	Net
Bonds	723,842	704,089
Finance lease obligations	885,518	789,162
Bridging loans	462,024	557,978
Other borrowings and financial liabilities	2,288,421	1,681,978
Total gross debt*	**4,359,805**	**3,733,207**
Cash	(504,108)	(491,824)
Cash equivalents	(35,816)	(27,101)
TOTAL NET DEBT*	**3,819,881**	**3,214,282**

* *Including debt associated with assets held for sale.*

Movements in financial liabilities in 2016 were as follows:

(in thousands of euros)	31/12/2015	Increase	Decrease	Changes in scope	31/12/2016
Bonds	704,089	19,753			723,842
Finance lease obligations	789,162	148,784	(131,848)	79,420	885,518
Bridging loans	557,978	258,132	(354,088)		462,024
Other borrowings and financial liabilities	1,681,978	913,310	(340,447)	33,579	2,288,421
Total gross debt*	**3,733,207**	**1,339,979**	**(826,383)**	**112,999**	**4,359,805**
Cash and cash equivalents	(518,925)	(20,999)			(539,924)
Total net debt*	**3,214,282**	**1,318,980**	**(826,383)**	**112,999**	**3,819,881**
Debt associated with assets held for sale	(200,000)		59,980		(140,020)
NET DEBT ASSOCIATED WITH ASSETS HELD FOR SALE	**3,014,282**	**1,318,980**	**(766,403)**	**112,999**	**3,679,861**

* *Including debt associated with assets held for sale.*

Net debt breaks down by maturity as follows:

	31/12/2016	Less than 1 year*	1 to 5 years	5 years or more
Bonds	723,842	(51)	554,127	169,766
Finance lease obligations	885,518	145,700	384,360	355,458
Bridging loans	462,024	89,053	372,971	0
Other borrowings and financial liabilities	2,288,421	323,849	1,453,869	510,703
Total gross debt*	**4,359,805**	**558,551**	**2,765,327**	**1,035,927**
Cash and cash equivalents	(539,924)	(539,924)		
TOTAL NET DEBT*	**3,819,881**	**18,627**	**2,765,327**	**1,035,927**

* *Including debt associated with assets held for sale.*

Debt maturing in more than one year and less than five years breaks down as follows:

	1 to 5 years	2018	2019	2020	2021
Bonds	554,127	138,876	180,447	234,896	(92)
Finance lease obligations	384,360	118,926	102,585	79,717	83,132
Bridging loans	372,971	225,681	75,760	69,607	1,923
Other borrowings and financial liabilities	1,453,869	296,926	340,448	387,592	428,903
TOTAL GROSS DEBT	**2,765,327**	**780,409**	**699,240**	**771,812**	**513,866**

ORPEA's financing policy

ORPEA uses the three main types of financing:

- financing for its operating properties provided by property leases, finance leases or bank loans, typically repayable over a period of 12 years;
- financing for the acquisition of facilities in service, operating licences, etc., mainly provided by bank loans repayable over a term of five or seven years;
- financing for properties recently acquired or under redevelopment or construction provided by 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 under finance leases.

The Group's expansion policy regularly requires it to arrange new bank credit facilities or sell properties to investors.

Bank covenants

Since 31 December 2006, certain loans arranged by the Group, other than property finance leases, have been subject to the following contractually agreed covenants:

$$R1 = \frac{\text{Consolidated net debt (excluding property debt)}}{\text{Consolidated EBITDA – 6\% of property debt}}$$

and

$$R2 = \frac{\text{Consolidated net debt}}{\text{Equity + quasi equity (\textit{i.e.} deferred tax liabilities linked to the measurement of intangible operating assets under IFRS in the consolidated financial statements)}}$$

At 31 December 2016, these ratios were at 2.3x and 1.5x respectively, within the required limits of mainly 5.5x for R1 and 2.0x for R2 at 31 December 2016.

Bond issues

ORNANE: On 9 July 2013, ORPEA issued bonds with an option for redemption in cash and/or in new or existing shares (ORNANE) carrying dividend rights from 17 July 2013. The maturity date of the ORNANE bonds is 1 January 2020. A full description of the characteristics 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 nominal value of €46.56 each, putting their total nominal value at €198 million.

A fixed coupon rate of 1.75% p.a. is payable semi-annually in arrears during the life of the bonds.

Bondholders have a contractual option to convert their bonds into cash or new shares, in line with the arrangements set forth in the securities note, from the issue date up until the 18th trading day (exclusive) prior to 1 January 2020. ORPEA may, however, exercise a right of early redemption if the share price exceeds 130% of the nominal value of the bond, but solely on or after 1 February 2017.

The entitlement to the allotment of shares constitutes a derivative for the purposes of IAS 39, with any change in fair value being recognised in profit or loss.

ORPEA holds a call option on its ORNANE that is activated if the share price moves above 130% of the reference price, but the exercise period is shorter. In the event of their bonds being called by ORPEA, bondholders hold a cross call option enabling them to lock in their gains.

The agreement also contains the standard anti-dilution provisions in the event of capital increases, the distribution of reserves (including earnings for the 2012-2018 period), etc.

Other bond issues:

ORPEA carried out three bond issues during the second half of 2012 in the Euro private placement market:

- 1,930 bonds in two tranches (securities note approved by the AMF under no. 12-580 on 28 November 2012):
  - tranche A: 650 bonds at a unit price of €100,000 raising a total of €65 million. These bonds are repayable at maturity on 10 January 2018,
  - tranche B: 1,280 bonds at a unit price of €100,000 raising a total of €128 million. These bonds are repayable at maturity on 30 May 2019;
- 200 bonds at a unit price of €100,000 raising a total of €20 million (securities note approved by the AMF under no. 12-579 on 28 November 2012). These bonds repayable at maturity on 30 November 2018;
- 900 bonds at a unit price of €100,000 raising a total of €90 million. These bonds are repayable at maturity on 4 December 2026.

ORPEA carried out three new bond issues during the second half of 2013 in the Euro private placement market:

- 330 bonds at a unit price of €100,000 raising a total of €33 million (securities note approved by the AMF under no. 13-152 on 10 April 2013). These bonds are repayable at maturity on 30 May 2019.
- 200 bonds at a unit price of €100,000 raising a total of €20 million (securities note approved by the AMF under no. 13-357 on 11 July 2013). These bonds are repayable at maturity on 30 November 2019.
- 750 bonds in Belgium at a unit price of €100,000, which raised €75 million. These bonds are repayable at maturity in two tranches, the first in 2018 and the second in 2020.

ORPEA carried out three new bond issues during the second half of 2015 in the Euro private placement market:

- 200 bonds at a unit price of €100,000 raising a total of €20 million (securities note approved by the AMF under no. 15-635). These bonds are repayable at maturity 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 are repayable at maturity on 22 December 2025.
- 500 bonds in Belgium at a unit price of €100,000, which raised €50 million. These bonds are repayable at maturity in 2022.

During 2016, ORPEA raised €13 million by issuing 130 bonds, each for a unit price of €100,000 (securities note approved by the AMF under no. 15-635).

Cash

At 31 December 2016, ORPEA's cash and cash equivalents consisted of €35,816 thousand in short-term investments in non-speculative short-term accounts with prime financial institutions and €504,108 thousand in bank overdrafts.

3.13 Change in the fair value of the entitlement to the allotment of shares embedded in the ORNANE bonds

Changes in the fair value of the entitlement to the allotment of shares embedded in the ORNANE bonds in recent years have been as follows:

(in thousands of euros)	
Change in 2013	4,893
Change in 2014	25,100
Change in 2015	43,000
Change in 2016	1,800
TOTAL CHANGE SINCE INCEPTION	**74,793**

At 31 December 2016, the change in fair value recognised in net finance cost came to €1.8 million. On the basis of data at 31 December 2016, a +/- 10% change in ORPEA's share price would give rise to a +/- €7 million change in the value of the option recognised in profit or loss.

3.14 Financial instruments

3.14.1 Interest rate risk

Interest rate risk management strategy

Most of the Group's debt consists of domestic debt carrying floating rates of interest, and so it is exposed to the risk of an increase in short-term rates in the euro zone.

The Group's strategy is to hedge three quarters of its consolidated net debt against the risk of fluctuations in interest rates. To do so, it borrows at fixed rates or uses derivatives to hedge its floating-rate financial liabilities. These include 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.). The Group applies hedge accounting under IAS 39, and these transactions qualify as cash flow hedges.

Unrealised gains and losses arising from the remeasurement of these derivatives at fair value are recognised in equity at the end of the reporting period.

The use of these hedges to curb interest rate risk exposes the Group to counterparty risk. Counterparty risk is the risk of having to replace a hedge at going market prices should a counterparty default. The Group's analysis did not identify any material impact arising from this risk.

Interest rate derivatives

At 31 December 2016, as at 31 December 2015, the derivatives portfolio included fixed for floating (mainly 3-month Euribor) interest rate swaps and interest rate options. These derivatives have either a constant or decreasing nominal profile.

At the end of 2016, the maturity profile of the interest rate derivatives was as follows:

	Maturity profile				
	2017	**2018**	**2019**	**2020**	**2021**
Average notional amount *(in millions of euros)*	2,230	2,212	2,201	2,194	2,197
Interest rate	1.2%	1.2%	0.8%	0.8%	0.6%

At the end of 2015, the maturity profile of the interest rate derivatives was as follows:

	Maturity profile				
	2016	**2017**	**2018**	**2019**	**2020**
Average notional amount *(in millions of euros)*	1,403	1,396	1,348	1,285	1,211
Interest rate	1.8%	1.7%	1.6%	1.1%	1.0%

Accumulated changes in the fair value of these hedging derivatives, which came to €(83.2) million at 31 December 2016, were recognised in full under interest rate hedging reserves in equity.

In addition, Senecura has commitments arising from trading derivatives (not part of the Group's portfolio of cash flow hedges) that it entered into prior to its takeover by the ORPEA Group, the value of which at the end of the year was €(1.3) million.

Accumulated changes in the fair value of these hedging derivatives, which came to €(82.5) million at 31 December 2015, were recognised in full under interest rate hedging reserves in equity.

Analysis of sensitivity to fluctuations in interest rates

The impact of a +/- 1% shift in the yield curve on the Group's earnings derives from:

- the amount of floating-rate debt net of cash *via* fluctuations in interest rates;
- changes in the fair value of hedges.

The fair value of hedging instruments is sensitive to changes in interest rates and trends in volatility. Volatility is assumed to remain unchanged for the purposes of this analysis.

At 31 December 2016, net debt amounted to €3,820 million, with approximately 35% arranged at fixed rates and the remainder at floating rates.

Including the impact of hedging arrangements:

- a 1% (100 basis point) rise in the yield curve would increase the Group's financial expense by €2.1 million (before tax and capitalisation of financial expenses);
- a 0.2% decrease (20 basis points given current interest rate levels) would have no impact on financial expense.

Movements in the cash flow hedging reserve

(in thousands of euros)	31/12/2016	31/12/2015
Revaluation reserve at beginning of period	(82,498)	(102,490)
Change in fair value during the period recognised in equity	27,426	51,267
Change in fair value over the period recognised in profit or loss	(28,047)	(31,275)
Impact on comprehensive income for the period	(621)	19,992
REVALUATION RESERVE AT END OF PERIOD	**(83,119)**	**(82,498)**

3.14.2 Value of non-derivative financial assets

(in thousands of euros)	31/12/2016	31/12/2015
Participating interests	7,845	13,752
Other non-current financial assets	19,441	16,206
Short-term investments	35,816	27,101
NON-DERIVATIVE FINANCIAL INSTRUMENTS	**63,102**	**57,059**

3.15 Trade payables

	31/12/2016	31/12/2015
Trade payables	232,019	254,137
TOTAL	**232,019**	**254,137**

3.16 Tax and payroll liabilities

The change in tax and payroll liabilities derived from the Group's strong expansion and the improvement in its earnings.

3.17 Other liabilities, accruals and prepayments

	31/12/2016	31/12/2015
Development-related liabilities	96,379	50,992
Security deposits	55,075	49,217
Commitments to carry out work on buildings sold	1,093	1,323
Client accounts in credit	1,205	1,133
Other prepaid income	20,104	19,689
Interest rate derivatives	84,393	87,188
Advances and downpayments received on orders in progress	19,783	17,749
Shareholder advances (associates and related parties)	12,420	10,754
Miscellaneous liabilities	33,808	35,680
TOTAL	**324,259**	**273,724**

Security deposits mainly comprise the sums paid by residents at the beginning of their stay.

3.18 Debt associated with assets held for sale

Debt associated with assets held for sale reflects the debt financing these assets.

3.19 Segment information

	31/12/2016	31/12/2015
REVENUE		
France	1,695,405	1,596,616
Belgium	162,133	157,756
Spain	101,669	63,892
Italy	48,452	45,944
Switzerland	142,914	130,057
Austria	176,307	109,815
Czech Republic	1,703	
Germany	500,970	287,524
Poland	11,266	
China	405	
TOTAL	**2,841,225**	**2,391,604**
RECURRING OPERATING PROFIT BEFORE RENTS AND DEPRECIATION, AMORTISATION AND CHARGES TO PROVISIONS		
France	495,564	451,203
Belgium	29,265	31,173
Spain	21,500	15,219
Italy	7,218	5,517
Switzerland	51,444	49,113
Austria	34,515	23,631
Czech Republic	(2,354)	
Germany	133,543	76,592
Poland	1,835	
China	(3,139)	
TOTAL	**769,391**	**652,448**
ASSETS		
France	5,641,959	4,921,731
Outside France	2,683,605	2,449,593
TOTAL	**8,325,564**	**7,371,324**
LIABILITIES EXCLUDING EQUITY		
France	4,538,978	4,216,797
Outside France	1,710,559	1,344,817
TOTAL	**6,249,537**	**5,561,614**

The costs of acquiring segment assets are disclosed in Note 2.

3.20 Other non-recurring operating income and expense

(in thousands of euros)	31/12/2016	31/12/2015
Proceeds from property disposals	86,373	123,632
Cost of property disposals	(68,259)	(99,690)
Reversals of provisions	6,270	6,019
Charges to provisions	(22,257)	(11,529)
Other income	75,244	47,390
Other expenses	(54,458)	(46,353)
OTHER NON-RECURRING OPERATING INCOME AND EXPENSE	**22,912**	**19,470**

Other non-recurring operating income and expense mainly comprises €18 million in net gains on disposals of property assets, €30 million in net gains and losses related to acquisitions as part of business combinations and €(28) million in expenses associated with the redevelopment of recently acquired facilities and other development costs.

Profit on property development projects recognised under the percentage of completion method includes:

(in thousands of euros)	31/12/2016	31/12/2015
Disposal price	58,270	79,544
Cost price	(42,723)	(56,651)
PROFIT RECOGNISED ON DISPOSALS OF OFF-PLAN PROPERTIES	**15,547**	**22,894**

3.21 Net finance cost

(in thousands of euros)	31/12/2016	31/12/2015
Interest on bank debt and other financial liabilities	(83,535)	(70,298)
Interest on items held under finance leases	(13,845)	(12,327)
Net losses on interest rate derivatives	(28,047)	(29,455)
Financial expense	**(125,427)**	**(112,081)**
Capitalised financial expenses*	13,692	14,667
Interest income	184	597
Net gains on interest rate derivatives		
Financial income	**13,876**	**15,264**
NET INTEREST EXPENSE	**(111,551)**	**(96,817)**

* *Calculated at an average rate of 4.15% in 2016.*

3.22 Income tax expense

ORPEA SA has elected to form a tax consolidation group with all its at least 95%-held subsidiaries. All subsidiaries that meet this condition are included in the tax consolidation group except for those acquired during 2016.

(in thousands of euros)	31/12/2016	31/12/2015
Current income tax	75,018	70,434
Deferred income tax	(70,018)	(10,419)
TOTAL	**5,000**	**60,015**

Current income tax expense for 2016 includes the CVAE value-added levy of €23,544 thousand versus €22,483 thousand in 2015.

Deferred tax expense includes a benefit of €80 million arising from the adjustment of the temporary differences reversing after 31 December 2019 of the French entities based on application of a statutory tax rate of 28.92%.

In addition to this impact, the adjustment based on the same rate led to a €22 million increase in equity shown in other comprehensive income.

Deferred tax assets/(liabilities) break down by type of temporary difference as follows:

(in thousands of euros)	31/12/2016	31/12/2015
Fair value of intangible assets	(443,302)	(492,696)
Fair value of property, plant and equipment*	(305,337)	(338,739)
Capitalisation of finance leases	(93,605)	(91,268)
Temporary differences	(4,587)	(5,110)
Tax loss carryforwards	38,424	36,389
Deferral of capital gains on disposals	612	876
Employee benefits	10,137	10,157
CVAE deferred tax**	(5,477)	(6,580)
Financial instruments and other	56,857	71,646
TOTAL	**(746,278)**	**(815,325)**

* *O/w €152 million in deferred taxes related to the revaluation of properties (see Notes 1.8 and 3.4.2).*
** *Deferred taxes recognised in accordance with IAS 12 on property, plant and equipment and intangible assets with a finite useful life of French companies subject to the CVAE value-added levy on businesses with effect from 1 January 2010.*

Deferred taxes calculated based on the IFRS measurement of intangible operating assets came to €443,302 thousand at 31 December 2016.

The deferred taxes recognised on the balance sheet break down as follows:

(in thousands of euros)	31/12/2016	31/12/2015
Assets	38,424	36,389
Liabilities	(784,703)	(851,714)
NET	**(746,278)**	**(815,325)**

The difference between the statutory tax rate, *i.e.* 34.43% in 2016, and the effective tax rate in the income statement, breaks down as follows:

(in thousands of euros)	31/12/2016	31/12/2015
Effective tax rate:	**1.91%**	**32.16%**
■ Present value of deferred taxes calculated at the rate expected to apply	31.14%	
■ Permanent differences	0.33%	2.05%
■ Business combinations	4.31%	9.19%
■ Impact of the reduced rate	2.31%	-0.10%
■ Impact of associates	0.55%	0.79%
■ Impact of foreign companies	1.23%	1.85%
■ Other	-1.45%	-0.47%
■ CVAE value-added levy on businesses	-5.90%	-7.47%
STATUTORY RATE	**34.43%**	**38.00%**

3.23 Commitments and contingent liabilities

3.23.1 Off-balance sheet commitments

Risks related to debt

(in thousands of euros)	31/12/2016	31/12/2015
Contractual obligations	1,528,334	1,860,756
TOTAL	**1,528,334**	**1,860,756**

Pledges, mortgages, security deposits and other collateral account for most of the debt-related commitments.

Commitments relating to the Group's operating activities

Leasing commitments
Minimum future lease payments in respect of non-current assets held under finance leases at 31 December 2016 break down as follows:

(in thousands of euros)	Minimum future payments
Less than 1 year	114,371
1 to 5 years	401,639
Over 5 years	624,759
TOTAL LEASE COMMITMENTS	**1,140,769**

Operating lease commitments at 31 December 2016 break down as follows:

(in thousands of euros)	Minimum future payments
Less than 1 year	302,374
1 to 5 years	1,186,174
Over 5 years	2,973,405
TOTAL LEASE COMMITMENTS	**4,461,953**

The Group mainly enters into leases with a fixed term 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 31 December 2016, contractual commitments to acquire facilities, operating licences and land, subject to a number of conditions precedent being met, amounted to €2 million.

The following respective commitments have been given subject to conditions precedent concerning the potential acquisition of a 100% interest in 45%-held PCM Santé:

- ORPEA gave a promise to buy out majority shareholders by 2021;
- the current majority shareholders gave a promise to sell with effect from 2021;
- a rental guarantee until 2044 was given concerning a hospital.

The following respective commitments have been given concerning the potential acquisition of a 100% interest in 49.9%-held Immobilière de Santé:

- ORPEA has received a promise to sell from the other shareholders between 1 July 2018 and 30 June 2019;
- ORPEA has given a promise to buy out the other shareholders between 1 July 2019 and 30 June 2020.

ORPEA has granted Belgian company Intorp a lease payment guarantee covering four properties leased to Belgian subsidiaries.

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 holds options to buy property assets currently leased in Belgium.

3.23.2 Contingent liabilities

Overall, management believes that the provisions recognised for disputes involving the Group of which it is aware should be sufficient to avoid a substantial impact on the Group's financial position or results of its operations.

3.24 Analysis of financial assets and liabilities in accordance with IFRS 7

Financial assets and liabilities recognised under IFRS 7 break down as follows:

			Carrying amount		Fair value	
(in thousands of euros)	**Classification**	**Level***	**31/12/2016**	**31/12/2015**	**31/12/2016**	**31/12/2015**
Held-to maturity investments			**0**	**0**	**0**	**0**
Bonds and negotiable debt securities	Cash and cash equivalents					
Loans and receivables			**582,422**	**498,133**	**582,422**	**498,133**
Short-term loans	Short-term loans					
Long-term loans	Non-current financial assets	2	19,441	16,206	19,441	16,206
Receivables related to asset disposals	Receivables related to asset disposals in the short term		23,138	25,102	23,138	25,102
Security deposits and guarantees	Non-current financial assets	2	6,962	6,976	6,962	6,976
Other receivables	Other receivables	2	384,551	322,440	384,551	322,440
Trade receivables	Trade receivables	2	148,330	127,409	148,330	127,409
Available-for-sale financial assets			**0**	**0**	**0**	**0**
Participating interests	Non-current financial assets					
Other						
Financial assets at fair value			**539,924**	**518,925**	**539,924**	**518,925**
Interest rate derivatives						
Currency derivatives						
Open-ended investment funds and mutual funds	Cash and cash equivalents	1	35,816	27,101	35,816	27,101
CASH	Cash and cash equivalents	1	504,108	491,824	504,108	491,824
FINANCIAL ASSETS			**1,122,346**	**1,017,058**	**1,122,346**	**1,017,058**

* *Level 1: financial assets and liabilities quoted in an active market, for which fair value is the quoted price.*
Level 2: financial assets and liabilities not quoted in an active market, for which fair value is measured using directly observable market inputs other than Level 1 inputs.
Level 3: financial assets and liabilities not quoted in an active market, for which fair value is measured using inputs not based on observable market data.

(in thousands of euros)	Classification	Level*	Carrying amount 31/12/2016	Carrying amount 31/12/2015	Fair value 31/12/2016	Fair value 31/12/2015
Financial liabilities at fair value			**159,186**	**160,181**	**159,186**	**160,181**
Currency derivatives	Other liabilities					
Interest rate derivatives	Other liabilities	2	84,393	87,188	84,393	87,188
Change in the fair value of the entitlement to the allotment of shares embedded in the ORNANE bonds		2	74,793	72,993	74,793	72,993
Other bonds	Other liabilities					
Financial liabilities at amortised cost			**4,831,690**	**4,173,880**	**4,943,358**	**4,225,340**
Bonds convertible into, exchangeable for or redeemable in shares	Non-current and current financial liabilities	1	723,842	704,089	835,510	755,549
Bank borrowings	Non-current and current financial liabilities	2	2,750,445	2,239,956	2,750,445	2,239,956
Finance lease obligations	Non-current and current financial liabilities	2	885,518	789,162	885,518	789,162
Other liabilities	Current liabilities	2	239,866	186,536	239,866	186,536
Trade payables	Trade payables	2	232,019	254,137	232,019	254,137
FINANCIAL LIABILITIES			**4,990,876**	**4,334,061**	**5,102,544**	**4,385,521**

* *Level 1: financial assets and liabilities quoted in an active market, for which fair value is the quoted price.*
Level 2: financial assets and liabilities not quoted in an active market, for which fair value is measured using directly observable market inputs other than Level 1 inputs
Level 3: financial assets and liabilities not quoted in an active market, for which fair value is measured using inputs not based on observable market data.

3.25 Related-party transactions

Related-party transactions

In the normal course of its business, ORPEA enters into various transactions with related parties as defined by IAS 24.

During 2016, the main impacts were as follows:

- advances granted by ORPEA to its associates and joint ventures and to related parties amounted to €177 million at 31 December 2016;
- advances granted to ORPEA by its associates and joint ventures and by related parties amounted to €12 million at 31 December 2016;
- ORPEA leases certain operating properties from related parties within the meaning of IAS 24 – *Related Party Disclosures*. These lease payments amounted to €15 million in 2016.

Benefits granted to corporate officers

The total amount of gross remuneration, fees (excluding all taxes) and benefits paid during the 2016 financial year to ORPEA's corporate officers was €3,867 thousand.

Attendance fees for members of the Board of Directors for the 2016 financial year, paid in 2017, amounted to €381 thousand.

3.26 Headcount

ORPEA had 49,185 employees at 31 December 2016, with 8,472 new employees hired during the year.

3.27 Statutory Auditors' fees

Fees paid to the Statutory Auditors and their network for the services they provided to ORPEA SA amounted to €2,697 thousand in 2016 (€2,667 thousand for the audit and review of the financial statements and €30 thousand for non-audit services) compared with €2,645 thousand in 2015 (€2,615 thousand for the audit and review of the financial statements and €30 thousand for non-audit services).

3.28 Subsequent events

ORPEA continued its international expansion with the acquisition of the Anavita Group with its 6 facilities in the Czech Republic (932 beds) and the DR DR Wagner Group with its 18 facilities in Austria (1,812 beds).

3.29 Scope of consolidation at 31 December 2016

The main companies involved in ORPEA's activities and management of its property portfolio are:

Consolidated companies	Percentage control	Percentage ownership	Method of consolidation
SA ORPEA	100%	100%	Parent
SAS CLINEA	100%	100%	Full
SARL NIORT 94	100%	100%	Full
DOMIDOM – ADHAP	100%	100%	Full
SA ORPEA BELGIUM	100%	100%	Full
ORPIMMO	100%	100%	Full
ORPEA ITALIA SRL	100%	100%	Full
CASAMIA IMMOBILIARE	100%	100%	Full
ORPEA IBERICA	100%	100%	Full
SL DINMORPEA	100%	100%	Full
SENEVITA AG	100%	100%	Full
SILVERCARE GROUP	100%	100%	Full
CELENUS	100%	100%	Full
SENECURA	100%	100%	Full
MEDI-SYSTEM	100%	100%	Full
CEESCH	100%	100%	Full
GCSE	100%	100%	Full

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 2016

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 2016, 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 2016 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 non-amortisable intangible assets consisting of goodwill and operating licences with an indefinite useful life 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 and verified that the information provided in the aforementioned notes to the consolidated financial statements is appropriate.
- Properties, land and buildings owned directly or through finance leases and 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, 10 May 2017

The Statutory Auditors

Saint-Honoré BK&A	Deloitte & Associés
Emmanuel Klinger	Joël Assayah

STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2016

7.1. FINANCIAL STATEMENTS OF ORPEA SA AT 31 DECEMBER 2016

INCOME STATEMENT OF ORPEA SA

(in euros)	31/12/2016	31/12/2015
REVENUE	**723,748,182**	**687,048,320**
Production transferred to inventories	(36,172,563)	(25,084,224)
Other operating income	56,950,045	28,712,323
Purchases and other external charges	272,569,229	251,155,413
Taxes other than on income	37,981,337	36,773,221
Staff costs	345,975,374	323,580,191
Depreciation, amortisation and charges to provisions	22,407,167	23,915,430
Other operating expenses	1,443,473	1,331,444
Operating profit	**64,149,083**	**53,920,720**
Financial income	92,950,147	78,961,651
Financial expenses	110,138,451	106,412,146
Net finance cost	**(17,188,304)**	**(27,450,495)**
Pre-tax profit on ordinary activities	**46,960,778**	**26,470,225**
Net non-recurring items	(10,568,119)	(10,118,919)
Employee profit-sharing		
Income tax	6,483,743	5,112,712
NET PROFIT	**29,908,916**	**11,238,594**

STATUTORY BALANCE SHEET

	31/12/2016			31/12/2015
Assets *(in euros)*	**Gross**	**Deprec., amort. and provisions**	**Net**	**Net**
NON-CURRENT ASSETS				
Intangible assets	271,445,691	1,940,795	269,504,896	283,350,875
Property, plant and equipment	378,031,953	139,992,479	238,039,474	181,116,630
Financial assets	1,072,713,391	18,371,627	1,054,341,764	1,104,018,634
Total non-current assets	**1,722,191,034**	**160,304,901**	**1,561,886,133**	**1,568,486,140**
CURRENT ASSETS				
Inventories and work-in-progress	43,837,841	1,188,655	42,649,186	58,522,245
Advances and downpayments made	4,030,636		4,030,636	4,389,475
Trade receivables	18,297,065	6,085,835	12,211,230	13,532,457
Other receivables	1,991,003,484	13,461,368	1,977,542,116	1,720,834,842
Short-term investments	19,232,763		19,232,763	11,232,763
Cash and cash equivalents	327,191,402		327,191,402	265,272,241
Prepaid expenses	10,039,006		10,039,006	9,254,733
Total current assets	**2,413,632,197**	**20,735,858**	**2,392,896,339**	**2,083,038,756**
Deferred expenses				-
Unrealised foreign currency losses				
TOTAL ASSETS	**4,135,823,232**	**181,040,760**	**3,954,782,475**	**3,651,524,897**

Equity and liabilities *(in euros)*	**31/12/2016**	**31/12/2015**
EQUITY		
Share capital	75,342,114	75,342,114
Share premiums and reserves	526,953,669	569,526,433
Retained earnings	466,713	901,676
Net profit for the period	29,908,916	11,238,594
Tax-regulated provisions	7,069,252	6,391,832
Total equity	**639,740,663**	**663,400,650**
PROVISIONS FOR LIABILITIES AND CHARGES	**39,016,945**	**34,907,689**
FINANCIAL LIABILITIES		
Borrowings and financial liabilities	2,661,957,944	2,278,936,390
Advances and downpayments received	4,418,048	5,143,947
Trade payables	42,967,781	45,385,852
Tax and payroll liabilities	97,760,664	79,636,509
Other liabilities	429,646,414	518,146,888
Prepaid income	37,451,087	25,966,970
Total financial liabilities	**3,274,201,939**	**2,953,216,557**
Unrealised foreign currency gains	**1,822,928**	
TOTAL EQUITY AND LIABILITIES	**3,954,782,475**	**3,651,524,896**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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1. SIGNIFICANT ACCOUNTING PRINCIPLES, MAJOR EVENTS OF THE YEAR AND SUBSEQUENT EVENTS

1.1 Basis of preparation

The Company applies the provisions of ANC regulation no. 2016-07 amending regulation no. 2014-03 concerning the French general chart of accounts.

Generally accepted accounting principles have been adopted, in accordance with the conservatism principle and based on the following basic assumptions:

- the going concern basis of accounting;
- consistency of accounting methods from one financial year to the next except where changes are required by introduction of the new regulations (see the Change in accounting methods section);
- the accrual principle;

and the general rules for preparing and presenting financial statements.

Historical cost is the basic method used to measure items recorded in the financial statements. As an exception to the above, the operating licences and investments in subsidiaries held prior to that date were revalued in connection with the mergers of 1998.

Changes in accounting methods

The changes made to the French general chart of accounts by ANC regulation no. 2015-06 are applicable for the first time in periods beginning on or after 1 January 2016.

These changes largely relate to the amortisation of commercial goodwill, and the reclassification and amortisation of losses arising on mergers.

The useful lives of the commercial goodwill were reviewed, but this review did not cause the presumption of an unlimited useful life introduced by the new regulation to be called into question. Accordingly, commercial goodwill is still not amortised.

Conversely, an impairment test now needs to be carried out on an annual basis on all unamortised commercial goodwill. This testing did not reveal any impairment requiring a loss to be recognised.

The technical losses arising on mergers were reclassified at 1 January 2016 under headings corresponding to the underlying assets to which they were assigned. This allocation to individual assets was carried out in line with the existing off-balance sheet allocation.

Following this reclassification, technical losses arising on mergers are now amortised, impaired or recognised in profit or loss based on the same rules and in the same manner as the underlying assets to which they are assigned.

The impact of the reallocation of these merger losses is presented in the Non-current assets paragraph of Intangible assets, in section II.1-1. The impact on amortisation during the financial year is not material.

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 nursing home facilities, shown under Commercial goodwill

  These licences are considered to have an indefinite useful life, which is consistent with the Group's leading position within the industry. This status is underpinned by the Group's observations and past experience that the probability of licences being withdrawn or not renewed is limited, since ORPEA operates its facilities in strict compliance with the terms and conditions and the standards set by the various healthcare authorities, and since the costs incurred in maintaining these licences are not material;
- Technical merger losses, shown under Other intangible assets

  Technical losses arising on mergers reflect unrealised gains on assets, which may or may not be recognised in the absorbee's financial statements less any unrecognised liabilities in the absorbee's financial statements. They are recognised as the difference between the carrying amount of the previously held investment and the absorbed subsidiary's net assets.

  Pursuant to Article 745-5 of ANC regulation no. 2015-06 amending ANC regulation no. 2014-03 on the French general chart of accounts, technical losses are assigned in proportion to reliably estimated unrealised gains, with any remaining portion allocated to business goodwill.

  These technical losses are then amortised or impaired using the same methods as are applicable to the underlying assets to which they are assigned.

  The Other intangible assets heading includes technical losses assigned to the licences to operate nursing home beds and any other unallocated technical losses.

Groups of assets to which unamortised commercial goodwill and/or a technical loss have been assigned are tested annually for impairment, which consists in comparing their carrying amount with the higher of:

1) Value in use, which is determined by discounting expected future cash flows from each of the facilities in which these assets are operated.

   The discount rate used for this impairment testing is the ORPEA Group's weighted average cost of capital, and the terminal value is determined using a perpetual growth rate reflecting the growth outlook for the Company in the light of likely trends in its sector of activity (respectively 7.5% and 1.5% as at 31 December 2016).
2) Fair value less costs to sell, where appropriate.

An impairment loss is recognised in respect of the difference if the carrying amount is higher than value in use or fair value less costs to sell.

Other intangible assets are amortised on a straight-line basis over a period of 1 to 5 years.

1.2.2 Property, plant and equipment

Property, plant and equipment, comprising land, buildings, fixtures and fittings, equipment and furnishings, is measured at cost (purchase price plus transaction costs), production cost or contribution value.

These assets are depreciated on a straight-line basis. Depreciation is calculated based the expected useful life of each asset or each of its components having different useful lives in line with the following criteria:

- Buildings, fixtures and fittings: 12 to 60 years;
- Plant and equipment: 3 to 10 years;
- Other: 3 to 10 years.

Other property, plant and equipment includes the technical merger losses assigned to property, plant and equipment, which are depreciated using the same rules and useful lives as the underlying assets.

1.2.3 Investments in subsidiaries, long-term investments and related receivables

This item reflects the value of the equity securities 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 long-term investments and securities held for sale as part of the cost of the acquisition.

Expenses related to investments in subsidiaries are amortised on an accelerated basis over a period of five years for tax purposes.

Investments in subsidiaries are measured at cost or contribution value.

Other financial assets include the technical merger losses assigned to investments in subsidiaries.

An impairment loss is recognised if the value in use of investments in subsidiaries and of the associated technical merger losses 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:

- firstly, future cash flows expected to be generated by its continued operation (see section I.2-1);
- and secondly, any realisable value net of selling costs.

Impairment losses are also recognised in respect of any related receivables.

1.2.4 Inventories and work in progress

This item includes various supplies, materials, small items of equipment and work in progress on property projects, which are all measured at cost.

Work in progress on property projects comprises land and construction costs incurred to support the expansion of the Company and of its subsidiaries.

Cost includes 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 recognised in expenses at the date of completion of the property.

Property development programmes are:

- either transferred to third parties as a block or in lots;
- or transferred 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 in profit or loss under Production transferred to inventories.

Inventories are written down if their estimated value in use falls below their carrying amount.

1.2.5 Trade and other receivables

Receivables and liabilities are measured at nominal value. Receivables are written down if their estimated fair value falls below their nominal value.

An impairment loss is recognised on doubtful trade receivables when there is objective evidence that the Company may be unable to recover the full amount on the original terms and conditions due under the transaction. The age of a receivable and failure to pay within the usual payment period are indicators of impairment.

Based on past experience, the following impairment rates are applied:

- receivables more than 6 months past due: 50% or less depending on the resident's financial status (joint and several guarantee, own assets, etc.);
- receivables more than 1 year past due: 100% or less depending on the resident's financial status (joint and several guarantee, own assets, etc.).

However, amounts due from residents receiving social support are impaired as follows:

- receivables more than 2 years past due: 50%;
- receivables more than 3 years past due: 100%.

1.2.6 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and risk-free, short-term investments such as term deposits.

1.2.7 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.

Where this liability is not probable and the amount of the obligation cannot be measured sufficiently reliably, but an outflow may be required to settle the obligation, the Company recognises a contingent liability.

Provisions for employee-related disputes are estimated by the employee affairs department based on the Company's exposure and the status of any proceedings.

Provisions for tax disputes are estimated by the finance department after a full review of any tax audits in progress.

Where applicable, a provision may be set aside for certain investments in subsidiaries depending on the investee's net assets and its commitments to the Company at the end of the reporting period.

Tax-regulated provisions relate to accelerated depreciation for acquisition-related expenses on investments in subsidiaries.

1.2.8 Borrowings

Borrowings and financial liabilities are recognised at their nominal value net of any associated issue costs, which are recognised in operating profit.

Where future interest expense is hedged, the hedged future liability is still measured at amortised cost.

Financial liabilities include short- and long-term borrowings, and property bridging loans, which are bank loans allocated specifically to finance operating properties recently acquired or under construction.

Borrowing costs are recognised over the term of the corresponding 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.

1.2.9 Financial instruments and derivatives

The Company's financial liabilities mainly comprise floating-rate domestic debt, and it is therefore exposed to the risk of an increase in short-term rates in the euro zone.

As part of its risk management policy, the Company uses derivatives such as interest-rate swaps and options under which it receives the Euribor rate and pays a fixed rate specific to each contract and linked to the Euribor rate.

The purpose of these transactions is to convert floating-rate into fixed-rate liabilities and to optimise the risk profile of the Company's debt based on expected trends in interest rates.

During 2016, the Company continued its interest rate risk management policy, which is to build up a portfolio of financial instruments that qualify for hedge accounting.

1.2.10 Foreign currency transactions

Foreign currency assets and liabilities are translated at year-end exchange rates when they are not covered by a specific hedge. Any exchange gains and losses are recognised under the relevant balance sheet headings. Unrealised foreign exchange losses are provided for.

1.2.11 Revenue

Revenue mainly derives from:

1) Accommodation and care services provided to residents. This revenue is recognised when the service is provided.

   The *per diem* rate is payable as follows:

   - the accommodation component is paid for by the resident,
   - the long-term care allowance component is paid for by the resident and the local authority (the daily charge is set by the local authority depending on the level of care required and forecast expenses),
   - the medical care component is paid for by the regional health insurance fund (the daily charge is set according to the level of care required and forecast expenses);

2) Sales to third parties of properties built or developed by the Company. Corresponding changes in work in progress are recognised in profit or loss under Production transferred to inventories.

1.2.12 Income tax

ORPEA is the head of a tax consolidation group formed with subsidiaries that are at least 95%-owned.

ORPEA, like each subsidiary in the tax group, pays income tax calculated on its own earnings.

1.2.13 Tax credit for competitiveness and employment (CICE)

The 3rd Amending Finance Law for 2012 introduced the CICE (tax credit for competitiveness and employment) from 1 January 2013. This tax credit is recognised in the parent company financial statements as a deduction in staff costs.

The CICE tax credit was sufficient in size to maintain the level of investment required for the renovation and restructuring of existing facilities, plus the construction and opening of new facilities. In turn, this helped to create new jobs and ensure their sustainability. It also helped to cover the cost of setting up a mutual health insurance insurer providing cover for most of the Company's employees.

1.3 Internal restructuring

To streamline its organisation structure, the Company merged at the end of the year with two of its subsidiaries, namely SA Gerone Corp. and SAS Rive Ardente.

The various assets and liabilities of these subsidiaries were absorbed and recognised in ORPEA's financial statements at the effective date of their contribution in 2016.

Accordingly, a total of €4,579 thousand in merger losses were recognised, of which €1,834 thousand were assigned to Other intangible assets and €2,745 thousand to Property, plant and equipment.

1.4 Significant events over the year

Since 1 January 2016, the Company has continued its development by opening three new facilities following the completion of construction projects launched in previous years. These facilities are chiefly located in the Paris region.

ORPEA also continued its strategy of growth through acquisitions, chiefly:

- the acquisition of a company in France operating a facility in Croisilles, plus the purchase of an additional 57.46% interest in the Familisanté group (five facilities), lifting the Group's stake to 98.41%;
- the acquisition in Poland of the Medisystem group, which has seven facilities (704 beds).

Lastly, the Company also made some *ad hoc* acquisitions, directly or *via* companies, of individual assets necessary for its expansion, such as intangible property and operating rights.

As part of a reorganisation of its corporate structure, ORPEA SA sold its shareholding in Swiss subsidiary Senevita to the ORPEA Suisse sub-group.

In 2016, the Company raised €291.5 million by issuing new Schuldscheindarlehen-type loans.

1.5 Subsequent events

The ORPEA Group continued its international expansion with the acquisition of the Anavita Group with its six facilities in the Czech Republic (932 beds) and the DR DR Wagner Group with its 18 facilities in Austria (1,812 beds).

2 COMMENTARY ON THE FINANCIAL STATEMENTS

N.B. Amounts are stated in euros unless expressly stated otherwise.

2.1 Balance sheet

2.1.1 Non-current assets

Intangible assets

Movements in gross intangible assets were as follows:

Gross	Beginning of period	Increase	Decrease	Reclassification	Merger	End of period
Start-up costs	2,910				9,039	11,949
Concessions, patents	1,307,872	8,423	462		9,711	1,325,544
Commercial goodwill	280,568,063	5,174,715		(218,677,250)	4,916,684	71,982,211
Other intangible assets	1,515,985	730,704		194,171,328		196,418,016
Advances on intangible assets	1,781,789			(73,822)		1,707,967
TOTAL	**285,176,619**	**5,913,842**	**462**	**(24,579,744)**	**4,935,434**	**271,445,691**

The €218,677 thousand in technical losses were assigned to underlying assets as follows:

- €194,171 thousand in full to commercial goodwill under Other intangible assets;
- €5,090 thousand to buildings under Other property, plant and equipment;
- €19,415 thousand to investments in subsidiaries under Other financial assets.

Amortisation of gross intangible assets broke down as follows:

Amortisation	Beginning of period	Increase	Decrease	Merger	End of period
Start-up costs	201	68		9,039	9,308
Concessions, patents	1,106,657	46,797	72	8,962	1,162,345
Commercial goodwill	0				0
Other intangible assets	718,885	50,256			769,141
Advances on intangible assets	0				0
TOTAL	**1,825,743**	**97,123**	**72**	**8,962**	**1,940,795**

Property, plant and equipment

Movements in gross property, plant and equipment were as follows:

Gross	Beginning of period	Increase	Decrease	Reclassification	Merger	End of period
Land	7,098,643	21,120		1,614,497	1,131,177	9,865,437
Buildings	197,319,344	4,878,873	1,756,799	38,704,468	4,484,456	243,630,343
Plant and facilities	50,654,887	3,047,108	63,663		551,089	54,189,422
Vehicles	499,567					499,567
Property, plant and equipment in progress	17,405,964	21,145,957	921,719	(8,963,853)	172,038	28,838,387
Other property, plant and equipment	33,553,653	3,846,405	459,662	3,651,440	416,963	41,008,797
TOTAL	**306,532,058**	**32,939,463**	**3,201,843**	**35,006,552**	**6,755,723**	**378,031,953**

Depreciation of gross property, plant and equipment was as follows:

Depreciation	Beginning of period	Increase	Decrease	Reclassification	Merger	End of period
Land	24,306	(4,364)				19,942
Buildings	61,494,506	9,347,713	700,829	267,664	190,078	70,063,804
Plant and facilities	39,032,985	3,871,137	50,271		432,344	43,286,195
Vehicles	392,828	36,569				429,397
Other property, plant and equipment	24,470,801	1,858,227	399,679		263,793	26,193,141
TOTAL	**125,415,425**	**15,109,282**	**1,150,779**	**267,664**	**886,215**	**139,992,479**

Financial assets

Movements in gross financial assets were as follows:

Gross	Beginning of period	Increase	Decrease	Reclassification	Merger	End of period
Investments in subsidiaries	1,050,906,986	42,480,329	101,647,246	365	(8,044,938)	983,695,496
Other investments	6,985					6,985
Receivables related to investments in subsidiaries	55,791,126	8,000,000				63,791,126
Loans	8,684,260	1,073,622	15,987		58,448	9,800,343
Other financial assets	4,000,905	49,737,407	57,734,324	19,415,453		15,419,441
TOTAL	**1,119,390,262**	**101,291,358**	**159,397,557**	**19,415,818**	**(7,986,490)**	**1,072,713,391**

The change in investments in subsidiaries derived primarily from:

- a €42 million increase arising chiefly on the acquisition of the Medisystem group in Poland for €20 million and the purchase of an additional interest in Familisanté for €19 million;
- a €102 million decrease arising from the sale of securities in the Swiss subsidiary Senevita to the ORPEA Suisse sub-group.

The changes in Other financial assets derived primarily from movements in treasury shares and the reassignment of the merger losses.

Loans and Other financial assets break down as follows:

	31/12/2016	Up to 1 year	Over 1 year
Loans	9,800,343	24,238	9,776,105
Deposits and guarantees	3,055,862		3,055,862
Allocation of technical losses	8,515,216		8,515,216
Treasury shares	3,848,364	3,848,364	
TOTAL	**25,219,784**	**3,872,602**	**21,347,182**

The General Meeting of the Shareholders of 29 June 2006 authorised a share repurchase programme. This programme has a number of aims, including to allow the Company to provide liquidity and stimulate trading in its shares, and to optimise its capital management.

A total of 56,819 shares with a carrying amount of €3.8 million were held in treasury at 31 December 2016.

Movements in provisions for financial assets were as follows:

Provisions	Beginning of period	Increase	Decrease	Merger	End of period
Investments in subsidiaries	15,332,520	3,000,000			18,332,520
Loans	39,107				39,107
TOTAL	**15,371,627**	**3,000,000**	**0**	**0**	**18,371,627**

2.1.2 List of subsidiaries and investments

Company	Share capital	Percentage ownership	Profit or loss for the last financial year	Equity 2016	Carrying amount of investments 2016	
					Gross	Net
SCI Route des Écluses	303,374	99%	184,996	2,454,280	303,374	303,374
SCI Les Rives d'Or	1,524	99%	42,377	1,919,003	933,755	933,755
SCI du Château	1,524	99%	374,590	3,357,453	1,353,340	1,353,340
SCI Tour Pujols	1,524	99%	366,180	2,700,235	1,364,795	1,364,795
SCI La Cerisaie	1,524	99%	48,403	2,235,204	47,224	47,224
SCI Val de Seine	1,524	99%	(566,706)	(3,752,187)	711,307	711,307
SCI Cliscouet	1,524	99%	437,439	2,217,544	1,494	1,494
SCI Âge d'Or	2,549,161	99%	27,277	12,246,157	6,234,540	6,234,540
SCI Gambetta	1,524	99%	143,662	5,513,080	1,509	1,509
SCI Croix Rousse	1,524	99%	126,077	4,708,543	1,509	1,509
SCI Les Dornets	1,524	99%	(17,223)	1,221,278	1,494	1,494
SCI Château d'Angleterre	1,646	99%	287,285	8,326,740	1,763,577	1,763,577
SCI Montchenot	1,524	99%	73,922	10,897,669	1,286,933	1,286,933
SCI 115 rue de la Santé	1,524	90%	(1,960,482)	9,657,283	1,372	1,372
SCI Abbaye	1,524	90%	(787,515)	(5,564,164)	344,410	344,410
SCI Les Tamaris	1,524	99%	87,474	2,361,947	1,357	1,357
SCI Passage Victor Marchand	1,524	99%	(626,171)	2,424,927	1,509	1,509
SCI Fauriel	1,524	99%	1,859,142	(9,724,340)	1,618,841	1,618,841
SCI Port Thureau	1,524	99%	(1,396)	1,230,438	63,708	63,708
SCI de l'Abbaye	1,524	99%	327,134	1,227,529	1,509	1,509
SCI Les Maraîchers	1,524	99%	522,133	2,599,684	99,595	99,595
SCI Bosguerard	1,524	99%	121,885	1,266,990	1,274,306	1,274,306
SCI Le Vallon	1,524	90%	(1,984,757)	2,519,790	2,033,228	2,033,228
SCI Brest Le Lys Blanc	1,524	98%	(1,048,698)	(14,777,496)	1,494	1,494
SCI Bel Air	1,524	99%	(130,865)	(223,827)	335,837	335,837
SAS CLINEA	194,008,608	100%	45,864,270	323,452,617	203,855,563	203,855,563
SARL Les Matines	7,622	100%	(109,188)	(3,691,974)	7,622	7,622
SARL Bel Air	1,265,327	100%	287,383	4,434,038	840,604	840,604
SARL Amarmau	7,622	100%	(36,864)	(1,135,566)	7,622	7,622
SARL 94 Niort	231,000,000	100%	13,361,956	278,646,968	231,000,000	231,000,000
SARL 95	7,700	100%	(92,817)	(809,120)	7,700	0
SCI Sainte Brigitte	1,525	100%	(29,668)	(694,511)	1,524	1,524
SARL VIVREA	150,000	100%	78,928	(3,406,672)	150,000	150,000
SA LES CHARMILLES	76,225	98%	234,457	4,475,501	3,094,117	3,094,117
SCI KOD'S	22,650	100%	60,771	646,426	68,116	68,116
SARL LA BRETAGNE	277,457	100%	19,536	(1,409,306)	41,300	41,300
SARL RÉSIDENCE LA VÉNITIE	13,300	100%	(62,524)	(636,521)	796,267	796,267
SARL L'ATRIUM	7,622	100%	98,168	(524,867)	985,140	985,140

Company	Share capital	Percentage ownership	Profit or loss for the last financial year	Equity 2016	Carrying amount of investments 2016	
					Gross	Net
SA BRIGE	9,200,000	100%	(83,783)	7,758,251	670,000	670,000
SRL ORPEA ITALIA	3,350,000	5%	(5,079,876)	4,258,792	682,862	682,862
SCI LES TREILLES	15,245	99.99%	57,902	2,298,436	2,363,698	2,363,698
SCI LES MAGNOLIAS	1,525	99%	(342,523)	(3,373,255)	1,510	1,510
SCI le Barbaras	182,939	100%	174,696	6,679,475	821	821
SARL DOMEA	100,000	100%	(6,324)	173,106	100,000	100,000
SARL 96	7,700	90%	(1,906,944)	894,430	6,930	6,930
SCI BEAULIEU	3,049	100%	(20,894)	(80,705)	30,490	0
SAS LA SAHARIENNE	1,365,263	100%	(242,008)	(1,270,068)	5,712,440	5,712,440
SARL ORPEA DEV	100,000	100%	(1,164)	873,640	100,000	100,000
SAS ORGANIS	37,000	100%	175,154	96,397	11,775,946	9,825,946
GRUPO CARE	63,921	100%	1,646,956	52,627,350	19,228,321	19,228,321
DINMORPEA	5,000	100%	468,191	677,621	5,000	5,000
SRL CASA MIA IMMOBILIARE	20,000,000	100%	564,088	14,897,860	13,089,120	13,089,120
SA ORPEA BELGIUM	81,500,000	99.99%	4,683,819	175,771,564	65,479,233	65,479,233
SA DOMAINE DE CHURCHILL	815,012	100%	77,538	17,357,774	12,135,729	12,135,729
SA DOMAINE DE LONGCHAMP	65,026	10%	(69,184)	11,957,173	1,414,449	1,414,449
SA LONGCHAMPS LIBERTAS	600,000	100%	(3,373,937)	(2,323,399)	554,719	554,719
SA RS DOMAINE DE CHURCHILL	265,039	100%	(77,825)	302,644	3,075,311	3,075,311
TRANSAC CONSULTING CORPORATION	3,009	100%	23,494	14,021	1,823,231	1,823,231
SAS Résidence St Luc	37,200	100%	(55,263)	(4,441,462)	2,644,007	0
SARL Benian	1,000	20%	(372)	(42,276)	300,200	0
SCI JEM II	152	90%	62,601	556,501	883,500	883,500
SARL La Doyenne de Santé	8,000	50%	473,896	144,075	1,267,425	1,267,425
SCI Douarnenez	1,500	100%	(171,320)	(1,645,634)	1,485	1,485
SCI Barbacane	1,524	1%	25,951	977,775	15	15
SCI Selika	10,671	0.14%	(17,768)	5,640,291	15	15
SCI SLIM	762	100%	91,470	981,254	1,830	1,830
SCI SAINTES BA	1,524	1%	(279,256)	3,046,313	15	15
SCI Les Ânes	1,000	0.10%	92,603	(1,897,056)	1	1
SARL L'Ombrière	8,000	100%	29,902	(762,542)	822,027	0
SAS MDR La Chêneraie	254,220	2%	131,378	(824,246)	146,044	146,044
SARL IDF résid Ret. Le Sophora	7,622	10%	276,369	(1,184,350)	80,000	80,000
SNC les Jardins d'Escudie	100,000	100%	(149,493)	(4,648,034)	824,310	824,310
SA Résidence du Moulin	38,112	100%	(247,521)	(3,098,545)	2,100,466	0
SC Les Praticiens	87,600	0.08%	1,580	67,106	67,009	0
SAS Résidence La chêneraie	2,537,040	100%	100,897	6,330,821	7,324,746	7,324,746

Company	Share capital	Percentage ownership	Profit or loss for the last financial year	Equity 2016	Carrying amount of investments 2016	
					Gross	Net
SA EMCEJIDEY	293,400	100%	66,657	2,754,200	4,419,887	4,419,887
SARL Résidence du Parc	18,560	100%	(14,083)	(29,397)	5,810	5,810
SCI du Fauvet	1,524	10%	(234,976)	(1,828,791)	68,306	68,306
OPCI	5,301,885	5.02%	236,080	5,269,666	479,732	479,732
SAS SFI France	4,000,000	51%	(32,385)	856,126	23,305,520	23,305,520
SCI Ansi	22,867	0.1%	129,661	5,501,125	40,399	40,399
SARL Viteal les Cèdres	50,000	100%	(79,273)	(1,662,469)	85,039	0
SA Le Vieux Château	50,000	100%	(20,693)	(1,572,943)	367,647	367,647
SAS Home La Tour	40,600	100%	298,733	(113,917)	2,797,720	0
SAS MÉDITER	69,650,000	100%	2,640,445	130,808,881	169,198,343	169,198,343
SNC des Parrans	7,622	100%	(15,165)	(385,280)	1,399,856	0
SAS Holding Mandres	8,000	100%	115,865	966,068	3,325,832	3,325,832
SNC Les Acanthes	7,622	100%	(99,998)	(413,458)	1,468,434	0
SA Le Clos St Grégoire	38,173	100%	(349,912)	1,683,577	4,676,964	4,676,964
SA Immobilière de Santé	7,828,400	49%	11,063,000	16,289,201	13,210,000	13,210,000
SARL Domidom	4,992,525	100%	(898,103)	(2,875,878)	12,566,082	9,566,082
GCS	100,000	12.50%	0	1,016,576	23,300	23,300
SAS Immo Nevers	5,000	100%	(59,747)	4,277,941	5,000	5,000
SCI Castelviel	152	50%	(436,464)	(2,965,125)	763,650	0
SAS St Jean	16,000	100%	352,146	166,684	3,135,916	3,135,916
SCI Super Aix	228,674	13%	(57,431)	1,876,011	478,537	478,537
SAS Actiretraite Montgeron	4,000	100%	(86,703)	(1,342,967)	746,843	0
Groupe SILVERCARE	4,975,000	100%	6,251,624	54,039,921	65,552,324	65,552,324
SCI Parc St Loup	150,000	100%	(26,428)	(467,077)	149,079	0
SCI Larry	150,000	100%	(8,542)	3,335,937	150,621	150,621
SA China Holding	1,000,000	100%	(106,243)	672,603	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

Company	Share capital	Percentage ownership	Profit or loss for the last financial year	Equity 2016	Carrying amount of investments 2016	
					Gross	Net
CEECSH	20,008,100	100%	(1,101,066)	17,912,466	13,845,500	13,845,500
CHINA CO.	4,413,091	51%	(1,209,098)	474,035	2,250,794	2,250,794
MEDI-SYSTÈME	80,750	100%	263,018	7,888,506	20,225,193	20,225,193
SARL Primavera St Marc	100,000	100%	(470,766)	2,177,852	18,002	18,002
Gevea Senior	n/a	49%	0	0	682,251	682,251
Gevea Immo	n/a	49%	0	0	406,945	406,945
SCI SENIOR +	n/a	49%	0	0	490	490
SAS Familisanté	4,851,200	57.46%	105,366	(2,117,105)	18,771,865	18,771,865
SAS Résidence Normandie	7,700	100%	(133,042)	91,382	1,694,170	1,694,170
SARL La Pergola	7,622	100%	(49,741)	74,530	368,649	368,649
Other securities					335,790	335,790
Other securities (access)					194,505	194,505
TOTAL					**983,695,496**	**965,362,976**

2.1.3 Inventories and work in progress

	31/12/2016	31/12/2016	31/12/2016	31/12/2015
	Gross	Provisions	Net	Net
Small items of equipment and supplies	1,798,282		1,798,282	1,764,449
Property projects in progress	42,039,559	1,188,655	40,850,904	56,757,797
TOTAL	**43,837,841**	**1,188,655**	**42,649,186**	**58,522,245**

The €40,850,904 in net property projects in progress include borrowing costs incurred over the construction period, which amounted to €3,884,697, compared with €4,708,676 at 31 December 2015.

These borrowing costs were capitalised at an average rate of 4.15% in 2015.

2.1.4 Receivables

	31/12/2016	31/12/2016	31/12/2016	31/12/2015
	Gross	Impairment	Net	Net
Trade receivables	18,297,065	6,085,835	12,211,230	13,532,457
Tax and payroll receivables	50,422,264		50,422,264	68,596,576
Group and associates	1,684,383,859		1,684,383,859	1,430,399,233
Other receivables	256,197,362	13,461,368	242,735,994	221,839,034
TOTAL	**2,009,300,549**	**19,547,203**	**1,989,753,346**	**1,734,367,300**

All receivables are due in less than one year.

Movements in impairment of receivables were as follows:

	Beginning of period	Charges in the year	Reversals in the year	Mergers	End of period
Trade receivables	5,668,795	2,771,889	2,369,847	14,997	6,085,835
Other receivables	5,477,739	8,049,284	65,655		13,461,368
TOTAL	**11,146,533**	**10,821,173**	**2,435,502**	**14,997**	**19,547,203**

2.1.5 Short-term securities

Carrying amount	31/12/2015	Acquisitions	Sales	Impairment	Merger	31/12/2016
Term deposits*	11,139,882	42,000,000	34,000,000			19,139,882
Shares reserved for employees	92,881					92,881
(number)	(2,711)					(2,607)

* *No impairment was recognised in respect of these accounts 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 period	Tax-regulated provisions	Dividend	Total equity
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
Exercise of share warrants	169,210	211,513	5,827,996					6,039,509
Exercise of OCEANE convertibles	4,536,588	5,670,735	173,225,810					178,896,545
Dividend payments							(44,454,314)	(44,454,314)
Tax-regulated provisions						1,576,071		1,576,071
Net profit at 31 December 2015					11,238,594			11,238,594
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**
Appropriation of net profit			(42,572,764)	(434,963)	(11,238,594)		54,246,322	0
Dividend payments							(54,246,322)	(54,246,322)
Tax-regulated provisions						677,420		677,420
Net profit at 31 December 2016					29,908,916			29,908,916
AT 31/12/2016	**60,273,691**	**75,342,114**	**526,953,669**	**466,713**	**29,908,916**	**7,069,252**	**0**	**639,740,663**

The share capital stood at €75,342,114 at the end of the year. It consisted of 60,273,691 shares each with a par value of €1.25.

The General Meeting of the Shareholders on 23 June 2016 approved payment of a dividend in respect of the 2015 financial year of €0.90 per share, representing a total payout of €54,246,322 in late July 2016.

2.1.7 Provisions

	Beginning of period	Merger	Charges in the year	Reversals in the year (prov. used)	Reversals in the year (prov. not used)	End of period
Labour disputes	4,469,713	19,223	3,267,831	807,389	1,046,579	5,902,799
Other	30,437,976	164,542	2,673,821	20,193	142,000	33,114,146
PROVISIONS FOR LIABILITIES AND CHARGES	**34,907,686**	**183,765**	**5,941,652**	**827,582**	**1,188,579**	**39,016,945**

Other provisions for liabilities and charges are set aside mainly to cover the risk arising from the fact that the Company and the tax authorities may arrive at different results in the application of rules to calculate VAT pro rata. This provision amounted to €27 million at 31 December 2016.

In October 2016, the *Conseil d'État* issued a ruling confirming the Group's calculation method. Even so, in agreement with its advisors, the Group has decided to maintain the provisions it has already set aside pending a definitive ruling by the tax authorities in the review of its dispute.

ORPEA and certain of its subsidiaries in its tax consolidation group are undergoing tax audits. Most of the reassessments notified by the tax authorities have been challenged, and so no provisions have been set aside for these reassessments. Tax reassessments that are not challenged are recognised in the year in which they are received.

2.1.8 Financial liabilities

	31/12/2016	31/12/2016	31/12/2015	31/12/2015
Borrowings and financial liabilities	2,661,957,944		2,278,936,390	
Financial liabilities maturing in 1 year or less		413,325,449		417,240,820
Financial liabilities maturing in more than 1 year and less than 5 years		1,705,645,424		1,425,635,161
Financial liabilities maturing in over 5 years		542,987,071		436,060,410
Trade payables	42,967,781		45,385,852	
Financial liabilities maturing in 1 year or less		42,967,781		45,385,852
Financial liabilities maturing in more than 1 year and less than 5 years				
Financial liabilities maturing in over 5 years				
Tax and payroll liabilities	97,760,664		79,636,509	
Financial liabilities maturing in 1 year or less		97,760,664		79,636,509
Financial liabilities maturing in more than 1 year and less than 5 years				
Financial liabilities maturing in over 5 years				
Group and associates	344,396,371		438,869,143	
Financial liabilities maturing in 1 year or less		344,396,371		438,869,143
Financial liabilities maturing in more than 1 year and less than 5 years				
Financial liabilities maturing in over 5 years				
Other liabilities	85,250,043		79,277,745	
Financial liabilities maturing in 1 year or less		50,617,597		47,571,472
Financial liabilities maturing in more than 1 year and less than 5 years		34,632,446		31,706,273
Financial liabilities maturing in over 5 years				
TOTAL	**3,232,332,804**	**3,232,332,804**	**2,922,105,640**	**2,922,105,640**

New borrowings arranged during the year amounted to €750,699 thousand and borrowings of €229,200 thousand were repaid.

Group and associates comprise advances to the Group's subsidiaries.

Other financial liabilities chiefly comprise security deposits provided by residents (€35 million) and development-related liabilities (€36 million).

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.

Bond issues

ORNANE: on 9 July 2013, ORPEA issued bonds with an option for redemption in cash and/or in new or existing shares (ORNANE) carrying dividend rights from 17 July 2013. The maturity date of the ORNANE bonds is 1 January 2020. The 4,260,631 bonds have a nominal value of €46.56 each, putting their total nominal value at €198 million.

The coupon payable is a fixed rate of 1.75% p.a. throughout the life of the bonds, payable semi-annually in arrears.

Bondholders have a contractual option to convert their bonds into cash or new shares, in line with the arrangements set forth in the securities note, from the issue date up until the 18th trading day (exclusive) prior to 1 January 2020. ORPEA may, however, exercise a right of early redemption if the share price exceeds 130% of the par value of the bond, but solely on or after 1 February 2017.

A total of 12 ORNANE bonds were converted in 2015 and 100 in 2016. No new shares were issued, since existing shares held in treasury were remitted instead.

Other non-convertible bond issues: during 2016, ORPEA raised €13 million by issuing 130 bonds, each for a unit price of €100,000.

Lastly, the Company raised €291.5 million during the year through the issue of new Schuldscheindarlehen type loans.

Bank covenants

Various loans arranged by the Company are conditional on compliance with financial ratios that are assessed based on the Group's financial liabilities.

The agreed ratios are as follows:

$$R1 = \frac{\text{Consolidated net debt (excluding property debt)}}{\text{Consolidated EBITDA – 6\% of property debt}}$$

and

$$R2 = \frac{\text{Consolidated net debt}}{\text{Equity + quasi equity (\textit{i.e.} deferred tax liabilities linked to the measurement of intangible operating assets under IFRS in the consolidated financial statements)}}$$

At 31 December 2016, these ratios were at 2.3x and 1.5x respectively, within the required limits of mainly 5.5x for R1 and 2.0x for R2 at 31 December 2016.

2.1.9 Financial instruments

At 31 December 2016, as at 31 December 2015, the derivatives portfolio included fixed for floating (mainly 3-month Euribor) interest rate swaps and interest rate options. These derivatives have either a constant or decreasing nominal profile. All these derivatives are used for hedging transactions in accordance with Article 372-2 of the French general chart of accounts.

At the end of 2016, the maturity of the interest rate derivatives was as follows:

	Maturity schedule				
	2017	**2018**	**2019**	**2020**	**2021**
Average notional amount *(in millions of euros)*	2,200	2,198	2,196	2,189	2,192
Interest rate	1.2%	1.1%	0.8%	0.8%	0.6%

At the end of 2015, the maturity of derivatives was as follows:

	Maturity schedule				
	2016	**2017**	**2018**	**2019**	**2020**
Average notional amount *(in millions of euros)*	1,402	1,396	1,348	1,285	1,211
Interest rate	1.8%	1.7%	1.6%	1.1%	1.0%

The fair value of hedging instruments at 31 December 2016, *i.e.* (€83.2) million, is not recognised at the balance sheet date but recorded in the same manner and period as the hedged items upon the maturity of each contract.

At 31 December 2015, this fair value was (€82.5) million.

2.1.10 Other liabilities

Accrued expenses

	31/12/2016	31/12/2015
Borrowings and financial liabilities	20,897,339	18,616,291
Trade payables	18,866,914	17,835,686
Tax, payroll and sundry liabilities	46,100,505	44,906,516
TOTAL	**85,864,759**	**81,358,493**

Accrued income

	31/12/2016	31/12/2015
Financial receivables	103,407	42,445
Trade receivables	3,925,927	6,267,672
Other receivables	9,946,033	20,879,529
TOTAL	**13,975,366**	**27,189,646**

Prepaid expenses

	31/12/2016	31/12/2015
Operating	593,050	1,444,942
Financial	9,445,956	7,809,790
Non-recurring		
TOTAL	**10,039,006**	**9,254,733**

The change was mainly caused by prepaid expenses arising on the bond issues carried out during the year.

Prepaid income

	31/12/2016	31/12/2015
Operating	37,451,087	25,966,970
TOTAL	**37,451,087**	**25,966,970**

This item reflects (i) prepaid income from off-plan sales of €24,925 thousand and (ii) €12,526 thousand in medical care allowances yet to be recognised in future expenses.

Unrealised foreign currency gains

	31/12/2016	31/12/2015
Swiss subsidiaries	1,822,928	0
TOTAL	**1,822,928**	**0**

2.1.11 Related-party disclosures

Entities	Other receivables	Other liabilities	Other financial income	Financial expenses
Wholly-owned Group subsidiaries	1,684,383,859	344,396,371	83,446,624	16,938,565
Other subsidiaries	142,426,377	2,367,566	5,453,438	75,663

2.2 Income statement

2.2.1 Revenue

	31/12/2016	31/12/2015
Operation of nursing homes	713,932,640	663,218,064
Sale of properties	9,815,542	23,830,256
TOTAL	**723,748,182**	**687,048,320**

2.2.2 Operating income

	31/12/2016	31/12/2015
Operation of nursing homes	713,932,640	663,218,064
Operating revenue	**713,932,640**	**663,218,064**
Sale of properties	9,815,542	23,830,256
Capitalised production of properties	30,262,926	6,884,983
Production transferred to inventories	(36,172,563)	(25,084,224)
Income from property activities	**3,905,905**	**5,631,015**
Other capitalised production	5,929,907	5,497,577
Operating subsidies	226,790	84,731
Reversals of provisions and expense transfers	18,044,772	16,117,444
Other income	2,485,648	127,588
Other operating income	**26,687,119**	**21,827,340**
TOTAL OPERATING INCOME	**744,525,664**	**690,676,418**

2.2.3 Expense transfer

	31/12/2016	31/12/2015
Restructuring and development costs	1,200,297	1,135,348
Capitalised expenses	5,124,715	5,152,298
Insurance payouts	726,247	264,715
Provident fund payouts	4,246,547	3,452,401
Training refunds	2,727,239	2,612,934
Sickness payouts	198,726	128,730
Capitalised borrowing costs on property projects	1,404,022	2,009,460
Miscellaneous expenses	3,074	2,446
TOTAL	**15,630,867**	**14,758,334**

2.2.4 Net finance cost

	31/12/2016	31/12/2015
Interest on bank borrowings and other financial expenses	(60,583,321)	(50,700,998)
Net losses on financial instruments	(29,498,519)	(31,003,994)
Foreign exchange losses	(36,946)	(230,996)
Impairment losses on securities	(3,000,000)	(9,052,686)
Other expenses	(5,427)	(13,362)
Income from investments	30,000,000	20,004,900
Net gains on inter-company current accounts	41,885,834	41,146,757
Capitalised financial expenses	1,404,022	2,009,460
Net income from sale of short-term investments	173,755	384,910
Foreign exchange gains	6,792	
Other income	2,465,506	5,514
NET FINANCE COST	**(17,188,304)**	**(27,450,495)**

Income from investments in 2016 chiefly reflects the dividends paid by Clinea SAS.

2.2.5 Net non-recurring items

	31/12/2016		31/12/2015	
Non-recurring income		**155,282,924**		**49,967,098**
On management transactions	690,536		616,724	
On capital transactions	152,998,145		48,760,289	
o/w from the disposal of equity securities	114,402,098		5,000,000	
Reversals of provisions and expense transfers	1,594,243		590,084	
Non-recurring expenses		**165,851,043**		**60,086,016**
On management transactions	3,804,132		3,003,060	
o/w cost of acquisitions	1,200,297		1,135,348	
o/w caretaking costs	473,876		875,778	
o/w property expenses	752,588		837,113	
On capital transactions	152,197,421		50,056,252	
o/w from the disposal of equity securities	112,547,117		4,435,880	
Non-recurring depreciation/amortisation, charges to provisions	9,849,491		7,026,704	
o/w development-related receivables	8,000,000		4,500,000	
NET NON-RECURRING ITEMS		**(10,568,119)**		**(10,118,919)**

	31/12/2016	31/12/2015
Capital gains and losses on asset retirements	870,379	(1,234,406)
Restructuring and development expenses	(3,037,902)	(2,246,998)
Provisions for miscellaneous debtors	(7,572,954)	(4,860,548)
Accelerated tax depreciation/amortisation	(682,295)	(1,576,071)
Miscellaneous expenses	(145,347)	(200,895)
NET NON-RECURRING ITEMS	**(10,568,119)**	**(10,118,919)**

2.2.6 Income tax

As the head company 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 certain subsidiaries have tax losses that can be set off against their own taxable income.

At 31 December 2016, the ORPEA tax consolidation group's aggregate taxable income was €116,447,594, including ORPEA SA's taxable loss of €1,718,611 in its capacity as a member company.

As provided for under the group tax consolidation agreement, each subsidiary is responsible individually for paying its own income tax and contributions due on taxable income and capital gains, less any tax credits arising on tax loss carryforwards.

The €6,483,743 in tax expense shown in ORPEA SA's financial statements breaks down as follows:

	Before income tax	Income tax	After income tax
Operating profit	64,149,083	(17,089,836)	47,059,247
Net finance cost	(17,188,304)	8,362,586	(8,825,718)
Net non-recurring items	(10,568,119)	3,575,597	(6,992,522)
Income tax on dividends and other		(1,332,090)	(1,332,090)
BOOK PROFIT	**36,392,660**	**(6,483,743)**	**29,908,916**

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:
  - unrealised gains on the business goodwill subject to a tax deferral as a result of mergers: €43,610 thousand,
  - unrealised gains on securities subject to a tax deferral as a result of mergers: €24,419 thousand,
  - foreign exchange gains: €1,823 thousand;
- deductions to be made in future years:
  - organic levy: €1,178 thousand,
  - unrealised gain on mutual funds: €4 thousand.

3. FINANCIAL COMMITMENTS AND OTHER DISCLOSURES

3.1 Off-balance sheet commitments

Financing-related commitments

Financial commitments

Contractual commitments *(in thousands of euros)*	31/12/2016	31/12/2015
Receivables sold not yet matured (Dailly regime, etc.)	26,869	21,407
Pledges, mortgages and other security	203,292	366,850
TOTAL	**230,161**	**388,257**

		Payments due by period		
Contractual commitments *(in thousands of euros)*	31/12/2016	less than 1 year	from 1 to 5 years	over 5 years
Long-term borrowings	2,661,957	413,325	1,705,645	542,987
Finance lease obligations	104,970	39,546	51,204	14,220
TOTAL	**2,766,927**	**452,871**	**1,756,849**	**557,207**

Leases

	Property leases	Equipment leases
Value at inception of lease	51,138,637	107,178,711
Lease payments during period	4,009,852	20,977,925
Total lease payments in previous periods	25,577,851	31,967,450
Theoretical depreciation for period	1,000,134	13,104,913
Accumulated depreciation in respect of previous periods	6,574,819	40,057,309
Lease payments outstanding – due in one year or less	16,186,086	21,988,707
Lease payments outstanding – due in more than one year but less than five	8,165,032	41,654,292
Lease payments outstanding – due in over five years	14,220,067	0
Buyout value	16,760,001	360,875

Commitments to employees

Lump-sum benefits payable upon retirement calculated using the projected unit credit method totalled €11,568 thousand at 31 December 2016, compared with €9,737 thousand at 31 December 2015.

The main actuarial assumptions adopted at 31 December 2016 were as follows:

- salary increase rate: 1.50% including inflation;
- discount rate: 1.5%;
- retirement age: 65;
- social security contribution rate: in line with 2016 figures.

The amount paid by the Company in lump-sum retirement benefits amounted to €390,068 in 2016.

There were no material commitments in respect of long-service awards.

Other commitments

In 2002, ORPEA waived, subject to a clawback provision, €1,915,487 in debt due from its subsidiary SA Clinique du Docteur Courjon, which was subsequently absorbed by Clinea SAS.

ORPEA has entered into the following commitments concerning its 49.9% interest in Immobilière de Santé with a view to gaining full control of the company:

- ORPEA has secured a promise to sell from the other shareholders between 1 July 2018 and 30 June 2019;
- ORPEA has given a promise to buy out the other shareholders between 1 July 2019 and 30 June 2020.

ORPEA has granted Belgian company Intorp, a lease payment guarantee covering four properties leased by its Belgian subsidiaries.

3.2 Employees

At 31 December 2016, ORPEA SA's headcount on a full-time equivalent basis was as follows:

	31/12/2016	31/12/2015
Managers	820	756
Other employees	8,399	7,979
TOTAL	**9,219**	**8,735**

3.3 Benefits granted to corporate officers

The total amount of gross remuneration, fees (excluding all taxes) and benefits paid during the 2016 financial year to ORPEA SA's corporate officers was €2,525 thousand.

Attendance fees for members of the Board of Directors for the 2016 financial year, paid in 2017, amounted to €381 thousand.

7.2 STATUTORY AUDITORS' REPORT ON THE PARENT-COMPANY 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 2016

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 2016, on:

- the audit of ORPEA's parent-company 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 PARENT-COMPANY 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 parent-company 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 2016 and the results of its operations for the year then ended in accordance with French generally accepted accounting principles.

Without prejudice to the opinion expressed above, we draw your attention to the "Change in accounting method" paragraph of note 1.1 "Accounting principles", which sets out the consequences of the first-time application of ANC (French accounting standard-setter) regulation 2015-06 on the recognition of technical losses arising from merger transactions.

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 and technical losses recognised as intangible assets;
- Note 1.2.3 describes the accounting standards and methods used to measure equity investments and merger losses allocated to equity investments 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 parent-company 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, 10 May 2017

The Statutory Auditors

Saint-Honoré BK&A	Deloitte & Associés
Emmanuel Klinger	Joël Assayah

ADDITIONAL INFORMATION

8.1 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND STATEMENT

8.1.1 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Mr Yves Le Masne, Chief Executive Officer.

8.1.2 STATEMENT BY THE PERSON 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.

I certify that, to the best of my knowledge, 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 137 to 172 presents a true and fair view of the business trends, results and financial position of the Company and all consolidated companies and that it describes the main risks and uncertainties to which they are exposed.

I have received an audit completion letter (*lettre de fin de travail*) from the Statutory Auditors, in which they state that they have verified the information relating to the Group's financial position and financial statements contained in this registration document and that they have read through the document in its entirety.

Puteaux, 19 May 2017

8.1.3 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

8.2 STATUTORY AUDITORS

8.2.1 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 23 June 2016 for a term of six years ending at the conclusion of the annual general meeting held to approve the 2021 financial statements.

8.2.2 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.

8.2.3 STATUTORY AUDITORS' FEES WITH RESPECT TO 2016

	Deloitte				Saint-Honoré Partenaires			
	Statutory auditors (Deloitte & Associés)		Network		Statutory auditors (Saint-Honoré BK&A)		Network	
(in thousands of euros)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Certification and limited half-yearly review of the statutory and consolidated financial statements								
■ Issuer	1,033	69%	n/a		898	76%	n/a	
■ Fully consolidated subsidiaries	445	29%	722	65%	291	24%		
Sub-total	**1,478**	**98%**	**722**	**65%**	**1,189**	**100%**	**-**	**0%**
Services other than certification of the financial statements								
■ Issuer	30	2%		0%				
■ Fully consolidated subsidiaries			367	35%				
Sub-total	**30**	**2%**	**367**	**35%**	**-**	**0%**	**-**	**0%**
TOTAL	**1,508**	**100%**	**1,088**	**100%**	**1,189**	**100%**	**-**	**0%**

8.3 DOCUMENTS ON DISPLAY

This list comprises the annual information document published between 2 April 2016 and 15 May 2017, 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.

8.3.1 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
28/03/2017	Declaration of net short positions no. 2017E470499
11/03/2017	Declaration of net short positions no. 2017E468756
07/03/2017	Declaration of net short positions no. 2017E468156
27/02/2017	Declaration of net short positions no. 2017E467108
06/02/2017	Declaration of net short positions no. 2017E464849
25/01/2017	Declaration of net short positions no. 2017E463552
17/11/2016	Declaration of net short positions no. 2016E456798
22/09/2016	Declaration of shareholding, crossing of threshold, intention, etc., no. 216C2139
19/08/2016	Declaration of net short positions no. 2016E446222
05/08/2016	Declaration of net short positions no. 2016E444940
05/08/2016	Declaration of net short positions no. 2016E444937
05/08/2016	Declaration of net short positions no. 2016E444935
05/08/2016	Declaration of net short positions no. 2016E444927
05/08/2016	Declaration of net short positions no. 2016E444921
19/05/2016	2015 registration document
20/05/2016	Declaration of net short positions no. 2016E431862
27/04/2016	Declaration of net short positions no. 2016E427354
06/04/2016	Declaration of net short positions no. 2016E423426

8.3.2 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
12/05/2017	Prior notice of the CGM of 22 June 2017
23/11/2016	Notice to attend the OGM of 14 December 2016
07/11/2016	Prior notice of the OGM of 14 December 2016
13/07/2016	Warrants, bonds and other securities
01/07/2016	Commercial and industrial companies (final annual financial statements)
03/06/2016	Notice to attend the CGM of 23 June 2016
15/05/2016	Prior notice of the CGM of 23 June 2016

8.3.3 PUBLICATIONS ON THE COMPANY'S WEBSITE

Published on the ORPEA website (www.orpea-corp.com).

Publication date	Heading	Type of document
10/05/2017	Documentation/Other regulated information	Number of shares and voting rights at 28/04/2016
02/05/2017	Press releases	Strong growth of 10.5% in Q1 2017 revenue to €751.7 million
18/04/2017	Press releases	Two additional acquisitions creating substantial value
07/04/2017	Documentation/Other regulated information	Number of shares and voting rights at 31/03/2017
29/03/2017	Documentation/Presentations	2016 annual results
28/03/2017	Press releases	Strong earnings growth in 2016
03/03/2017	Documentation/Other regulated information	Number of shares and voting rights at 28/02/2017
09/02/2017	Documentation/Other regulated information	Number of shares and voting rights at 31/01/2017
07/02/2017	Press releases	2016 revenue ahead of guidance: €2,842 million (up 18.8% on 2015)
10/01/2017	Documentation/Other regulated information	Number of shares and voting rights at 30/12/2016
03/01/2017	Documentation/Other regulated information	Interim report on the liquidity contract at 31/12/2016
14/12/2016	Press releases	Board of Directors strengthened and its gender balance enhanced by the appointment of two new independent members
12/12/2016	Documentation/Other regulated information	Number of shares and voting rights at 30/11/2016
23/11/2016	Press releases	Press release announcing the publication of draft documents relating to the Extraordinary General Meeting of 14 December 2016
03/11/2016	Press releases	Strong revenue growth in Q3 2016: up 16.8% at €724.6 million
03/11/2016	Documentation/Other regulated information	Number of shares and voting rights at 31/10/2016
12/10/2016	Documentation/Other regulated information	Publication of the 2016 interim financial report
12/10/2016	Documentation/Financial Reports	2016 interim financial report
05/10/2016	Documentation/Other regulated information	Number of shares and voting rights at 30/09/2016
28/09/2016	Press releases	Strong growth in half-year 2016 results
28/09/2016	Documentation/Presentations	Half-year 2016 results
01/09/2016	Documentation/Other regulated information	Number of shares and voting rights at 31/08/2016
01/08/2016	Documentation/Other regulated information	Number of shares and voting rights at 29/07/2016
20/07/2016	Press releases	Strong H1 2016 revenue growth of 23% to €1,380.8 million
08/07/2016	Documentation/Other regulated information	Number of shares and voting rights at 30/06/2016
07/07/2016	Documentation/Other regulated information	Adjustment of the conversion ratio of the ORNANE
05/07/2016	Press releases	Acquisition of the Spanish group Sanyres
01/07/2016	Documentation/Other regulated information	Interim report on the liquidity contract
06/06/2016	Documentation/Other regulated information	Number of shares and voting rights at 31/05/2016
20/05/2016	Documentation/Other regulated information	Publication of the 2015 registration document
20/05/2016	Documentation/Financial Reports	2015 registration document
09/05/2016	Documentation/Other regulated information	Number of shares and voting rights at 29/04/2016
04/05/2016	Press releases	Strong growth in Q1 2016 Revenues, up 26.5% to €680.5 million
05/04/2016	Documentation/Other regulated information	Number of shares and voting rights at 31/03/2016

8.3.4 PUBLICATIONS ON AN AMF-APPROVED NEWSWIRE

Published on the newswire (www.businesswire.fr/portal/site/).

Publication date	Type of document
10/05/2017	Monthly information on the total number of voting rights and shares comprising the share capital
02/05/2017	Strong growth of 10.5% in Q1 2017 revenue to €751.7 million
18/04/2017	Two additional acquisitions creating substantial value
07/04/2017	Monthly information on the total number of voting rights and shares comprising the share capital
28/03/2017	Strong earnings growth in 2016
03/03/2017	Monthly information on the total number of voting rights and shares comprising the share capital
09/02/2017	Monthly information on the total number of voting rights and shares comprising the share capital
07/02/2017	2016 revenue ahead of guidance: €2,842 million (up 18.8% on 2015)
10/01/2017	Monthly information on the total number of voting rights and shares comprising the share capital
03/01/2017	Annual review of the liquidity contract with the stock exchange company Gilbert Dupont
14/12/2016	Board of Directors strengthened and its gender balance enhanced by the appointment of two new independent members
12/12/2016	Monthly information on the total number of voting rights and shares comprising the share capital
09/12/2016	Procedures for making available or viewing the information relating to the Extraordinary General Meeting of 14 November 2016
23/11/2016	Procedures for making available or viewing the information relating to the Extraordinary General Meeting of 14 November 2016
03/11/2016	Strong revenue growth in Q3 2016: up 16.8% at €724.6 million
03/11/2016	Monthly information on the total number of voting rights and shares comprising the share capital
12/10/2016	Press release announcing availability of the interim financial statements at 30 June 2016
05/10/2016	Monthly information on the total number of voting rights and shares comprising the share capital
27/09/2016	Strong growth in half-year 2016 results
01/09/2016	Monthly information on the total number of voting rights and shares comprising the share capital
01/08/2016	Monthly information on the total number of voting rights and shares comprising the share capital
19/07/2016	Strong H1 2016 revenue growth of 23% to €1,380.8 million
08/07/2016	Monthly information on the total number of voting rights and shares comprising the share capital
07/07/2016	Adjustment of the conversion ratio of the ORNANE
04/07/2016	Acquisition of the Spanish group Sanyres: 18 facilities, 3,300 beds
01/07/2016	Bi-annual review of the liquidity contract with stock exchange company Gilbert Dupont
06/06/2016	Monthly information on the total number of voting rights and shares comprising the share capital
02/06/2016	Procedures for making available or viewing the information relating to the Combined General Meeting of 23 June 2016
20/05/2016	Publication of the 2015 registration document
09/05/2016	Monthly information on the total number of voting rights and shares comprising the share capital
04/05/2016	Strong growth in Q1 2016 Revenues, up 26.5% to €680.5 million
05/04/2016	Monthly information on the total number of voting rights and shares comprising the share capital

8.4 CROSS-REFERENCE TABLES

8.4.1 CROSS-REFERENCE TABLE 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.

Heading	Pages
Group activity and business developments	138 to 141
Results of Group activity	142 to 151
Changes in the presentation of the parent-company financial statements or assessment methods used in previous years	n/a
Recent events	152 to 154
Expected developments in the Company's position and outlook	152
Supplier payment terms	150
Amount of dividends distributed during the past three years	48 to 49
Income statement for the past five years	172
Main risks, management and prevention	155 to 167
Research and development	147
Subsidiaries and other equity interests	168 to 171
Employment-related, environmental and social information	101 to 135
Corporate officers and directors (offices held, compensation, securities transactions)	54 to 61 and 67 to 80
Share capital and employee shareholders	45 to 49
Share buyback	49 to 50
Information liable to have an impact in the event of a public offering	49
Delegations of authority granted by the General Meeting of Shareholders	45 to 46
Report by the Chairman of the Board of Directors (article L. 225-37 of the French Commercial Code) on corporate governance and internal control	53 to 93

8.4.2 CROSS-REFERENCE TABLE FOR THE ANNUAL FINANCIAL REPORT

In order to facilitate the reading of this Registration Document, the cross-reference table 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 the European Transparency Directive (2004/109/EC).

Heading	Pages
Consolidated financial statements	174 to 209
Parent-company financial statements	212 to 231
Management report	137 to 172
Statutory Auditors' report on the consolidated financial statements	210
Statutory Auditors' report on the parent-company financial statements	232 to 233
Statement by the person responsible	236
Statutory Auditors' fees	237
Report by the Chairman of the Board of Directors (article L. 225-37 of the French Commercial Code) on corporate governance and internal control	52 to 93
Statutory Auditors' report on internal control	94

8.4.3 CROSS-REFERENCE TABLE FOR THE REGISTRATION DOCUMENT

The cross-reference table for the Registration Document identifies the information specified by Annex I of EU Regulation no. 809/2004 of 29 April 2004.

The page numbers in the table below refer to this ORPEA Registration Document filed with the AMF.

Heading	Pages
21: ADDITIONAL INFORMATION	
21.1 - Share capital	45 and 195
21.2 - Articles of incorporation and articles of association	42 to 44
22: MATERIAL CONTRACTS	n/a
23: INFORMATION FROM THIRD PARTIES, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTEREST	
23.1 - Statements or reports by experts, information about the expert(s) and statement of consent	n/a
23.2 - Certificate of authenticity of information obtained from third parties	n/a
24: DOCUMENTS ON DISPLAY	238 to 240
25: INFORMATION ON EQUITY INTERESTS	168 to 171, 193 and 220 to 223

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CONTACT

12, rue Jean Jaurès - CS 10032
92 813 Puteaux Cedex
Email: financegroupe@orpea.net

www.orpea-corp.com