REGISTRATION DOCUMENT

including the annual financial report








2018

ORPEA
GROUP

CONTENTS

2018

REGISTRATION DOCUMENT

including the annual financial report

ORPEA GROUP

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 the manner they desire. It accommodates them in its nursing homes, assisted-living facilities, post-acute and rehabilitation hospitals, and psychiatric hospitals.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Registration Document was filed with the *Autorité des Marchés Financiers* on 10 May 2019 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.

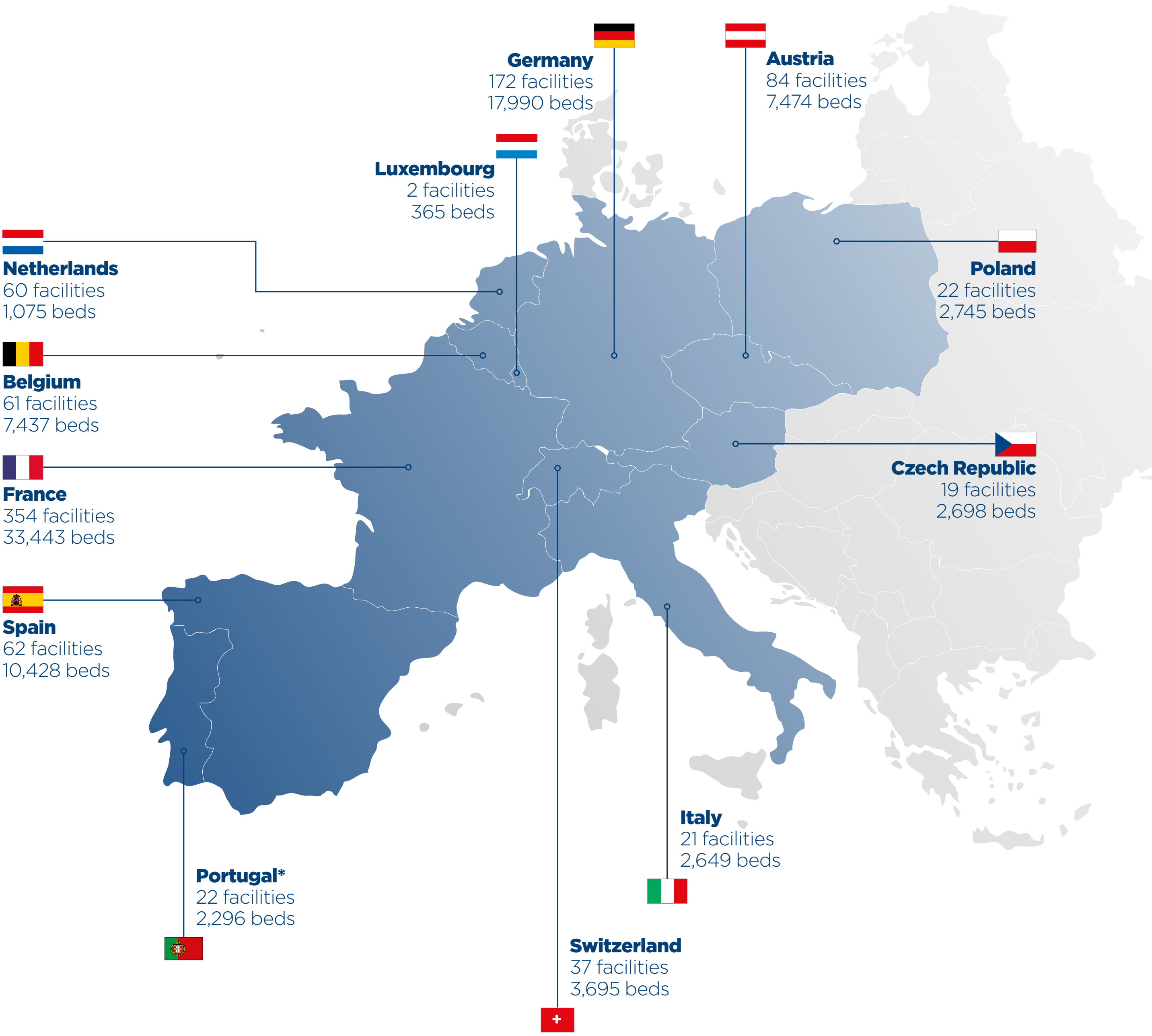
Pursuant to Article 28 of Regulation (EC) 809/2004 of the European Commission, this Registration Document incorporates by reference the 2016 Registration Document filed on 19 May 2017 under number D.17-0542 and the 2017 Registration Document filed on 16 May 2018 under number D.18-0487.

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).

ORPEA, a global player in long-term care

Since it was founded in 1989, ORPEA has always focused on the quality of its offering for the well-being of its residents and patients, in France and around the world. It was originally founded in France and gradually expanded in recent years to become a European group. Now it has taken the next step and is becoming a global player, without compromising on its renowned expertise in long-term care. Over the past 10 years, ORPEA's footprint has expanded from four countries with 80% of its network in France to 14 countries, with 65% of its network outside France.

During 2018, ORPEA remodelled its organisation to underpin its global development and pushed ahead with its initial developments in China and Latin America (Brazil). The Group continues to expand internationally by offering the highest quality standards in prime locations.



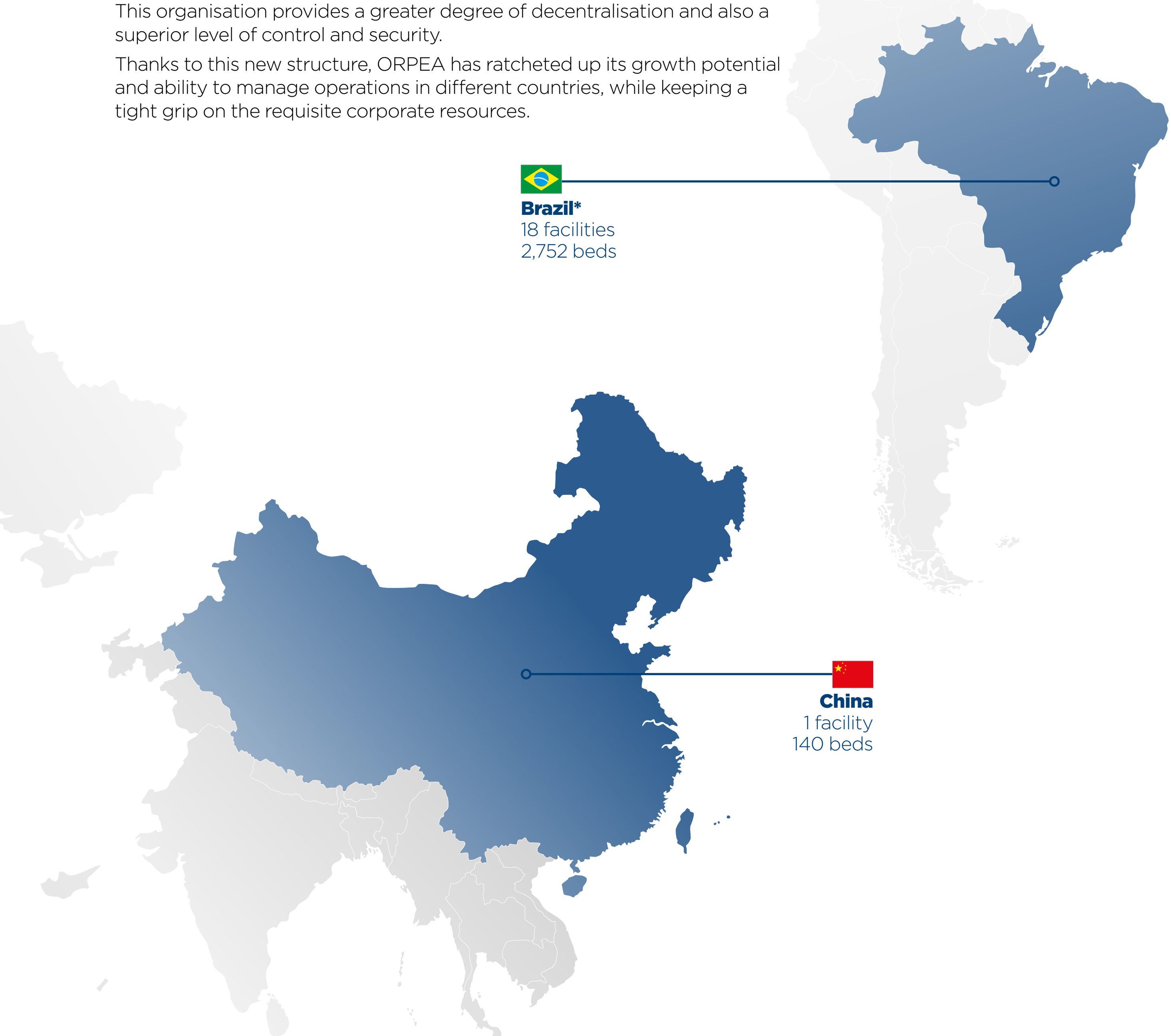
In the last two years, ORPEA has switched from a country-based organisation to one based around clusters. Each cluster has its own management team and headquarters runs operations in several countries. The far-reaching overhaul of its organisation structure that it began two years ago to make it more agile, more efficient and more resilient for its global expansion drive is now almost complete.

In parallel, ORPEA has strengthened its corporate headquarters by recruiting experts to deliver the benefit of their expertise to all the Group's units. Now split off entirely from the French teams, the headquarters is fully dedicated to introducing and controlling effective implementation of ORPEA's policies within its regional clusters.

The risk management, audit and internal control department has been expanded, and it now has 16 corporate specialists, backed up by correspondents in the clusters, including in Latin America.

This organisation provides a greater degree of decentralisation and also a superior level of control and security.

Thanks to this new structure, ORPEA has ratcheted up its growth potential and ability to manage operations in different countries, while keeping a tight grip on the requisite corporate resources.



* Partnership with SIS Group (Portugal and Brazil) in which ORPEA's interests stand at 49.5% and 49.9% respectively.

KEY FIGURES

€5.7 billion

REAL ESTATE PORTFOLIO IN 2018

up four-fold over the past 10 years (since 2008)

€3,420 million

IN 2018 REVENUE

up five-fold over the past 10 years (since 2008)

935

FACILITIES

in strategic locations at the heart of cities

59,571

HEADCOUNT AT 31 DECEMBER 2018

up four-fold over the past 10 years (since 2008)

95,187

BEDS

up four-fold over the past 10 years (since 2008)

€5.8 billion

IN MARKET CAPITALISATION AT 31 DECEMBER 2018

up 6.5-fold over the past 10 years (since 2008)

“We have turned our vision of global expansion into a reality and possess unique development potential.”

Our international expansion made very substantial progress during 2018. We added 10,000 new beds across the network over the past 12 months and cemented our positioning in the premium segment, most notably in Germany. At the same time, we delivered further improvement in our profitability, as our net profit rose more than 11% to double its level five years ago.

Thanks to our new cluster-based organisation, we are now in a robust position and we have substantial development potential. We will continue to pursue our expansion strategy by focusing on the premium segment, both through the opening of new facilities and through acquisitions.

With 80,000 beds in service, a pipeline of over 17,000 beds under construction and our acclaimed expertise in development, we boast a powerful growth pipeline and strong visibility for the next few years.

In 2019, we are celebrating our 30th anniversary, and our past and future successes are built on three core pillars:

- **the commitment of our 59,500 employees:** our experienced and highly motivated teams deliver high-calibre support with a mindset of continuous improvement concerning our practices, our care and our services. We nurture a positive environment and are able to attract and retain talented staff through our training programmes and our emphasis on promoting from within;
- **a high-quality offering:** capitalising on the expertise of our teams, we also invest constantly to further improve the quality of our accommodation and care for the well-being and safety of our residents and patients. We also endeavour to achieve the highest possible quality standards and have rolled out our control procedures consistently across the board to cover every country where we operate;
- **strong values to which we have adhered strictly for the past 30 years and which are now gaining an increasingly international dimension:** compassion, loyalty, professionalism and humility.

In early 2019, we brought to fruition another of our strategic goals of establishing ourselves as the leader in Latin America through the purchase of stakes in the leading groups in Chile and Brazil, alongside high-profile partners. That raises the prospect of very dynamic expansion in this high-potential region.

YVES LE MASNE
Chief Executive Officer of ORPEA

730,000 hours of training provided in 2018

Honing employees' professionalism and gaining their loyalty

ORPEA is celebrating its 30th anniversary this year, and it has always steadfastly pursued its mission of looking after the 250,000 residents and patients who placed their trust in it during 2018 and relentlessly unlocking quality improvements. To keep this promise, it has made professional development and the well-being of its teams a priority. ORPEA thus leverages three key drivers essential for the successful execution of its mission:

- personalised and specially tailored training courses and career management;
- tools enhancing quality of life in the workplace and the well-being of its employees;
- efforts promoting diversity and equal opportunities.

Training is an essential priority for developing quality of service and care, making the full use of skills, and providing attractive career progression to employees. That's why ORPEA's training policy applies to its entire team – 100% of employees receive training, and the number of training hours provided advanced by 21% to 730,000 hours in 2018 (i.e. 15 hours per employee). To reap the benefit of bespoke programmes, ORPEA is developing and building its own training modules supported by well-known specialists from outside the Group to meet demand from employees and keep pace with the rapid changes in the sector. To promote the development of career pathways within the organisation, talent management and employee retention, the HR department's teams were strengthened in 2018 through the creation of a department dedicated to HR development.

Diversity and equal opportunities have always played a key role in the development of ORPEA's human resources. ORPEA's gender diversity is very impressive, as reflected by the Prize for Diversity in Senior Management it received at the 15th AGEFI Corporate Governance Awards Ceremony. Women hold 66% of management positions, including strategically important roles. The policy introduced 30 years ago of giving everyone a fair chance is also reflected in the actions it takes to provide access to employment and in-job support for people with disabilities and senior citizens.

Lastly, the prevention of occupational risks is a key point of emphasis for ORPEA as it seeks to improve the quality of life in the workplace. ORPEA's policies in this area were laid down formally and enhanced in 2018. Measures included a programme to combat musculo-skeletal disorders among carers and specific risk prevention programmes in each facility, plus training on "understanding and managing a facility with forward planning to eliminate psychosocial risks" for facility and regional managers.

Contributing to the development of communities

ORPEA fully engages with the social and business life of the local communities it serves and aims to help them flourish and thrive:

- **by providing employment:** with the local jobs it creates and sustains to support its development and continuous organisational improvements. In 2018, ORPEA recruited 11,693 new permanent employees, including both new positions and replacements required through natural attrition;
- **by promoting regional development:** with over 17,000 beds under construction and redevelopment, ORPEA already contributes to the creation of new and redevelopment of existing neighbourhoods;
- **by supporting local community organisations:** both through their programme of events and therapeutic workshops, and through outreach initiatives.

PURSUING RESEARCH AND INNOVATION

Innovation and research drive

To keep improving the quality of life and care it provides to its residents and patients, while keeping its employees safe and secure, ORPEA pushed ahead with its innovation and research drive. As part of these efforts, it is developing new therapeutic approaches and rolling out new technologies:

ORPEA's innovation drive is predicated on three strategic priorities:

- keeping its residents, patients and their loved ones safe and secure;
- promoting employee health and safety;
- building artificial intelligence into our processes.

All the projects ORPEA implements are conducted in close cooperation with the Medical department, the Information systems department, and the operational departments to ensure that new systems comply with its medical policy, its values and ethical principles, and data security arrangements. ORPEA intends to pursue evidence-based innovation, which requires rigorous multi-disciplinary assessment of the projects it develops prior to their roll-out across the Group's facilities. **Over the past two years, ORPEA has run the rule over around a hundred new initiatives and start-up ventures, and in 2018, 16 projects were trialled,** in areas as varied as fall risk prevention, good hygiene, telemedicine, nutrition and the medication cycle.

As a concrete example of this, ORPEA continued in 2018 to develop therapy through exposure by harnessing virtual reality. In this psychiatric approach, patients are immersed – in a controlled manner – in a virtual environment related to their condition employing a technique that can help to treat phobias, addictions and eating disorders.

As part of its efforts to promote non-drug-based approaches, ORPEA has developed special programmes for patients suffering from anxiety and post-traumatic stress, which are based on neurofeedback and cardiac coherence. Positive effects on anxiolytic consumption have been recorded.

Technological systems were introduced to tighten up the safety and security of residents and patients with space and time disorientation issues, while respecting their freedom to come and go. Anti-wandering devices and an anti-intrusion bracelet system are installed on the doors of bedrooms in care units specially designed to look after the needs of this category of patients.

In post-acute and rehabilitation care, an individual recovery programme has been introduced for patients with chronic illnesses. Based on the intensity of the physical activities, it helps to evaluate and improve their physical capabilities using a mobile app with a computation engine and to empower patients to take ownership of their own care plan.

The ORPEA Group intends to pursue research initiatives. As well as passing on knowledge and enhancing practices, research programmes provide insight into the efficacy of the innovative projects introduced. For example, ORPEA conducted a research programme into an innovative light therapy device that was used in a special care unit. The study brought to light a positive impact from the ground-breaking system on the duration and quality of residents' sleep, a decline in sleep interruptions, reduced anxiety and behavioural issues among residents, and beneficial side effects for the quality of employees' life in the workplace.

In 2018, ORPEA's International Scientific & Ethics Council (ISEC) stepped up its activities, and it held the fourth edition of the **ORPEA Excellence Awards**. 45 projects from nine countries were nominated for the 2018 awards, with eight given commendations and one prize-winner chosen in each of the following categories:

- **clinical ethics:** the Zheng Nian – Positive Thinking programme introduced by the Xianlin International Care Center (ORPEA China);
- **care innovation:** the New technologies for the elderly initiative at the Madrid-Buenavista facility (ORPEA Iberica, Spain);
- **research:** study into Connected objects and burn-out led by the Lyon-Champvert psychiatric hospital (CLINEA France).

Global expansion ambitions against the backdrop of supportive demographics as the population ages

Global population ageing even more rapidly

The world's population is ageing fast, and this phenomenon is set to accelerate further over the next few years. In particular, the number of over-80s is forecast to skyrocket. That population segment is projected to grow by 230% by 2050 – an increase of 290 million people. According to WHO data, the number of people suffering from neurodegenerative illnesses such as Alzheimer's disease will triple by 2050 from 48 million to 135 million.

A new organisation to ratchet up ORPEA's potential

The Group switched from a country-based organisation to one based around clusters, each with its own management team and headquarters runs operations in several countries. In parallel, ORPEA has strengthened its corporate headquarters by recruiting experts to deliver the benefit of their expertise to all the Group's units. This organisation provides a greater degree of decentralisation and also a superior level of control and security. Thanks to this new structure, ORPEA has ratcheted up its growth potential and ability to manage operations in different countries, while keeping a tight grip on the requisite corporate resources. ORPEA is now primed for expansion in 35 countries (including in its five clusters), which are home to 34 million people aged 80 and over, representing an increase of 70% in its addressable market compared with under its previous organisation.

Fresh thinking required concerning long-term care solutions

By 2030, more than 1.6 million new nursing home beds will be needed in the countries covered by ORPEA's four clusters (excluding China) according to the figures released by each country. What's more, some of the existing capacity will need to be completely redeveloped to handle residents with higher levels of long-term care requirements.

Strategy focused on creating value over the long term

1. Network expansion

- creation of new facilities;
- selective acquisitions;
- optimisation of the existing network (extensions, specialisation, premiumisation, etc.).

2. Continued international expansion

- developments in the Group's five clusters, including Eastern Europe and Latin America;
- identification of new geographical territories with insufficient capacity and strong purchasing power.

3. Real estate strategy of owning around 50% of properties

- ownership rate of around 50% of properties;
- objectives: secure cash flows over the long term, build up the value of ORPEA's asset portfolio, and increase the security and flexibility of its operating activities.

1 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, as well as satisfying the requirements of local 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, including both in-patient and outpatient care (day hospitals);
- psychiatric hospitals looking after people with mental health disorders;
- homecare and services;
- senior assisted-living facilities.

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 accordance with their own wishes.

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.

Over the last 30 years ORPEA has grown to become one of the world leaders in long-term care with 95,187 beds in 935 facilities across 14 countries at 31 December 2018 against a backdrop 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.

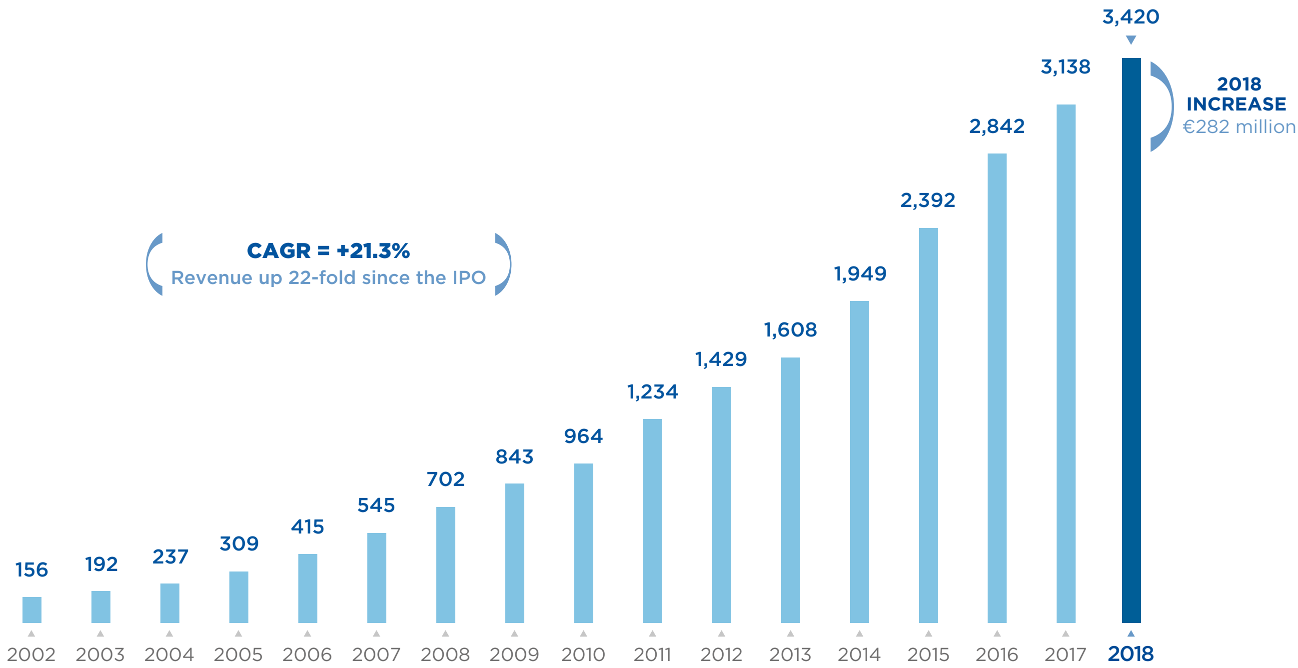
ORPEA is now a global player with an organisation structure primed for expansion and the roll-out of its model of delivering high-quality care *via* its five geographical clusters: France Benelux, Central Europe (consisting of Germany, Switzerland and Italy), Eastern Europe (Austria and Eastern Europe), the Iberian Peninsula and Latin America (consisting of Spain, Portugal and Latin American countries) and the Rest of the World (China only, to date).

Thanks to this new organisation, its financial flexibility and its five geographical clusters, ORPEA will continue rising to the challenges posed by population ageing around the world with a high-quality offering for people with major long-term care requirements.

1.1 ORPEA'S KEY FIGURES

1.1.1 REVENUE

▶ GROWTH IN THE GROUP'S REVENUE SINCE THE IPO *(in millions of euros)*

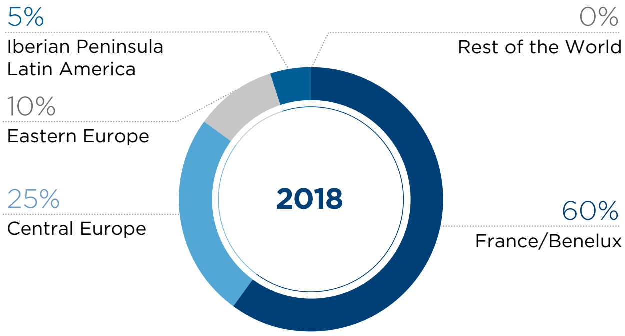


CAGR: compound annual growth rate.

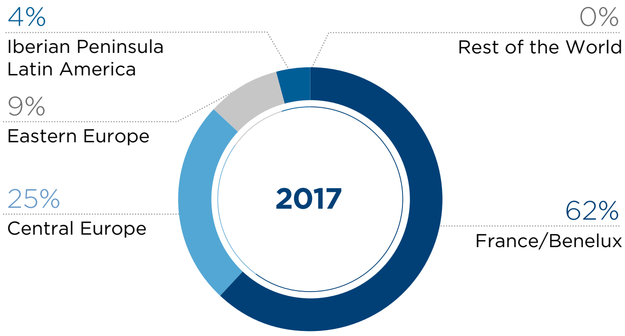
(in millions of euros)	2018	2017	Chg. 2018/2017 *(%)*	2016
France Benelux	2,040.3	1,942.7	+5.0%	1,857.5
Central Europe	875.1	782.5	+11.8%	692.3
Eastern Europe	335.0	268.8	+24.6%	189.3
Iberian Peninsula Latin America	167.4	142.8	+17.2%	101.7
Rest of the World	2.0	1.5	NS	0.4
TOTAL	**3,419.8**	**3,138.2**	**+9.0%**	**2,841.2**

Central Europe: Germany, Italy and Switzerland.
Eastern Europe: Austria, Poland and the Czech Republic.
Iberian Peninsula: Spain, Portugal.
Rest of the World: China.

▶ GEOGRAPHICAL BREAKDOWN OF 2018 REVENUE



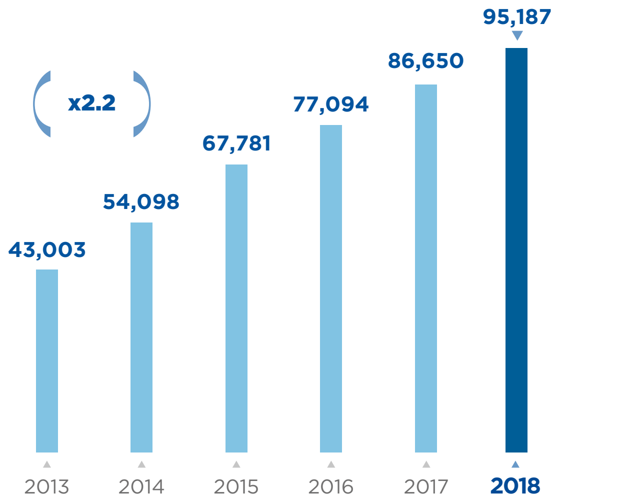
▶ GEOGRAPHICAL BREAKDOWN OF 2017 REVENUE



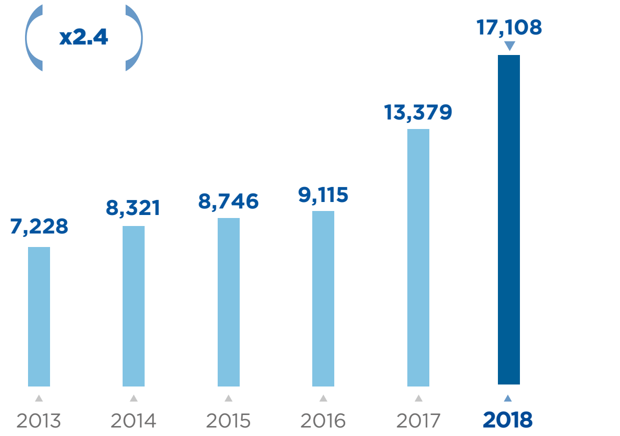
1.1.2 NETWORK EXPANSION

▶ NETWORK'S GROWTH MOMENTUM

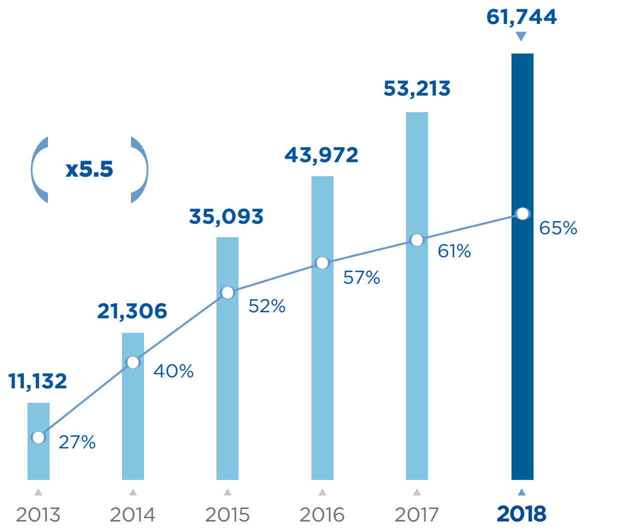
TOTAL NETWORK
(number of beds)



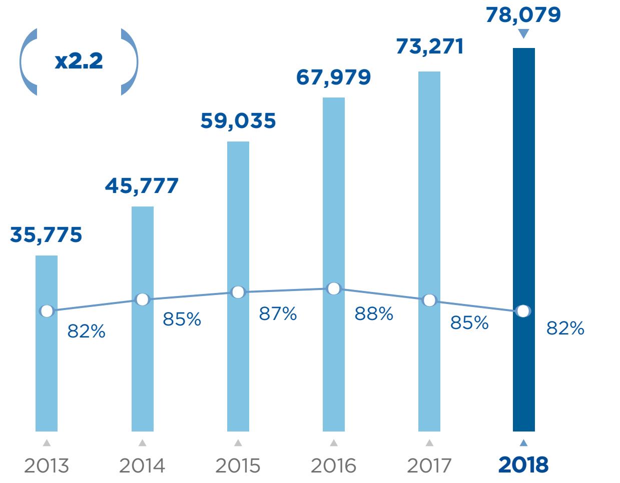
GROWTH PIPELINE
(number of beds under construction and redevelopment)



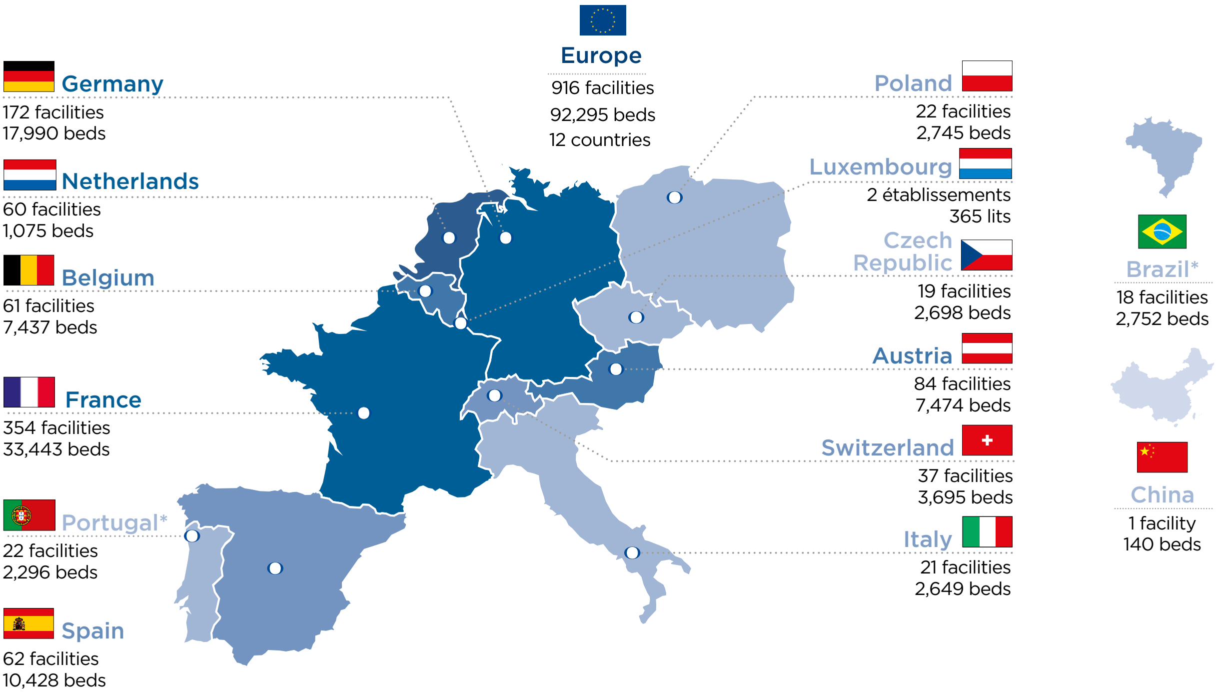
INTERNATIONAL NETWORK
(number of beds and as a % of the total network)



NETWORK MATURITY
(number of mature beds and as a % of the total network)



▶ GLOBAL NETWORK OF 95,187 BEDS AT 935 FACILITIES AT 31 DECEMBER 2018



* Partnership with SIS Group (Portugal and Brazil) in which ORPEA's interests stand at 49.5% and 49.9% respectively.

OVERVIEW OF BEDS IN OPERATION, UNDER CONSTRUCTION BY GEOGRAPHICAL CLUSTER OVER THE LAST THREE YEARS

N.B. Beds under construction are not in operation.

	Number of facilities			Total number of beds			of which beds in operation			of which beds under construction		
	31 Dec. 2018	31 Dec. 2017	Change	31 Dec. 2018	31 Dec. 2017	Change	31 Dec. 2018	31 Dec. 2017	Change	31 Dec. 2018	31 Dec. 2017	Change
France Benelux	**477**	**417**	**+60**	**42,320**	**40,880**	**+1,440**	**37,986**	**36,889**	**+1,097**	**4,334**	**3,991**	**+343**
France	354	357	-3	33,443	33,437	+6	30,856	31,214	-358	2,587*	2,223*	+364
Belgium	61	60	+1	7,437	7,443	-6	6,275	5,675	+600	1,162	1,768	-606
Netherlands	60	0	+60	1,075	0	+1,075	855	0	+855	220	0	+220
Luxembourg	2	0	+2	365	0	+365	0	0	0	365	0	+365
Central Europe	**230**	**214**	**+16**	**24,334**	**22,648**	**+1,686**	**20,045**	**19,106**	**+939**	**4,289**	**3,542**	**+747**
Germany	172	165	+7	17,990	17,572	+418	15,243	14,997	+246	2,747	2,575	+172
Switzerland	37	34	+3	3,695	3,340	+355	2,862	2,638	+224	833	702	+131
Italy	21	15	+6	2,649	1,736	+913	1,940	1,471	+469	709	265	+444
Eastern Europe	**125**	**116**	**+9**	**12,917**	**11,585**	**+1,332**	**10,100**	**9,372**	**+728**	**2,817**	**2,213**	**+604**
Austria	84	81	+3	7,474	7,042	+432	7,088	6,858	+230	386	184	+202
Czech Republic	19	17	+2	2,698	2,463	+235	1,905	1,542	+363	793	921	-128
Poland	22	18	+4	2,745	2,080	+665	1,107	972	+135	1,638	1,108	+530
Iberian Peninsula Latin America	**102**	**70**	**+32**	**15,476**	**11,397**	**+4,079**	**9,808**	**7,764**	**+2,044**	**5,668**	**3,633**	**+2,035**
Spain	62	47	+15	10,428	8,071	+2,357	8,702	7,764	+938	1,726	307	+1,419
Portugal**	22	10	+12	2,296	1,141	+1,155	635	0	+635	1,661	1,141	+520
Brazil**	18	13	+5	2,752	2,185	+567	471	0	+471	2,281	2,185	+96
Rest of the World (China)	**1**	**1**	**0**	**140**	**140**	**0**	**140**	**140**	**0**	**0**	**0**	**0**
TOTAL	**935**	**818**	**+117**	**95,187**	**86,650**	**+8,537**	**78,079**	**73,271**	**+4,808**	**17,108**	**13,379**	**+3,729**

* *Including 1,087 beds under redeployment in 2018 and 1,130 beds in 2017. Beds under redeployment are beds that will be closed for reconstruction.*

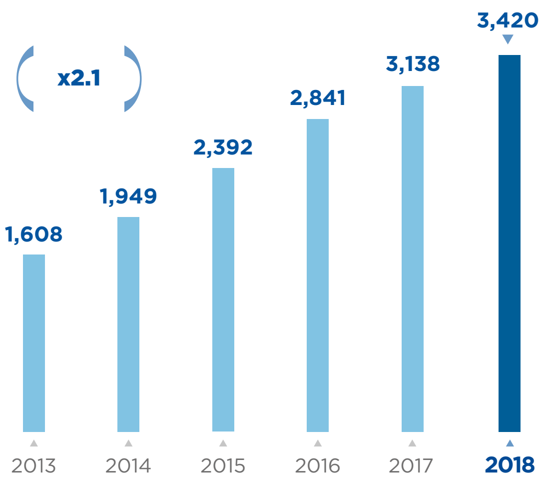
** *Partnership with SIS Group (Portugal and Brazil) in which ORPEA's interests stand at 49.5% and 49.9% respectively.*

For information, the network of beds at 31 December 2016 broke down as follows:

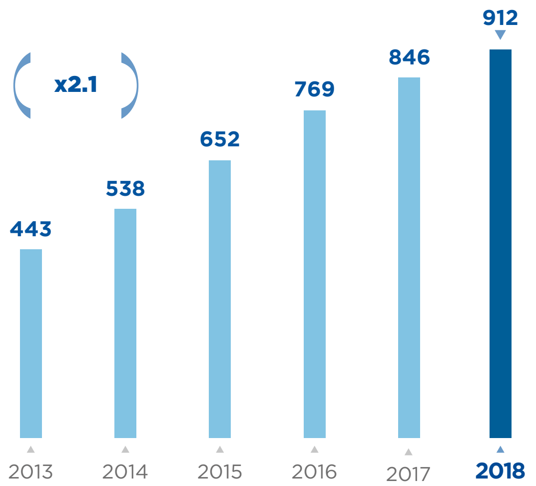
	Number of facilities	Total number of beds	of which beds in operation	of which beds under construction and redevelopment
	31 Dec. 2016	31 Dec. 2016	31 Dec. 2016	31 Dec. 2016
France Benelux	**417**	**40,511**	**36,125**	**4,386**
France	357	33,122	30,713	2,409
Belgium	60	7,389	5,412	1,977
Central Europe	**213**	**21,633**	**18,327**	**3,306**
Germany	165	16,824	14,518	2,306
Switzerland	32	3,071	2,538	533
Italy	16	1,738	1,271	467
Eastern Europe	**75**	**6,953**	**5,690**	**1,263**
Austria	59	4,995	4,776	219
Czech Republic	6	784	210	574
Poland	10	1,174	704	470
Iberian Peninsula Latin America	**45**	**7,857**	**7,697**	**160**
Spain	45	7,857	7,697	160
Rest of the World (China)	**1**	**140**	**140**	**0**
TOTAL	**751**	**77,094**	**67,979**	**9,115**

1.1.3 SELECTED FINANCIAL INFORMATION

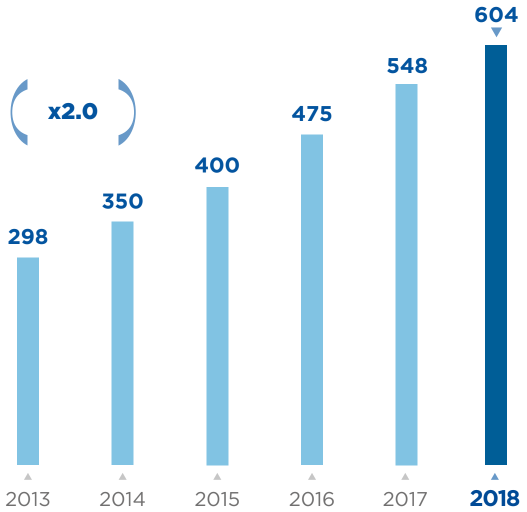
▶ **REVENUE**
(in millions of euros)



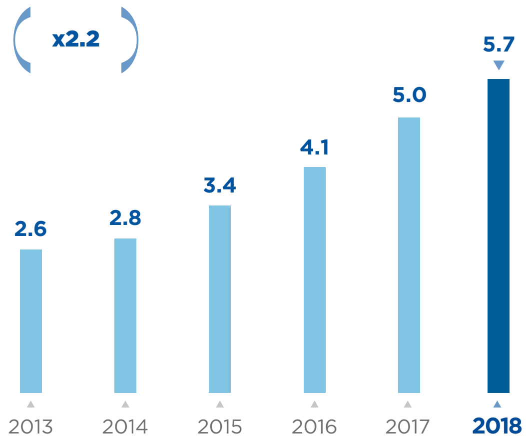
▶ **EBITDAR**
(in millions of euros)



▶ **EBITDA**
(in millions of euros)



▶ **REAL ESTATE PORTFOLIO EXCLUDING THE IMPACT OF ASSETS HELD FOR SALE**
(in billions of euros)



SELECTED FINANCIAL INFORMATION FROM THE CONSOLIDATED INCOME STATEMENT

(in millions of euros) **(IFRS)**	**2018**	**2017**	**Chg. 2018/2017** *(%)*	**2016**
Revenue	3,419.8	3,138.2	+9.0%	2,841.2
Organic growth in revenue*	+5.0%	+5.4%	N/A	+6.0%
EBITDAR**	911.8	846.2	+7.8%	769.4
EBITDAR margin *(% of total revenue)*	26.7%	27.0%	N/A	27.1%
EBITDA***	603.7	547.7	+10.2%	474.5
EBITDA margin *(% of total revenue)*	17.7%	17.5%	N/A	16.7%
Recurring operating profit	427.7	394.4	+8.4%	348.1
Operating profit	445.6	413.4	+7.8%	408.1
Net finance cost	(136.2)	(150.7)	N/A	(111.6)
Changes in the fair value of the entitlement to the allotment of shares embedded in the ORNANE	0.0	(124.0)	N/A	(1.8)
Pre-tax profit	309.4	138.7	N/A	296.5
Attributable net profit excluding net changes in the FVO(1) and excluding the discounting of deferred taxes******	**220.4**	**197.8**	**+11.4%**	**177.6**
Impact of the measurement of deferred taxes at the rate expected to apply in France****	N/A	52.9	N/A	80.0
NET PROFIT ATTRIBUTABLE TO ORPEA'S SHAREHOLDERS	**220.4**	**89.8**	**N/A**	**293.5**

(1) Fair value of the ORNANE.
** 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.*
*** 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 (25.83% rather than 28.92%).*

SELECTED FINANCIAL INFORMATION FROM THE CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of euros)	2018	2017	2016
Gross cash flow from operations	+455	+432	+386
Net cash generated by operating activities	+415	+398	+347
Net cash generated/(used) by investing activities	(960)	(1,068)	(787)
Net cash generated by financing activities	+699	+744	+461
Change in cash and cash equivalents	+154	+74	+21
Cash and cash equivalents at end of period	+768	+614	+540

SELECTED FINANCIAL INFORMATION FROM THE CONSOLIDATED BALANCE SHEET

(in millions of euros)	2018	2017	2016
Equity attributable to ORPEA's shareholders	**2,969**	**2,715**	**2,113**
Current financial liabilities*	892	469	559
Non-current financial liabilities	5,104	4,621	3,801
Cash and cash equivalents	(768)	(614)	(540)
Net debt	**5,228**	**4,476**	**3,820**
Goodwill****	1,137	1,013	982
Intangible assets**	2,257	2,082	1,889
Property, plant and equipment***	5,713	5,041	4,125
TOTAL ASSETS	**11,145**	**9,695**	**8,375**

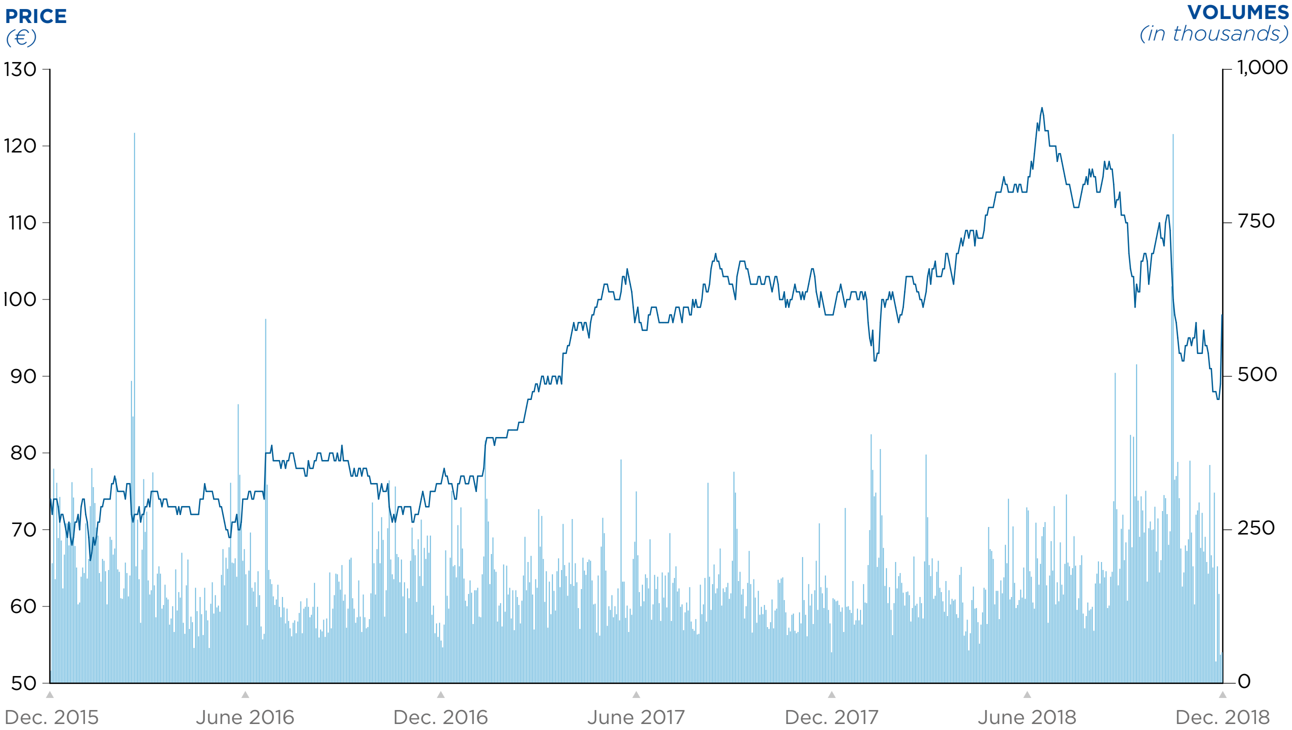
* *o/w liabilities associated with assets held for sale.*
** *Excluding €73 million in intangible assets held for sale in 2016, €31 million in 2017 and €4 million in 2018.*
*** *Excluding €67 million in property, plant and equipment held for sale in 2016, €33 million in 2017 and €144.5 million in 2018.*
**** *Excluding the €58 million in goodwill held for sale in 2018.*

SELECTED FINANCIAL INFORMATION PER SHARE

(in euros)	2018	2017	2016
Dividend (proposed at the General Meeting for 2018)	1.20	1.10	1.00

1.1.4 SHARE DATA

▶ SHARE PRICE 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

	2018	2017	2016
Closing price at 31 December	€89.22	€98.30	€76.76
12-month closing high	€124.85	€105.75	€80.57
12-month closing low	€87.18	€73.90	€65.81
Number of shares at 31 December	64,586,323	64,553,123	60,273,691
Market capitalisation at 31 December	€5,762 million	€6,346 million	€4,627 million
Year-on-year share price performance	-9%	+28%	+4%
Average daily trading volume* *(in number of shares)*	192,596	156,241	174,266
Average daily trading volume* *(in millions of euros)*	€20.4 million	€14.7 million	€12.9 million
12-month turnover	76%	62%	75%

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

1.2 ORPEA'S BUSINESS ACTIVITIES

ORPEA cares for people with impaired independent living skills either in their 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 13 other countries (Austria, Belgium, Brazil, China, Czech Republic, Germany, Italy, Luxembourg, the Netherlands, Poland, Portugal, 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 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 piecemeal care offering, high barriers to entry, 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 around the world 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: ORPEA sets up its administrative headquarters in the Paris region to organise and oversee the Group's accounting, financial and HR affairs. Standardised management methods are introduced at all the Group's sites and the initial elements of a systematic and enduring quality-led approach are formally laid down.
- 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 helps 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 SILVERCARE 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 SILVERCARE'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 expands its range of care solutions in Switzerland by purchasing Spitex Ville et Campagne, the leading private Swiss provider of homecare services. Lastly, ORPEA opens a 140-bed facility in Nanjing, its first in China.
- 2017: ORPEA achieves a global dimension by establishing a base in Latin America, with 2,185 beds under construction in Brazil in a partnership venture with SIS Group. ORPEA also continues to scale up its European network in Portugal (1,100 beds under construction in partnership with SIS Group), in Austria through the acquisition of Dr. Dr. Wagner (1,812 beds), in the Czech Republic with the purchase of Anavita (932 beds in six nursing homes) and in most of the other countries in which it is already present, through the creation of new facilities and selective acquisitions. Lastly, ORPEA strengthens its balance sheet with the early redemption of its ORNANE bonds.
- 2018: ORPEA rebuilds its organisation into clusters and boosts its international operations by expanding into the Netherlands and acquiring Dagelijks Leven (800 beds/40 nursing homes) and Woonzorgnet (162 beds/seven psychiatric hospitals). ORPEA continues its selective expansion drive. In Germany, it acquires Inoges, Germany's leading provider of outpatient post-acute and rehabilitation care. In parallel, the Group introduces a cluster-based organisation built to realise its global expansion ambitions and to ratchet up its growth potential while tightening up its control capabilities.

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

The ORPEA Group has built up its core business by harnessing its expertise in providing all forms of long-term care – for those with physical and intellectual, permanent and temporary impairments – irrespective of how advanced their conditions are. Its solutions cater for:

- loss of independent living skills due to ageing;
- rehabilitation after a health event or as a result of a chronic illness;
- mental illness.

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

- nursing homes;
- senior assisted-living 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 caregivers 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 up their social life. 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 and social isolation by creating places where they can spend time with those close to them.

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

- personalised support with their daily living requirements and an individual care programme meeting the resident's needs and desires, forming the basis for all their accommodation and care;
- 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 patients with Alzheimer's-like neurodegenerative conditions

In all the countries it serves, ORPEA's facilities are equipped to look after the needs of residents suffering from Alzheimer's disease and related conditions because they have living areas including units specially designed to provide appropriate care. Certain facilities are entirely dedicated to looking after patients with these illnesses.

ORPEA 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' dignity and individual needs are respected at all times, they are free to move around freely between living areas and their bedroom, with permanent passive 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 loved ones in a pleasant and secure environment, cared for by staff specially trained to look after them and aware of the risks, and they are also able to spend family time in a dedicated room;
- staff are able to work in a carefully designed and safe environment in which they are able to monitor passively all the residents while arranging activities in shared living areas. The goal is to avoid exacerbating behavioural disorders and to gain a better understanding of them by adopting care practices honed through continuous on-the-job training. Special training modules have been devised and introduced to help teams working in these units.

A range of furniture has also 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.

Units caring for the frailest residents

An observation of the demographic trends among the populations living in homes for the elderly shows it is essential to accommodate the frailest individuals, those with multiple chronic conditions, and those with impaired motor skills in dedicated units with special living and care arrangements.

These specially designed units meet the needs and expectations of residents and their families. They aim to provide bespoke care, including higher levels of monitoring for residents at risk of decompensation to avoid the need for external hospitalisation. Hospital stays need to be kept to a minimum and as short as possible. Though they may be medically justified, they may often cause deterioration in the condition of the elderly and the frail.

Every detail of the units is tailored to the frailness of the people they look after and to the effectiveness of the service. The units are kitted out with the technical equipment they need to provide the appropriate care in a user-friendly architectural environment.

They operate in a fully autonomous manner, with meals served in situ, an area for dispensing care, dedicated staff specifically trained in looking after frail individuals (taking into account specific needs, attentiveness), including nurses, care assistants, psychologists, physical therapist, etc.

Senior assisted-living facilities

In Belgium, Switzerland, Germany and to a lesser extent in France, the Group has also developed senior assisted living facilities providing accommodation suitable for independent or semi-able-bodied elderly who want to continue leading independent lives.

These facilities do not provide medical care, but staff are on hand around the clock and can arrange all the services requested by residents, such as hairdressing, events & entertainment and meals. Senior assisted-living facilities have collective areas.

They are made up 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 can be called upon.

This new type of facility provides residents with a warm and friendly place to live in which everything is designed for their comfort and safety.

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. A multidisciplinary team (its precise composition varies according to each country's legislation) is in charge of overseeing medical treatment in the facility, in line with the instructions and recommendations of each resident's own physician.

Staying true to the values that flow from best professional practice, these multidisciplinary teams provide the care prescribed by the doctors. The care teams overseen 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 healthcare professionals (physiotherapists, speech therapists, and psychologists, etc.) may be brought in based on medical advice to provide additional care.

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

The ORPEA Group relentlessly seeks out innovative new care, communication and security technologies and is at the cutting edge of non-drug-based therapies.

The care requirements and risks of each new resident are assessed by a multidisciplinary team to establish a personalised care plan. Each plan is drawn up individually to meet residents' needs and desires and comply with the best practices in geriatric care.

Integrating the nursing home with the local health and social community helps to make the overall care plan as effective as possible. It creates opportunities for partnerships and access to specialist consultations, lifelong 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 story, 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 (arts and crafts, shows, days trips, etc.) to sustain residents' occupational interests: ORPEA's priority is to make all its facilities pleasant and warm living places, so that residents can rebuild their often fragile ties with others;
- occupational therapy workshops on keeping up physical and intellectual capabilities (press review, gentle gymnastics and balance, art therapy, 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.

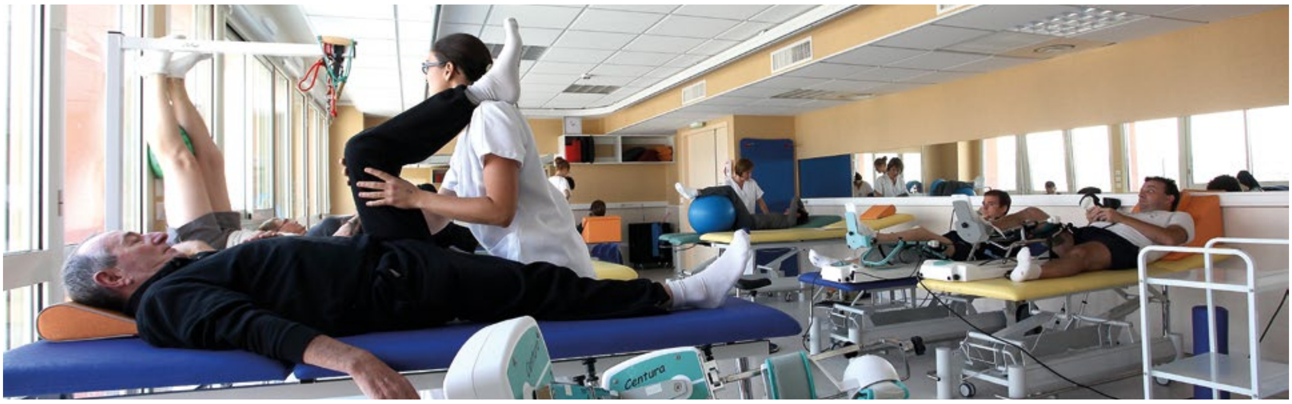
Every nursing home is embedded in the local and regional social and medical network and has or is able to accommodate a children's play area, school tuition support, students, and local charitable organisations, thereby helping to maintain inter-generational ties.

1.2.2.2 POST-ACUTE AND REHABILITATION HOSPITALS

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

The aim is to maximise the patient's chances of recovery and of regaining as much as possible of their former independence, 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 in day hospitals or after full hospitalisation so that they can prepare to return home in the best possible manner.

In addition to general rehabilitation, the Group's hospitals have developed specialisations by bringing in professionals with the requisite skills. By doing so, 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 MCC 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 frail elderly patients arising from the multiple chronic conditions, specific risks of decompensation, their impaired physical and intellectual independent living skills, plus psycho-social and family problems in many cases. The care team's gerontological analysis helps to provide personalised care and manage the greater risks facing the elderly. These geriatric units cater for those who have been laid low by a health condition (surgical or medical), either at home or in hospital, and whose frail 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 patients who have had heart surgery, a complex myocardial infarction (heart attack) and/or additional complications, or heart failure, infective endocarditis, peripheral vascular disease, or primary or secondary arterial hypertension. The rehabilitation programme consists of reintroducing physical activity for recovery purposes and secondary prevention to make sure patients are better informed about their illness and treatment. It improves patient outcomes, prevents deterioration and reduces the risks of future cardiac problems. It usually includes:
  - medical monitoring;
  - an assessment of physical capabilities;
  - an 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 with which they have been fitted;
  - the balancing of pain treatments;
  - enteral or parenteral nutrition;
  - 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 doctors from 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, the Netherlands, Spain and Italy accommodate patients with mental health conditions.

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

To provide patients and those close to them with the best possible care, the ORPEA Group's hospitals relentlessly pursue the development of 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 evidence-based techniques such as mindfulness, EMDR, Deep TMS, Neurofeedback, virtual reality therapy and online health systems.

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 coordinating them. 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 on 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.

At ORPEA's instigation, 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 how their disorder manifests itself 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 psychiatrist 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 ethical clinical practice.

Treatment

Treatment may be provided to patients individually or in groups, and the Group uses 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 affected by the condition being treated. This technique is applied in the treatment of depression, obsessive-compulsive disorders, post-traumatic stress disorder syndrome and certain addictions;
- Neurofeedback: 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 lead independent lives owing to health conditions or disabilities, the Group offers complementary 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. What people with declining independent living skills seeking to stay in their homes want most is to be able to attend to their daily needs, be able to go out and keep loneliness at bay. After an accident or illness, what they want most is to get back to where they feel at home.

ORPEA offers a range of services for the elderly keen to carry on living at home:

- 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, 7-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 **95,187 beds** in **935 facilities** across **14 countries** in Europe, China and Brazil at 31 December 2018.

FRANCE BENELUX CLUSTER: 42,320 BEDS (477 FACILITIES)

France

The ORPEA Group was founded in France in 1989. The French network had 354 facilities (33,443 beds) at 31 December 2018:

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

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, Aquitaine, Poitou-Charentes and Rhône-Alpes regions, where it has over 20 facilities per region.

Belgium

ORPEA Belgium has a network of 61 facilities with 7,437 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 time, ORPEA Belgium has become one of the leading networks of facilities specialised in care for the elderly.

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.

Netherlands

ORPEA moved into the Netherlands in 2018 by acquiring:

- DAGELIJKS LEVEN, one of the top nursing home operators in the Netherlands with a network of 800 beds in 40 facilities;
- WOONZORGNET, a well-known expert in providing long-term psychiatric care with 162 beds.

ORPEA had 1,075 beds (60 facilities), including 220 beds under construction at 31 December 2018.

The Group then strengthened its presence by acquiring ALLERZORG, a homecare specialist, and SEPTEMBER, which has a network of nursing homes with 125 beds. Both companies will be consolidated from 1 January 2019.

Luxembourg

Construction of two facilities (365 beds) located in Luxembourg City and in the Luxembourg canton commenced in 2018.

CENTRAL EUROPE CLUSTER: 24,334 BEDS (230 FACILITIES)

Italy

ORPEA Italia's network of 2,649 beds in 21 facilities comprises:

- flexible residential facilities 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 opening 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 37 facilities accounting for 3,695 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 psychiatric hospital in Susch, close to Davos, which was acquired in 2018;
- a treatment and rehabilitation centre for post-acute and rehabilitation care, built by the Group and opened in 2013;
- a psychiatric and rehabilitation facility in Veyrier built by ORPEA that opened during 2018;
- 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

At 31 December 2018, ORPEA had a network of 17,990 beds in 172 facilities consisting of:

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

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

Since 2014, ORPEA has expanded in Germany by acquiring:

- CELENUS KLINIKEN, Germany's third-ranked operator of post-acute care, rehabilitation and psychiatric hospitals;
- Residenz Gruppe Bremen, a regional network of nursing homes, that complements SILVERCARE, 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 has continued to pursue organic growth in Germany. It has embarked on numerous projects to open new facilities, with 2,747 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%.

ORPEA also cemented its premium positioning through the acquisition of the Axion group, which has a network of seven nursing homes (985 beds), including two premium facilities located in Hamburg. Axion will be consolidated from 1 January 2019.

EASTERN EUROPE CLUSTER: 12,917 BEDS (125 FACILITIES)

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. In 2017, SENECURA extended its leadership position in Austria by acquiring Dr. Dr. Wagner, an operator of post-acute and rehabilitation hospitals and nursing homes.

SENECURA operates a network of 7,474 beds in 84 facilities.

Czech Republic

ORPEA expanded into the Czech Republic through its acquisition of SENECURA, which had three nursing home projects underway 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.

SENECURA continued to expand in the Czech Republic, pressing ahead in 2017 with new plans to build nursing homes and purchasing Anavita, the country's leading private-sector nursing home operator, plus other selective acquisitions. SENECURA's network now has 19 facilities containing a total of 2,698 beds, making it the Czech Republic's leading operator.

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 with a first-class reputation. Numerous plans to build new facilities were set in motion, and MEDI-SYSTEM's network now boasts 22 facilities with 2,745 beds.

IBERIAN PENINSULA CLUSTER: 15,476 BEDS (102 FACILITIES)

Spain

ORPEA Iberica has a network of 62 facilities with 10,428 beds. ORPEA Iberica 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 people with Alzheimer's disease;
- mental health care and support;
- 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.

Brazil

ORPEA expanded into Brazil during 2017 together with the SIS group, with which the Group has a longstanding relationship. ORPEA and SIS set up a joint venture 49.9%-owned by ORPEA, which has an option to buy out the remainder of the share capital.

This joint venture has 2,281 beds under construction (14 nursing homes) in areas with high purchasing power such as São Paulo, Rio de Janeiro and Fortaleza and four already open facilities (471 beds) acquired during 2018, all located in São Paulo. ORPEA aims to drive its expansion principally through the creation of new facilities so that it can help meet the very strong demand for long-term care, with high-quality accommodation almost totally non-existent at present.

Portugal

ORPEA moved into Portugal in 2017 *via* a joint venture with the SIS group. ORPEA owns a 49.5% interest, plus an option to buy out the remainder.

This joint venture has 2,296 beds (22 facilities), of which 635 beds are open, were acquired in 2018 and are located close to Sintra and Coimbra.

REST OF THE WORLD CLUSTER

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. The Group plans to continue its development there while controlling its risk exposure by entering into joint venture agreements with leading Chinese groups, such as insurer Taikang and the HNA group, under which it would manage their facilities.

1.3 KEY PILLARS OF ORPEA'S BUSINESS MODEL

ORPEA's fast-paced expansion over the past 29 years, which is set to continue in the coming years thanks to the sector's robust fundamentals, has been underpinned by four constant 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 real estate 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 on occasion fall below its high standards and make mistakes. Mindful of this, ORPEA and all its staff relentlessly and regularly pursue any scope for optimisation 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 compassion, loyalty, professionalism and humility, which it adapts to every country where it operates based on the 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 attentiveness, 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 come to light 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 articulation 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 20 years, with the assistance of two independent consultants specialised in the ethics of healthcare. All teams are asked to choose values that seem 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 at which participants draw up brief guidelines to explain each value, and then choose 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 staff, 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 the charter, 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 glue 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, which 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 it does, and because it believes that sustainable development cannot be achieved without quality, continuous quality improvements to its 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 reports to the Chief Operating Officer in each country 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, external assessment);
- 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 quality programme's continuous improvement process, so that any potential risks can be detected and prevented.

In each country in which ORPEA operates, the quality department's teams strive to implement the Group's quality system and quality programme at the very heart of facilities, working closely with the medical departments and other expert support services. The quality departments of the various countries keep in close touch with the Group's quality department to ensure the Group's quality policy is applied consistently. This means checking 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 at 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 inspections 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 confirm 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 the 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 four 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 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.

In Spain, the Lopez Ibor hospital specialised in adult psychiatry and in paediatric and adult psychology gained SGS ISO 9001:2015 certification in March 2019, without any non-compliance issues being identified.

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 funding allocated by the supervisory authorities (regional health agency and departmental council) under a tripartite agreement is 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 the 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 2018, 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 (after upgrades to comply with ORPEA recommendations and the UNE Standard – EN – ISO 9001:2015) 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 2018, all of ORPEA Ibérica's sites had AENOR certification, as did all the Ecoplar sites, which were acquired during 2018.

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, the appraisal carried out by an ASL (regional health agency) commission is mandatory. These appraisals encompass all aspects of a healthcare facility's operations and practices, and they aim to ensure that the safety and quality of care requirements are actually met by the facility. An overall score of over 90% was achieved, and all the facilities subject to assessments were accredited in 2018.

In Germany, all facilities undergo annual inspections by the MDK *(Medizinischer Dienst der Krankenkassen),* the medical service of health insurance funds. It applies a methodology and framework defined in Book XI of the German Social Code and approved 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 social life (up to nine criteria);
- accommodation, meals, cleanliness and hygiene standards (up to nine criteria).

The scores of the facilities inspected across Germany in 2018 averaged 1.3 (very good) compared with a national benchmark of 1.5.

Since 1974, the BIVA social welfare organisation has protected the interests of individuals requiring help and care and living in a supervised facility. 22 facilities have signed up to a voluntary initiative strengthening residents' rights and helping them make their own decisions despite their age and disabilities. BIVA is an independent, not-for-profit social welfare organisation. It provides advice and information about quality of life in challenging nursing and service-related circumstances. The BIVA seal of quality is displayed conspicuously in the relevant residences.

In 2018, 11 centres for seniors in the Rhineland area took part in a voluntary programme testing how friendly they are. They received the *Grüner Haken* (green tick) award for friendliness and promotion of quality of life in caring for the elderly and people with disabilities.

About 100-200 functions are interviewed by the auditors concerning the autonomy, participation and human dignity priorities. Sensitivity is shown to residents during the process of performing audits. The auditors use a checklist of 102 points, with great importance placed on openness and traceability. The results are published on the internet.

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 compliance with health and safety standards in conjunction with the federal health ministry. The Austrian operations have gained a seal of quality (WHP quality certification) for their efforts to provide a healthy workplace (ÖNBGF). In recognition of this, they receive a plaque and a certificate for their business strategy, which aims to prevent occupational illnesses, enhance employees' health and improve their well-being;
- two SENECURA nursing homes are part of a national pain control and management programme led by PAINCERT, a company specialised in the certification of care facilities' pain management approach. SENECURA obtained nationwide accreditation covering pain management in these units;
- nine facilities obtained E-Qalin Österreich: IBG Institut für Bildung im Gesundheitsdienst GmbH certification during 2018 in Austria covering the management, improvement and quality of care, providing nationwide accreditation for display in all the relevant homes.

  With this certification, they are able to use Nexus/E-Qalin software covering the demands of E-Qalin quality management. The technical concept, pricing models, small device management and practical arrangements provide maximum flexibility and lower the training and project costs, while also making the process as transparent as possible;
- two facilities were placed 864 and 866 respectively in the Top 1000 business rankings in Lower Austria *(Echo Top 1000 Unternehmer)*. Since 2015, the Top 1000 business rankings have been published in the business publication with great success. The magazine is with very popular with commercial operators, managers and employees, and it is used as a source of information and a reference work;
- in 2018, four facilities scored 3/5 or 4/5 in assessments conducted by the Vorarlberg state authorities, and thus received an award that is given to businesses buying in a high proportion of local produce to cover their catering requirements;
- in 2018, the quality certification for supporting and integrating people with disabilities in the employment market:
  - three facilities received this award from the Vorarlberg state authorities,
  - facility received an identical award from the Tyrol social ministry;
- three "family-friendly organisation" *(Familien-Freundlicher Betrieb)* seals of approval from the federal ministry for families and young people;
- four facilities received accolades from the health promotion fund (attached to the health ministry) and regional insurance fund *(Steiermärkische Gebietskrankenkasse)* for promoting occupational health for employees;
- six annual *Verein Ökoprofit* certifications in 2018 for the sustainable development policy of these facilities.

In addition, the Austrian ministry for labour, social affairs and consumer protection has created a national quality certificate (NQZ). This 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. It aims to secure certification for all its facilities over the next few years. In 2018, four additional facilities obtained this certification.

In the Czech Republic, the quality system has only just been started, and is due to be built up 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 external ISO 9001:2015 accreditation was achieved (after efforts to meet ORPEA recommendations and the ISO 9001:2015 standards) 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 build 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 central pillar of its management approach 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 prizewinning facilities 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 2018, the prizewinners **in France** were:

- First prize: the Bordeaux Cauderan nursing home (Gironde department) and the Livry-Gargan post-acute and rehabilitation hospital (Seine-Saint-Denis);
- Second prize: the Granville nursing home (Manche department) and the Argenteuil psychiatric hospital (Val-d'Oise);
- Third prize: the Jardins de Grasse nursing home (Alpes-Maritimes department) and the Viry post-acute and rehabilitation hospital (Essonne).

In Belgium, the winners of the 2018 Quality awards were:

- First prize: the Bonaparte Waterloo nursing home;
- Second prize: the Closière Cornet nursing home in Villers-la-Ville;
- Third prize: the James Ensor nursing homes in Ostend.

In Spain, the following nursing homes won the awards:

- First prize: the ORPEA Zaragoza nursing home;
- Second prize: the Carabanchel nursing home in Madrid;
- Third prize: the Pinto II nursing home in Madrid.

In Italy, the following nursing homes received accolades:

- First prize: the Richelmy nursing home in Turin;
- Second prize: the Asti nursing home in Asti;
- Third prize: the Casières nursing home in Treviso.

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 Austria, SENECURA was the nursing home operator that won most accolades in 2018 *(see above):*

- six facilities gained accreditation, with two more on the way: it obtained annual NQZ accreditation for the quality of both its care and its teams (NQZ, Best employer in Vorarlberg, quality of service, Promoting health in the workplace, etc.);
- seven facilities obtained PAINCERT GmbH national accreditation for their pain care;
- seven facilities adopted E-QUALIN, an innovative and comprehensive quality management system for the elderly and their nursing care. It encompasses ethical attitudes and observance of values, such as dignity, honesty, tolerance, dialogue and conflict management, empathy, freedom, independent decision-making and personal integrity.

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. That has prompted CELENUS KLINIKEN to solicit patients' views while they are still in its care.

The 2018 satisfaction rates stood at over 85% 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 the 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, over 50,000 satisfaction questionnaires were sent out in 2018 to all the residents and their families at ORPEA facilities in France, Belgium, Spain, Italy, Switzerland, Austria, Germany, the Czech Republic, Poland, Portugal and China.

More than 29,000 questionnaires were returned and analysed, representing a response rate of 58.1%. According to the results of the survey:

- 92.5% of residents and families are satisfied or very satisfied with the facilities' services;
- 93.7% of residents and families would recommend the Group's facilities to their friends and family.

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 and feedback meeting.

For DOMIDOM and ADHAP'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 2018 customer satisfaction rates of DOMIDOM's and ADHAP's local office customers stood at over 85%.

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 98% 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

ORPEA embarked on a major organisational overhaul two years ago to establish an organisation structure more attuned to its increasingly international outlook. With its new organisation, the Group will be able to continue expanding at a rapid clip, without compromising on operational excellence in every country over the long term.

ORPEA has switched from a country-based organisation to one built around clusters – organisational units running business units in one or more countries where the Group is active.

Each cluster has its own internal management team (CEO, CFO, COO) and an administrative headquarters encompassing the full range of support functions (legal, development, construction, quality, human resources, control, IT, etc.). The managers of each support function are responsible for applying and meeting ORPEA standards within the cluster and at the business units in each country in the cluster.

The aim of the new organisation structure is to strike the right balance between:

- the level of decentralisation needed to establish a local connection, adapt to specific national requirements and keep in touch with expectations;
- the centralisation required to continue harnessing scale effects across the Group, thereby unlocking synergies and facilitating control.

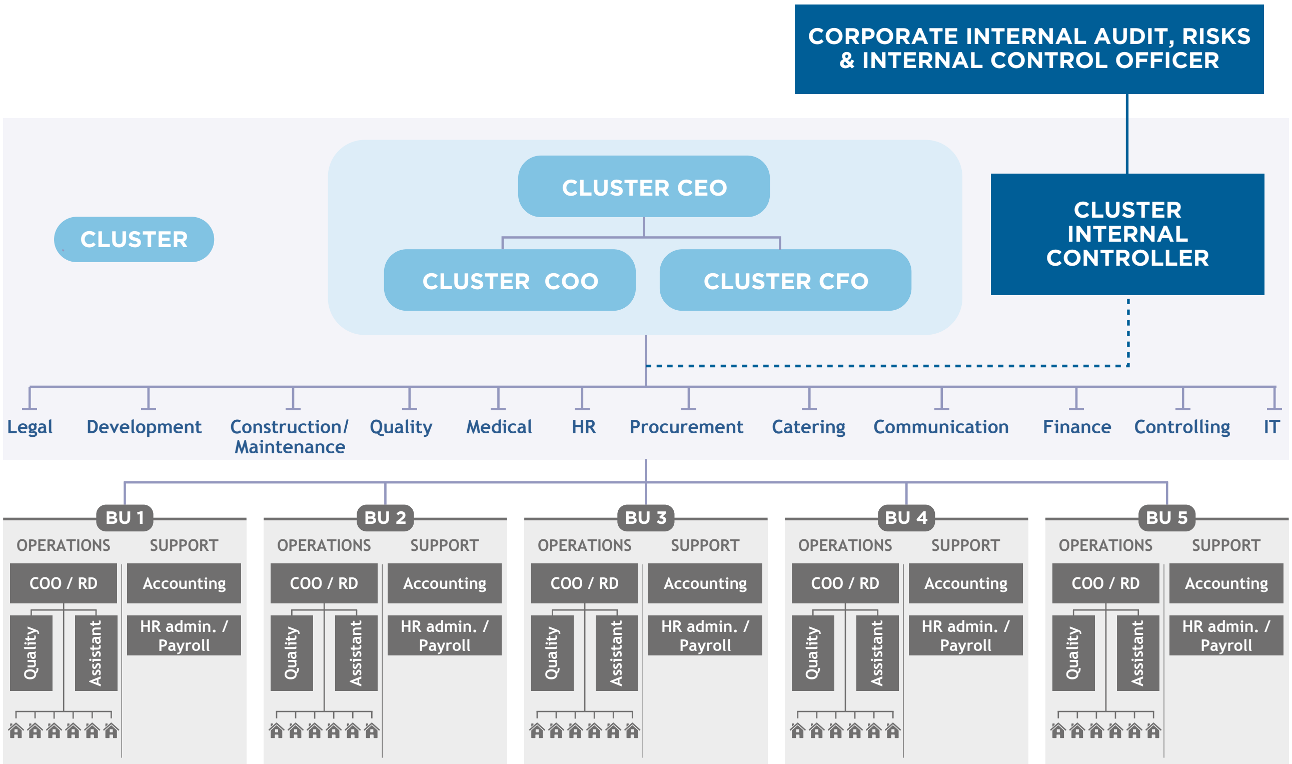
To keep a firm grip on this higher level of decentralisation, control has been tightened up within the risk management, audit and internal control department. It now has 16 specialists at corporate level, with correspondents in the clusters. In addition, coordinators have been recruited to back up the corporate department.

The corporate coordinators are managers who have risen through its ranks, which gives them excellent knowledge of the Group's processes. They cover each of the support functions, such as HR, quality, management control and finance, business development, purchasing, construction and legal affairs. 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. In this role, they have functional authority over the support function managers at the clusters.

The coordinators have established the key rules in their respective areas of responsibility that all clusters 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 the Group's status as a listed company). The Group standards, which are supplemented by appropriate control arrangements, provide the clusters with guidance on integration aspects and on the implementation of the Group's operating processes and procedures. The corporate coordinators are tasked with supporting all the clusters with the implementation of these standards and ensuring that they are put into practice and upheld, including:

- monitoring the performance of the clusters and business units;
- assisting the clusters with applying the business model and ORPEA standards;
- controlling proper implementation and following up on any remedial action plans implemented;
- tracking decisions made by the clusters.

The business (or country) units have a slimmed-down operational team (COO, development manager and quality manager) with in-depth knowledge of the national regulations, key contacts and robust experience of the economic, demographic and cultural issues in the country. BU support functions are restricted based on needs, and on the specific characteristics and size of the country, and fall under the functional authority of the cluster.



Thanks to this new organisation structure, ORPEA has ratcheted up its growth potential, while keeping a tight grip on the requisite corporate resources and costs. The Group's target market has thus risen from nine countries and 600,000 beds in 2017 to 35 countries and 1,600,000 beds.

1.3.3.2 A CENTRALISED ORGANISATION WITHIN EACH CLUSTER

The centralisation of support functions within each cluster 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 cluster headquarters (accounting, purchasing, payroll, legal, invoicing, etc.);
- an operational structure geared to making the core business as responsive 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 around the world. 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 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 and manage Group initiatives concerning the roll-out of new developments and modernisation of 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 tighten up information system security

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 centre was set up in 2015 when the Group moved into new corporate headquarters. This data centre 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 centre 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 centre 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 centre is linked up to a Network and Security Operation Centre, 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 centre, 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 centre 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 oversee 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 properties built 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 number one 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 flourishing 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.

Since 2015, it has endeavoured to raise its real estate ownership rate by acquiring the properties it operates, by selling fewer properties and by focusing its acquisition policy on opportunities where there is scope for gaining ownership of properties. As a result of this strategy, it raised its real estate ownership rate to 47% at year-end 2018 from 32% at year-end 2014.

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 2018 has €5,713 million in real estate assets (including assets under construction) adjusted for the €144.5 million in assets in the process of being sold. This represents an increase of €672 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 has also enabled ORPEA to plan ahead for application of IFRS 16 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 purchase 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 will only increase 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 three 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 wave 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 close to 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 countries in which ORPEA has established a presence are experiencing identical trends.

	Number of people aged 80 or over *(thousands)*					2017-2030	2017-2050	
	2017	**2020**	**2030**	**2040**	**2050**	**Change** *(%)*	**Change** *(%)*	**CAGR**
Germany	5,182	5,770	6,238	7,834	10,162	20%	96%	2.1%
Austria	463	495	654	833	1,135	41%	145%	2.8%
Belgium	646	653	786	1,059	1,293	22%	100%	2.1%
Brazil	3,627	4,182	6,568	10,722	15,796	81%	335%	4.6%
China	25,345	27,076	39,969	67,774	109,092	58%	330%	4.5%
Spain	2,907	2,973	3,608	4,757	6,345	24%	118%	2.4%
France	4,140	4,229	5,501	7,100	8,178	33%	98%	2.1%
Italy	4,328	4,621	5,551	6,637	8,428	28%	95%	2.0%
Luxembourg	25	26	33	48	68	35%	178%	3.1%
Netherlands	788	843	1,266	1,659	2,044	61%	159%	2.9%
Poland	1,628	1,680	2,146	3,224	3,193	32%	96%	2.1%
Portugal	644	678	828	1,028	1,247	29%	94%	2.0%
Czech Republic	436	441	690	823	886	58%	103%	2.2%
Switzerland	434	461	652	848	1,162	50%	167%	3.0%
European Union	29,018	30,548	37,837	48,028	58,526	30%	102%	2.1%

Source: World Bank database

Population ageing inevitably 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 those aged 85 and over. 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 recent decade. From 166 beds per 1,000 people aged over 75 in 1996, the number of beds dropped to 140 per 1,000 by the end of 2003 and then to 122 by the end of 2010.

The key factor behind 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	600,380	14.5%
Belgium	137,000	21%
Spain	375,000	13%
Italy	390,000	9%
Switzerland	93,000	21%
Germany	900,000	17%
Austria	70,000	15%
Czech Republic	52,000	12%
Poland	85,000	5%
China	-	-
Brazil	100,000	3%
Portugal	80,000	12%
Luxembourg	6,236	25%
Netherlands	105,000	13%

These clear-cut trends show exactly why new nursing home beds need to be added 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 new beds will need to be added by 2025. According to Insee, the number of over 85s is forecast to increase by more than 20% over the 2015-2030 period, and this increase is expected to accelerate to 50% over the 2030-2040 period as the first generation of baby boomers reaches this age bracket.

  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 by 2025, 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 16%, 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. The number of new beds that need to be added by 2030 is estimated at 80,000.
- **In Poland,** where the beds to elderly population ratio stands at just 5%, 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.
- **In Brazil,** there are just 100,000 beds available in 3,500 facilities, representing a beds to elderly population ratio of just 3%. Given that the country's population of over 80s is forecast to grow fivefold by 2050, an additional 300,000 new beds will be needed by 2030.
- **In Portugal,** the number of new beds that will have to be built by 2030 is estimated at 50,000 given the shortage of facilities caring for those with significant long-term requirements and the forecast doubling in the population of over 80s by 2050.
- **In Luxembourg,** the beds to elderly population ratio stands at 25%. The number of residents is forecast to increase by 30% by 2030.
- **In the Netherlands,** the beds to elderly population ratio stands at just 13% based on the 105,000 existing beds, compared with a range of 15-20% across the rest of Western Europe. An estimated 70,000 places will need to be created by 2040 – a 67% increase in existing capacity.

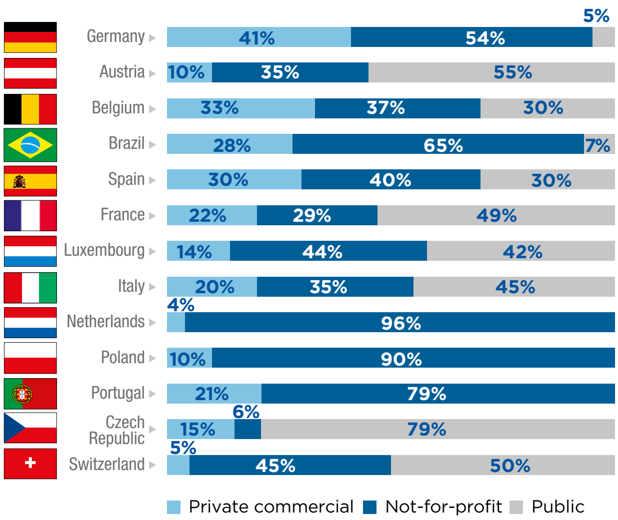
Investment amounting to tens of billions of euros will be required to meet these needs at a time of fiscal austerity across most European countries. The private sector has the ability to rise to the challenge, however.

1.4.2 OVERVIEW 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 Âge and Colisée Patrimoine) account for 55% of the private sector, which has 132,000 beds.

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

In the Netherlands, the private remains very small at just 4%. The top eight players account for approximately 50% of the private sector.

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. For example, according to December 2014 DREES study, the average age of residents entering an institution was 89, up from 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.

Amid the growing dependence and care needs of people accommodated in nursing homes, the ratio of the number of full-time equivalent employees to the number of places established is constantly rising. It moved up from 57.2% in 2007 to 62.8% in 2015, according to the September 2017 DREES report. Likewise, the proportion of medical and para-medical staff rose to 45.7% in 2015. 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 the development of 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 follow-on link in the care chain for hospitals and medical-surgical-obstetric 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 vary 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 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 room. 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 Économie 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 evidence-based arguments for the increase. As such, changes in charges are regulated and controlled;
- the medical care allowance, which is funded by the national health and 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 after the funding 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.

The Netherlands

In the Netherlands, 65% of per diem rate is paid for by the government (the daily medical care costs are covered by health insurance), with the remaining 35% covering the accommodation payable by the resident.

For new residents, the outstanding amount can be set freely.

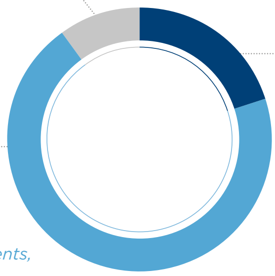
Luxembourg

In Luxembourg, 52% of per diem rate is paid for by the government (the daily medical care costs are covered by health insurance), with the remaining 48% covering the accommodation payable by the resident.

There are no pricing controls concerning the accommodation.

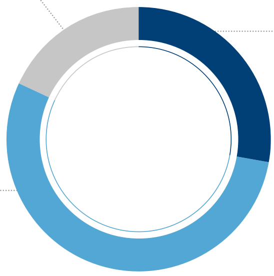
▸ SYNOPSIS OF NURSING HOME *PER DIEM* RATES

FRANCE



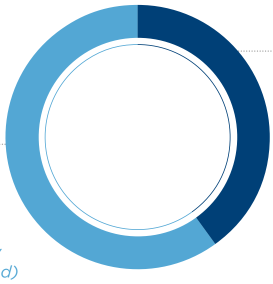
Average per diem rate: €110

SWITZERLAND



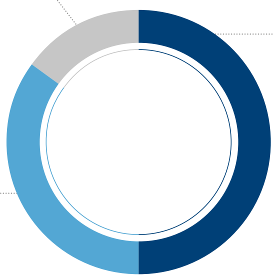
Average per diem rate: €240

BELGIUM



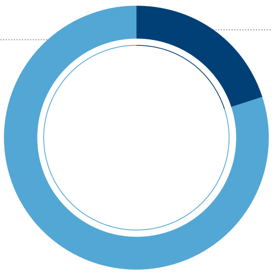
Average per diem rate: €110

GERMANY



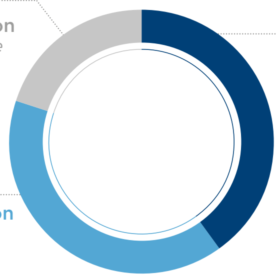
Average per diem rate: €100

SPAIN



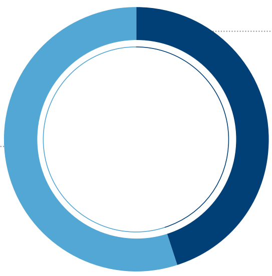
Average per diem rate: €55

AUSTRIA



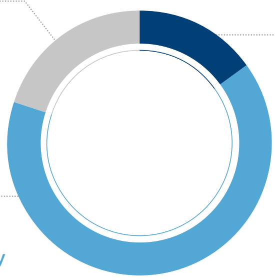
Average per diem rate: €120

ITALY



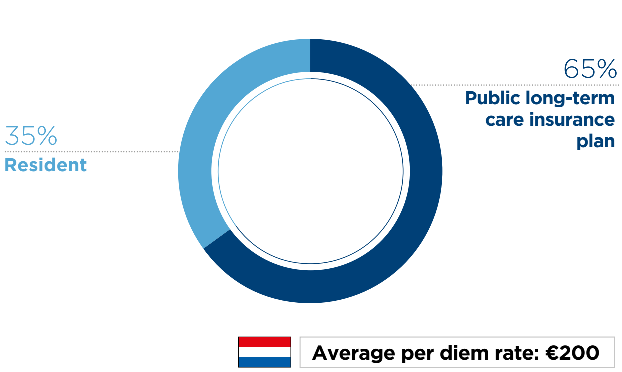
Average per diem rate: €90

CZECH REPUBLIC

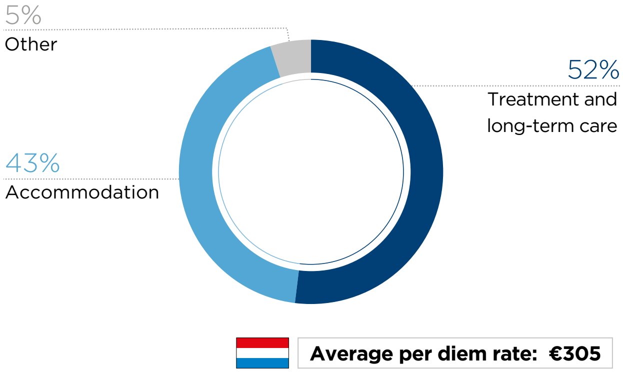


Average per diem rate: €45

THE NETHERLANDS



LUXEMBOURG



2 Management report for the 2018 financial year

This management report covers the Company's activities and those of its Group during FY 2018. The accompanying Chairman's report complements all the stated sections. The Board of Directors has presented its explanations for the draft resolutions to be submitted for shareholders' approval at the Annual General Meeting in a separate report.

2.1 OVERVIEW OF FY 2018

In 2018, ORPEA continued to pursue its strategy of development and international expansion. It acquired groups in Germany and the Netherlands, established new facilities and made selective acquisitions of independent facilities, as well as selling facilities in France that no longer fit with the Group's strategy.

After three years of brisk acquisition-led growth, the Group focused again on setting up new facilities in locations with strong purchasing power. In 2018, its network grew by 8,537 beds, with over half of these added organically.

ORPEA acquired three groups in 2018 to round out its offering in Germany and the Netherlands. These three groups will add around €85 million in full-year revenue. ORPEA acquired Inoges in Germany, Dagelijks Leven and Woonzorgnet (962 beds) in the Netherlands.

ORPEA also continued its real estate strategy, increasing its proportion of owned premises to 47% by the end of 2018.

2.1.1 EXPANSION INTO THE NETHERLANDS

Under its European expansion strategy, ORPEA has established a base in the Netherlands by acquiring Dagelijks Leven, one of the leading nursing home operators, and Woonzorgnet, a recognised expert in psychiatric care.

The long-term care sector in the Netherlands boasts healthy growth prospects:

- the population of over-80s is forecast to nearly triple by 2050;
- the bed capacity rate per capital is low – around 35% below the average level in Europe – and so 100,000 new beds need to be added by 2040;
- the private sector's market share is very limited at just 4%.

On 30 June 2018, ORPEA acquired Dagelijks Leven, one of the top nursing home operators in the Netherlands with a network of 800 beds in 40 facilities (including 170 beds under construction). These facilities were all built recently and have gained a solid reputation for the quality of the care and services they provide among both residents and the supervisory authorities. Dagelijks Leven possesses a highly standardised model that can easily be replicated, opening the way for rapid organic growth.

Dagelijks Leven posted revenue of €27 million in 2017.

On 1 January 2018, ORPEA also acquired Woonzorgnet, a recognised expert in providing long-term psychiatric care with 162 beds in seven facilities. Woonzorgnet posted revenue of €10 million in 2017.

2.1.2 ACQUISITION OF INOGES IN GERMANY

On 1 January 2018, ORPEA acquired Inoges, Germany's leading operators of outpatient rehabilitation facilities (equivalent to day hospitals). Inoges has 30 locations (including two in-patient rehabilitation facilities) in urban areas close to hospitals, primarily in North Rhine-Westphalia, Hesse and Bavaria.

Outpatient rehabilitation has expanded at a very brisk pace in Germany, spurred on by both public authorities and private insurers, meeting increasingly strong demand from patients.

Inoges recorded 2017 revenue of €50 million.

2.1.3 FURTHER SELECTIVE DEVELOPMENTS IN CORE MARKETS

In 2018, ORPEA continued to pursue its longstanding strategy in all the territories it covers of opening new facilities, drawing up plans for new facilities to replenish its growth pipeline and making selective acquisitions:

- it sold 11 facilities with a total of 855 beds in France, which no longer fit with the Group's strategy;
- it opened 15 new facilities with a total of around 2,000 beds in Europe following new construction, redevelopment and extension projects;
- it set in motion new plans to build or extend facilities in various countries where the Group has a longstanding presence, accounting for around 6,000 beds under construction;
- it made selective acquisitions, purchasing of several independent operators or groups, including in Spain, Switzerland and Italy.

2,000 BEDS ADDED IN EUROPE

Harnessing this growth pipeline of beds under construction and redevelopment, ORPEA opened around 2,000 new beds in 2018 at 15 facilities and extensions of facilities.

Around one-third of the new beds is located in France where new facilities meeting the highest standards of care and accommodation were opened, and smaller facilities were merged and extended.

NEW CONSTRUCTION PROJECTS THAT WILL ADD 6,000 BEDS

ORPEA also continued its strategy of organic growth with the launch of plans to build new facilities in its core countries. These include numerous projects in Poland, Italy, Spain, Brazil, Portugal, as well as in France, the Netherlands and Luxembourg, which together account for a total of nearly 6,000 additional beds under construction.

By pursuing its strategy of expanding into new countries where demand is very high, the Group has also ratcheted up the increase in its growth pipeline. These new facilities and extensions due to open over the next three to four years are located in major European cities and areas with strong purchasing power and will provide an innovative offering geared to meeting demand, with the development of outpatient, homecare, assisted-living solutions alongside nursing home facilities.

These new plans represent the most powerful driver of the Group's future value creation.

SELECTIVE ACQUISITIONS ACCOUNTING FOR 2,300 BEDS

ORPEA continued to pursue its policy of selective acquisitions of facilities in operation. These transactions took place right across the long-term care sector and provide sources of future growth and profitability improvement over the coming years.

The Group acquired several independent facilities outside France, including in Spain, Switzerland, France and Italy, accounting for a total of around 2,300 beds in FY 2018.

2.1.4 NETWORK OF 95,187 BEDS AT 935 FACILITIES IN 14 COUNTRIES

At year-end 2018, the network consisted of 95,187 beds across 935 facilities in 14 countries. The number of beds outside France (61,744) now accounts for 65% of the overall network, up 5.5-fold over five years.

Its growth pipeline consists of 17,108 beds under construction – 85% outside France – with many facilities in high-potential locations such as Berlin, Zurich, Prague, Lisbon, Warsaw and Rio de Janeiro.

Since year-end 2015, ORPEA has doubled the size of its growth pipeline of beds under construction, providing a further boost to its visibility, since the gradual opening of these beds over the next five years will help drive a portion of its future organic growth.

	Number of facilities	Total number of beds	Of which beds in operation	Of which beds under construction
France / Benelux	**477**	**42,320**	**37,986**	**4,334**
France	354	33,443	30,856	2,587*
Belgium	61	7,437	6,275	1,162
Netherlands	60	1,075	855	220
Luxembourg	2	365	0	365
Central Europe	**230**	**24,334**	**20,045**	**4,289**
Germany	172	17,990	15,243	2,747
Switzerland	37	3,695	2,862	833
Italy	21	2,649	1,940	709
Eastern Europe	**125**	**12,917**	**10,100**	**2,817**
Austria	84	7,474	7,088	386
Czech Republic	19	2,698	1,905	793
Poland	22	2,745	1,107	1,638
Iberian Peninsula Latin America	**102**	**15,476**	**9,808**	**5,668**
Spain	62	10,428	8,702	1,726
Portugal**	22	2,296	635	1,661
Brazil**	18	2,752	471	2,281
Rest of the World (China)	**1**	**140**	**140**	**0**
TOTAL	**935**	**95,187**	**78,079**	**17,108**

* *Including 1,087 beds under redeployment in 2018 and 1,130 beds in 2017. Beds under redeployment are beds that will be closed for redevelopment.*
** *Partnerships with SIS Group (Portugal and Brazil) in which ORPEA's interests stand at 49.5% and 49.9% respectively.*

2.1.5 FURTHER OPTIMISATION OF ITS CAPITAL STRUCTURE

In 2018, ORPEA pressed ahead with its strategy of diversification and balance sheet optimisation.

In March 2018, ORPEA completed the placement of its first public seven-year bond issue of €400 million (due in March 2025) with an annual fixed-rate coupon of 2.625%. The issue has helped to expand its base of credit investors and to extend the maturity of its debt.

ORPEA also completed another *Schuldschein* issue, raising a total of around €336 million, through a combination of a maturity extension (€170 million) and new money (€166 million). ORPEA is the leading French issuer in the *Schuldschein* market, with approximately €1.3 billion outstanding and an investor base comprising over 50 separate international investors.

The Group naturally continued to make use of conventional bank funding, including classic corporate loans, lease financing and mortgage 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.

2.1.6 EXPANSION OF THE REAL ESTATE PORTFOLIO

ORPEA continued to pursue its strategy of acquiring ownership of its real estate assets in prime locations, such as Madrid in Spain (Ecoplar group's five facilities) and Davos in Switzerland. The size of its real estate portfolio increased by a net amount of €671 million over the 12-month period to €5,713 million (excluding €144.5 million in real estate assets held for sale), or around 2 million sq.m at 31 December 2018. ORPEA now owns 47% of its real estate portfolio, close to its target level of 50%.

This valuation by independent property appraisers is based on an average capitalisation rate of 5.8%, compared with 6.0% at year-end 2017. That represents a conservative valuation by comparison with recent market transactions for the same type of assets, priced at yields of 4.5%.

This real estate strategy gives ORPEA a unique position in the sector. It will secure its cash flow over the long term and make its balance sheet more flexible and sustainable.

2.2 REVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

2.2.1 CONSOLIDATED RESULTS

(in thousands of euros)	2018	2017
Revenue	**3,419,764**	**3,138,234**
Purchases used and other external expenses	(915,600)	(861,465)
Staff costs	(1,802,301)	(1,639,499)
Taxes other than on income	(119,313)	(104,449)
Depreciation, amortisation and charges to provisions	(175,896)	(153,309)
Other recurring operating income	30,686	22,006
Other recurring operating expense	(9,649)	(7,167)
Recurring operating profit	**427,691**	**394,351**
Other non-recurring operating income	134,839	115,180
Other non-recurring operating expense	(116,967)	(96,150)
Operating profit	**445,563**	**413,381**
Financial income	12,410	11,482
Financial expense	(148,576)	(146,923)
Financial expense arising from early redemption of the ORNANE bonds		(15,254)
Net finance cost	**(136,166)**	**(150,695)**
Change in FVO*		(124,023)
Pre-tax profit	**309,937**	**138,663**
Income tax expense	(95,309)	(84,522)
Tax expense arising from early redemption of the ORNANE bonds		(21,633)
Impact of the measurement of deferred taxes at the rate expected to apply		52,874
Share in profit/(loss) of associates and joint ventures	6,987	4,421
Consolidated net profit	**221,075**	**89,803**
Attributable to non-controlling interests	684	14
Attributable to owners of the parent	220,391	89,789
Net profit attributable to owners of the parent excluding the impact of early redemption of the ORNANE bonds and of the measurement of deferred taxes at the rate expected to apply	220,391	197,825
Number of shares	64,586,323	64,553,123
Basic earnings per share *(in euros)*	3.41	1.46
Diluted earnings per share *(in euros)*	3.41	1.46

* *FVO: Fair value of the entitlement to the allotment of shares embedded in the ORNANE bonds.*

ORPEA GROUP'S 2018 CONSOLIDATED REVENUE

In 2018, ORPEA reported revenue of €3,419.8 million, ahead of its initial guidance of €3,400 million. That represents an increase of 9.0%, or close to €281.6 million in additional revenue compared with FY 2017. Sixteen years on from its IPO, the increase recorded in a single year is almost double the size of the Group was when it was floated in 2002.

This business expansion was again underpinned by a combination of:

- solid organic growth (5.0%). Mature facilities have consistently high occupancy rates due to the structural needs of the sector and the location, attractiveness and good reputation of ORPEA facilities. Like every year, organic growth was also fuelled by the ramp-up in the facilities opened in 2017 and by the opening in 2018 of approximately 2,300 beds (resulting from construction or redevelopment);
- brisk acquisition-led growth outside France, with the full-year contributions made by Anavita in the Czech Republic and Dr. Dr. Wagner in Austria following their acquisition in 2017 and the contribution made by the 2018 acquisitions (Inoges in Germany and Woonzorgnet in the Netherlands over the full year, and Dagelijks Leven in the Netherlands for six months).

(in millions of euros) **(IFRS)**	**2018**	**2017**	**Chg. 2018/2017** *(%)*	**2016**
France / Benelux	2,040.3	1,942.7	+5.0%	1,857.5
Central Europe	875.1	782.5	+11.8%	692.3
Eastern Europe	335.0	268.8	+24.6%	189.3
Iberian Peninsula Latin America	167.4	142.8	+17.2%	101.7
Rest of the World	2.0	1.5	nm	0.4
TOTAL REVENUE	**3,419.8**	**3,138.2**	**+9.0%**	**2,841.2**
*o/w organic growth**			*+5.0%*	

* *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.*

Central Europe: Germany, Italy and Switzerland.
Eastern Europe: Austria, Poland and the Czech Republic.
Iberian Peninsula: Spain, Portugal.
Rest of the World: China.

The France Benelux region includes operations in France, Belgium and the Netherlands. The ORPEA Group's revenue in the region continued to grow, rising by 5.0% to €2,040.3 million, accounting for 60% of the Group's total.

This increase was driven by a healthy pace of organic growth powered largely by:

- the opening of new beds through a combination of new builds in France and Belgium, redevelopments and transfers, plus extensions of facilities including day hospitals, and post-acute and rehabilitation hospitals;
- the ramp-up in facilities opened over the past 18 months;
- the high occupancy rate at mature facilities achieved as a result of the award-winning standard of care, accommodation and services provided in ORPEA's facilities.

The first-time consolidation of the companies acquired in the Netherlands, namely Woonzorgnet and Dagelijks Leven, also contributed to the region's strong performance.

The Central Europe region encompasses operations in Germany, Switzerland and Italy. Revenue in the region posted an impressive increase of 11.8% to €875.1 million, contributing 26% of the Group's total revenue.

This rise derived from a healthy level of organic growth and from the contribution made by acquisitions, the largest being Inoges in Germany, as well as the selective acquisitions made in Switzerland and Italy.

The Eastern Europe region is made up of operations in Austria, the Czech Republic and Poland. Revenue in the region posted very strong growth of 24.6% to €335.0 million, generating 10% of the Group's total revenue. The driving force behind this growth came from the first-half 2018 contribution made by companies acquired in 2017, namely the Dr. Dr. Wagner group in Austria and Anavita in the Czech Republic.

The Iberian Peninsula region reflects operations in Spain and Portugal. Revenue in the region grew 17.2% to €167.4 million, generating 5% of the Group's total revenue thanks to a firm level of organic growth and the acquisition of the Ecoplar group in Spain.

Operations in China make up **the Rest of the World region,** with the €2.0 million in revenue deriving from the facility in Nanjing.

PROFITABILITY AND NET PROFIT

(in millions of euros) **(IFRS)**	**2018**	**% of revenue**	**2017**	**% of revenue**	**Chg. 2018/2017** *(%)*
Revenue	3,419.8	100.0%	3,138.2	100.0%	+9.0%
EBITDAR*	911.8	26.7%	846.2	27.0%	+7.8%
EBITDA**	603.7	17.7%	547.7	17.5%	+10.2%
Recurring operating profit	427.7	12.5%	394.4	12.6%	+8.4%
Operating profit	445.6	13.0%	413.4	13.2%	+7.8%
Net finance cost	(136.2)	N/A	(150.7)	N/A	N/A
Changes in the fair value of the entitlement to the allotment of shares embedded in the ORNANE	0.0		(124.0)		N/A
Pre-tax profit	309.4	9.0%	138.7	4.4%	N/A
Attributable net profit excluding net changes in the FVO and excluding the discounting of deferred taxes* **	**220.4**	**6.4%**	**197.8**	**6.3%**	**+11.4%**
Impact of the measurement of deferred taxes at the rate expected to apply in France***	0.0		52.9		N/A
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**220.4**	**6.4%**	**89.8**	**2.9%**	**N/A**

* *EBITDAR = Recurring EBITDA before rents, including provisions related to external charges and staff costs.*
** *EBITDA = Recurring operating profit before depreciation and amortisation, including provisions relating 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 (25.83% rather than 28.92%).*

EBITDAR (EBITDA before rents, but including provisions for external charges and staff costs) rose 7.8% to €911.8 million, or 26.7% of revenue, down slightly compared with 2017.

EBITDA (recurring operating profit before depreciation and amortisation, which includes provisions for external charges and staff costs) rose 10.2% to €603.7 million. This represented 17.7% of revenue, up 20 basis points compared with 2017. Excluding the Macron premium and reduction in the CICE tax credit, the EBITDA margin improved by 50 basis points to 18.0%.

After €175.9 million in depreciation, amortisation and charges to provisions (up 14.7% owing to additions to the real estate portfolio), **recurring operating profit** came to €427.7 million (up 8.4%).

Operating profit advanced to €445.6 million from €413.4 million in the previous year. This reflected a non-recurring gain after tax of €17.9 million, including the capital gain recorded on the sale of facilities in France, compared with €19 million in 2017.

Net finance cost came to €136.2 million, almost stable compared with 2017, excluding financial expense arising on the early redemption of the ORNANE bonds in July 2017.

After €95.3 million in income tax expense (up 12.7%), **attributable net profit** rose 11.4% to €220.4 million (excluding the impact of early redemption of the ORNANE bonds and discounting of deferred taxes).

2.2.2 CONSOLIDATED BALANCE SHEET

ASSETS

(in thousands of euros)	31/12/2018	31/12/2017
Goodwill	1,137,160	1,012,943
Intangible assets, net	2,256,670	2,082,066
Property, plant and equipment, net	5,267,667	4,672,159
Properties under construction	445,627	369,415
Investments in associates and joint ventures	111,136	110,307
Non-current financial assets	42,161	39,932
Deferred tax assets	43,383	36,837
Non-current assets	**9,303,806**	**8,323,658**
Inventories	9,697	8,671
Trade receivables	229,964	203,964
Other receivables, accruals and prepayments	626,626	481,586
Cash and cash equivalents	767,987	613,898
Current assets	**1,634,274**	**1,308,119**
Assets held for sale	**206,493**	**63,705**
TOTAL ASSETS	**11,144,573**	**9,695,482**

EQUITY AND LIABILITIES

(in thousands of euros)	31/12/2018	31/12/2017
Share capital	80,733	80,691
Consolidated reserves	2,110,438	2,076,972
Revaluation reserves	557,720	467,714
Net profit for the year	220,391	89,789
Equity attributable to owners of the parent	**2,969,282**	**2,715,166**
Non-controlling interests	1,392	213
Total consolidated equity	**2,970,675**	**2,715,379**
Non-current financial liabilities	5,104,441	4,621,575
Change in the fair value of the entitlement to the allotment of shares embedded in the ORNANE bonds		
Provisions	114,851	122,273
Post-employment and related benefit obligations	83,717	72,185
Deferred tax liabilities	930,710	858,288
Non-current liabilities	**6,233,778**	**5,674,320**
Current financial liabilities	685,224	405,000
Provisions	32,489	48,706
Trade payables	268,456	227,206
Tax and payroll liabilities	363,170	269,967
Current income tax liabilities	25,374	2,974
Other payables, accruals and prepayments	358,914	288,225
Current liabilities	**1,733,627**	**1,242,077**
Debt associated with assets held for sale	**206,493**	**63,705**
TOTAL EQUITY AND LIABILITIES	**11,144,573**	**9,695,482**

Operating assets

At 31 December 2018, goodwill totalled €1,137.2 million (after deducting the €58.1 million in goodwill held for sale at 31 December 2018), compared with €1,012.9 million at 31 December 2017. Intangible assets (chiefly consisting of operating licences) came to €2,256.7 million, up from €2,082.1 million at 31 December 2017 (less intangible assets held for sale amounting to €3.8 million at 31 December 2018 compared with €63.7 million at 31 December 2017).

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 €5,713.3 million (less the €144.5 million in real estate assets being sold), including €445.6 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 €671.7 million in FY 2018, or 13.3%. This growth was achieved through acquisitions of assets in Italy, Spain and Switzerland.

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.

In FY 2018, overall real estate expenses, including rent and depreciation of real estate assets wholly or partially owned, came to €458.8 million (€150.7 million in depreciation and €308.1 million in rent), compared with €435.9 million in FY 2017 (€137.4 million in depreciation and €298.5 million in rent).

Capital structure and debt

At 31 December 2018, the Group's equity attributable to owners of the parent stood at €2,969.3 million, up from €2,715.2 million at 31 December 2017. The key factors behind this were the increase in net profit and the appreciation in the real estate portfolio.

At 31 December 2018, the Group had €768.0 million in cash and cash equivalents, compared with €613.9 million at 31 December 2017. This increase reflected the proceeds during the year from the issue of *Schuldschein* notes, private bond placements and conventional bilateral loans.

Net debt stood at €5,022 million(1), compared with €4,413 million(1) at 31 December 2017. This increase is the result of the sustained pace of real estate investment and operational activities over the 2018 financial year. Net debt at the end of 2018 comprised:

- gross current financial liabilities: €685.2 million(1);
- gross non-current financial liabilities: €5,104.4 million;
- cash: €(768.0) million.

Gross current financial liabilities stood at €685.2 million at 31 December 2018(1). 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 allowing it to continue with its real estate and operational investments. Its debt ratios remain a comfortable distance below the maximum levels permitted by its covenants. At 31 December 2018, they were as follows:

- financial leverage restated for real estate assets = 2.3x, stable compared with 2017 (authorised level of 5.5x);
- restated gearing of 1.5x vs. 1.4x at 31 December 2017 (level of up to 2.0x permitted).

During 2018, 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 46% of net debt at 31 December 2018;
- the average maturity of net debt was 6.2x years at 31 December 2018;
- fixed-rate net debt, either by nature or after hedging, accounts for almost 100% of the total over the 2018-2024 period.

Other assets and liabilities

Changes in Other receivables and Other payables reflect construction projects, disposals of real estate assets and acquisitions in connection with the Group's expansion drive.

2.2.3 CASH FLOWS

(in millions of euros)	2018	2017	2016
Gross cash flow from operations	+455	+432	+386
Net cash generated by operating activities	+415	+398	+347
Net cash generated/(used by) investing activities	(960)	(1,068)	(787)
Net cash generated financing activities	+699	+744	+461
Change in cash and cash equivalents	+154	+74	+21

Cash flow generated by operating activities rose 4.3% in 2018 to reach €415 million.

Cash used by investing activities came to €960 million. Of this total, 72% was devoted to real estate investments, including continuing construction projects and acquisitions of properties operated by the Group in Spain, Switzerland, Italy and Portugal to secure its profitability over the long term.

Cash flow generated by financing activities came to €699 million as a result of the various transactions completed during the course of the year.

(1) Excluding €206.5 million in debt associated with assets held for sale at 31 December 2018 and €63.7 million at 31 December 2017.

2.3 REVIEW OF THE PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2018

2.3.1 ORPEA SA'S INCOME STATEMENT

(in euros)	2018	2017
Revenue	866,262,327	792,094,399
Production transferred to inventories	(2,507,492)	(40,686,454)
Other operating income	35,391,089	48,848,457
Purchases and other external charges	(317,381,881)	(292,982,963)
Taxes other than on income	(52,291,487)	(43,310,280)
Staff costs	(432,312,492)	(369,310,432)
Depreciation, amortisation and charges to provisions	(22,139,019)	(21,507,398)
Other operating expenses	(1,238,504)	(1,016,663)
Operating profit	**73,782,467**	**72,128,666**
Financial income	94,099,184	165,288,643
Financial expense	(138,058,576)	(112,292,194)
Net finance cost	**(43,959,392)**	**52,996,448**
Pre-tax profit on ordinary activities	**29,823,075**	**125,125,115**
Net non-recurring items	25,085,146	(8,969,099)
Employee profit-sharing		
Income tax	(17,537,186)	(4,954,206)
NET PROFIT	**37,371,035**	**111,201,810**

REVENUE

ORPEA SA's revenue came to €866.3 million in FY 2018, up 9.4% compared with FY 2017.

ORPEA's core business of operating nursing homes generated revenue of €863.6 million, up 14.4% on the FY 2017 level of €754.6 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 €2.8 million, down from €37.4 million in FY 2017.

OPERATING PROFIT

Operating expenses rose in line with the growth in the business:

- purchases and other external charges increased by 8.3% to €317.4 million;
- staff costs grew 17.0% to €432.3 million.

Taxes other than on income increased by 20.7% to €52.3 million.

Depreciation, amortisation and charges to provisions totalled €22.1 million, up from €21.5 million in FY 2017.

Taking these factors into account, ORPEA SA's operating profit rose €1,654 thousand to €73.8 million in FY 2018.

NET FINANCE COST

ORPEA SA's net finance cost came to €44.0 million, compared with a gain of €53.0 million in FY 2017. This reflected net interest expense on the Company's net debt of €(41.7) million, compared with €(51.3) million in FY 2017.

NET NON-RECURRING ITEMS

Net non-recurring items showed a net gain of €25.1 million, compared with €(9.0) million net expense in 2017 as a result of capital gains on real estate disposals and merger gains in FY 2018.

NET PROFIT

After €(17.5) million in income tax expense, ORPEA SA's net profit came to €37.4 million, down from €111.2 million in FY 2017.

2.3.2 ORPEA SA'S BALANCE SHEET

ASSETS

(in euros)	31/12/2018 Gross	31/12/2018 Depr., amort. and provisions	31/12/2018 Net	31/12/2017 Net
NON-CURRENT ASSETS				
Intangible assets	292,969,241	2,470,883	290,498,358	281,950,075
Property, plant and equipment	448,427,172	171,580,313	276,846,859	248,621,922
Financial assets	1,724,902,385	22,919,691	1,701,982,694	1,256,629,572
Total non-current assets	**2,466,298,798**	**196,970,885**	**2,269,327,913**	**1,787,201,571**
CURRENT ASSETS				
Inventories and work-in-progress	11,122,327	1,188,655	9,933,672	7,322,142
Advances and downpayments made	4,399,087		4,399,087	4,335,124
Trade receivables	21,336,932	6,939,510	14,397,422	16,429,568
Other receivables	2,865,534,596	4,743,499	2,860,791,097	2,577,133,828
Short-term investments	64,777,225		64,777,225	24,140,322
Cash and cash equivalents	101,177,583		101,177,583	265,471,323
Prepaid expenses	12,343,550		12,343,550	11,126,108
Total current assets	**3,080,691,300**	**12,871,664**	**3,067,819,636**	**2,905,958,415**
Bond redemption premiums	2,690,096		2,690,096	
Unrealised foreign currency losses	42,738		42,738	
TOTAL ASSETS	**5,549,722,932**	**209,842,549**	**5,339,880,383**	**4,693,159,985**

EQUITY AND LIABILITIES

(in euros)	31/12/2018	31/12/2017
EQUITY		
Share capital	80,732,904	80,691,404
Share premiums and reserves	703,522,567	663,441,212
Retained earnings		
Net profit for the year	37,371,035	111,201,810
Tax-regulated provisions	8,990,449	8,389,506
Total equity	**830,616,956**	**863,723,932**
Provisions for liabilities and charges	17,189,824	26,939,619
FINANCIAL LIABILITIES		
Borrowings and financial liabilities	3,860,454,225	3,185,638,228
Advances and downpayments received	248,362	1,357,800
Trade payables	43,750,885	32,786,477
Tax and payroll liabilities	129,921,780	93,655,421
Other financial liabilities	446,345,969	473,916,647
Prepaid income	8,330,921	11,384,497
Total financial liabilities	**4,489,052,140**	**3,798,739,071**
Unrealised foreign currency gains	3,021,463	3,757,364
TOTAL EQUITY AND LIABILITIES	**5,339,880,383**	**4,693,159,985**

ORPEA SA had net non-current assets of €2,269.3 million at 31 December 2018, compared with €1,787.2 million one year earlier, with the difference attributable to the rise in financial investments.

Its net current assets came to €3,067.8 million, compared with €2,906.0 million at 31 December 2017.

ORPEA SA's equity totalled €830.6 million at 31 December 2018, compared with €863.7 million at 31 December 2017.

Borrowings and financial liabilities, the main component of ORPEA's debt, amounted to €3,860.5 million at 31 December 2018, compared with €3,185.6 million at 31 December 2017, with the increase reflecting recent bond issues.

Its assets totalled €5,339.9 million at 31 December 2018, compared with €4,693.2 million at 31 December 2017.

2.3.3 INFORMATION ON SUPPLIER AND CUSTOMER PAYMENT TERMS

Pursuant to Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, the following table shows information about the payment terms applicable to ORPEA's suppliers and customers at 31 December 2018.

	Article D. 441-1-1°: Past-due invoices received but not paid at the reporting date					
(in euros)	**0 days (indicative)**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days or more**	**Total (1 day or more)**
(A) Late payments by period						
Number of invoices						35,162
Total value of invoices incl. VAT	23,390,157.84	6,320,255.21	1,285,915.15	1,172,325.53	6,265,465.61	15,043,961.50
Percentage of total purchases in the FY incl. VAT	3%	1%	0%	0%	1%	2%
(B) Invoices excluded from (A) concerning disputed or unrecognised receivables and payables						
Number of invoices excluded	Impossible to obtain this information (unpaid invoices by total per period and not by invoice)					
Total value of invoices excluded incl. VAT	5,316,765.27					
(C) Reference payment terms applied (contractual or statutory period – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Payment periods used to calculate late payments	Contractual periods: 30 days Statutory periods: 30 days					

	Article D. 441-1-1°: Past-due invoices issued but not paid at the reporting date					
(in euros)	**0 days (indicative)**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days or more**	**Total (1 day or more)**
(A) Late payments by period						
Number of invoices						32,965
Total value of invoices incl. VAT	209,909	6,149,305	2,998,205	218,164	14,592,834	23,958,508
Percentage of total FY revenue incl. VAT	0%	1%	0%	0%	1%	2%
(B) Invoices excluded from (A) concerning disputed or unrecognised receivables and payables						
Number of invoices excluded	Impossible to obtain this information (invoices excluded and creditor customers by total per period and not by invoice)					
Total value of invoices excluded incl. VAT	(2,831,485)					
(C) Reference payment terms applied (contractual or statutory period – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Payment periods used to calculate late payments	Contractual periods: 30 days Statutory periods: 30 days					

2.3.4 SUBSIDIARIES AND OTHER EQUITY INTERESTS

2.3.4.1 CLINEA SAS' REVENUE AND RESULTS

Revenue

CLINEA SAS' revenue from the operation of hospitals came to €691 million, up 9.6% from the €630 million recorded in FY 2017. 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 10.7% to €213.7 million from €193.0 million in FY 2017;
- staff costs moved up 10.8% to €323.7 million;
- taxes other than on income increased by 12.6% to €56.9 million.

Taking these factors into account, CLINEA SAS' operating profit came to €91.9 million, up 6.5% compared with FY 2017.

Net finance cost

Net finance cost came to €8.0 million, up from €1.1 million in FY 2017 as a result of lower income from investments in FY 2018.

Net non-recurring items

Net non-recurring items showed a net gain of €14.1 million as a result of the disposal of investments, compared with €0 million in FY 2017.

Net profit

After €21.5 million in income tax expense, ORPEA SA's net profit came to €69.7 million, up from €59.2 million in FY 2017.

Balance sheet

CLINEA SAS' **net non-current assets** totalled €828.5 million at 31 December 2018, up from €776.9 million at 31 December 2017. That increase reflects the development of CLINEA SAS and its restructuring measures.

Its **net current assets** came to €257.1 million, compared with €253.6 million at 31 December 2017.

Its **equity** stood at €352.5 million at 31 December 2018, compared with €282.7 million at 31 December 2017.

Borrowings and financial liabilities rose to €22.5 million at 31 December 2018 from €18.9 million at 31 December 2017.

CLINEA SAS' **total assets** increased to €1,085.6 million at 31 December 2018 from €1,047.3 million at 31 December 2017.

2.3.4.2 REVENUE AND RESULTS OF THE OTHER MAIN SUBSIDIARIES

The France Benelux region includes operations in France, Belgium and the Netherlands. Subsidiaries in the region posted revenue of €2,040.3 million, up 5.0% from €1,942.7 million in 2017. Recurring EBITDAR[(1)] totalled €591.1 million, up from €564.9 million in FY 2017. That represents an EBITDAR margin of 29.0% of revenue.

The Central Europe region encompasses operations in Germany, Switzerland and Italy. Subsidiaries in the region posted revenue of €875.1 million, up 11.8% from €782.5 million in 2017, primarily thanks to the acquisition of Inoges in Germany. Recurring EBITDAR[(1)] totalled €225.8 million, up from €210.3 million in FY 2017. The acquisition of Inoges had a negative impact of around 100 basis points.

The Eastern Europe region is made up of operations in Austria, the Czech Republic and Poland. Subsidiaries in the region posted revenue of €335.0 million, up 24.6% from €268.8 million in 2017. The driving force behind this growth came from the first-half 2018 contribution made by companies acquired in 2017, namely the Dr. Dr. Wagner group in Austria and Anavita in the Czech Republic. Recurring EBITDAR[(1)] totalled €62.0 million, up from €44.0 million in FY 2017. That represents an EBITDAR margin of 18.5% of revenue, up 210 basis points compared with FY 2017.

The Iberian Peninsula region reflects operations in Spain and Portugal. Subsidiaries in the region posted revenue of €167.4 million, up 17.2% from €142.8 million in 2017, primarily thanks to the acquisition of Ecoplar in Spain. Recurring EBITDAR[(1)] totalled €35.1 million, up from €29.8 million in FY 2017. That represents an EBITDAR margin of 21.0% of revenue, compared with 20.9% in 2017.

Operations in China make up **the Rest of the World region,** with the €2.0 million in revenue deriving from the facility in Nanjing, compared with €1.5 million in FY 2017. Recurring EBITDAR[(1)] showed a loss of €2.3 million, down from a loss of €2.9 million in FY 2017.

2.3.4.3 DETAILS OF MAIN INVESTMENTS

See chapter 6 "Parent company financial statements at 31 December 2018".

(1) Recurring EBITDAR = recurring EBITDA before rent. Recurring EBITDA is recurring operating profit before net additions to depreciation and amortisation, including provisions related to external charges and staff costs.

2.4 OTHER FINANCIAL INFORMATION

2.4.1 DIVIDEND PAYMENTS DURING THE PAST THREE FINANCIAL YEARS

The table below shows the amount of the dividend per share paid in the three most recent financial years, as well as the applicable tax regime.

Financial year (year of distribution)	Dividend paid per share	Eligible for the 40% rebated stated in 2° of Article 158-(3) of the French General Tax Code	Not eligible for the 40% rebated stated in 2° of Article 158-(3) of the French General Tax Code
2015 (2016)	€0.90	€0.90	None
2016 (2017)	€1.00	€1.00	None
2017 (2018)	€1.10	€1.10	None

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.

2.4.2 APPROPRIATION OF NET PROFIT AND DIVIDEND PROPOSED AT THE ANNUAL GENERAL MEETING

Net profit for the financial year came to €37,371,035.38. At the Annual General Meeting due to be held on 27 June 2019, the proposal will be to appropriate €7,839.25 to the statutory reserve.

The remainder of earnings for the financial year, plus the positive balance of retained earnings and a portion of the conversion premium, that is €77,539,004.40, represents the amount available for distribution in respect of the financial year.

At the General Meeting of 27 June 2019, the proposal will be to pay out a dividend of €1.20 per share (a 9% increase on the previous financial year) to the 64,615,837 shares of the Company, that is a total payment of €77,539,004.40, to be drawn in its entirety from earnings available for distribution in respect of the year, a payout ratio of 35% of 2018 net profit attributable to equity holders of the parent (excluding the discounting of deferred taxes).

2.4.3 LAVISH EXPENDITURE

The Company’s lavish expenditure covered by Article 39-4 of the French General Tax Code amounted to €402,407. This represented excess depreciation of the passenger vehicles not deductible for tax purposes.

2.4.4 SHARE BUYBACK PROGRAMME AND LIQUIDITY AGREEMENT

SHARE BUYBACK PROGRAMME

The General Meeting of the shareholders of 28 June 2018 renewed the authorisation for the Board of Directors to buy and sell ORPEA shares. The following table sets out the arrangements and objectives for the Company's new programme to repurchase its own shares.

Shares concerned	Ordinary shares
Maximum percentage of the capital that may be repurchased pursuant to the Annual General Meeting's authorisation	10% of the total number of shares forming the share capital of the Company at any time
Maximum repurchase price	€150 per share
Maximum amount of funds available for share repurchases	€968,794,800
Objectives of the programme	■ To make a market or ensure the liquidity of trading in the shares through an independent investment services provider acting under a liquidity agreement that complies with a Code of Conduct approved by the *Autorité des marchés financiers* ■ To allot some or all of the shares purchased for allotment to employees and/or corporate officers of the Company and/or the Group under the terms and conditions set out by law, including under employee profit-sharing plans, stock option plans, bonus share allotment plans or employee share ownership plans ■ To remit its shares upon the exercise of securities carrying entitlement by way of conversion, exercise, redemption, exchange, or any other means to the allotment of the Company's shares in accordance with stock market regulations ■ To cancel its shares through a capital reduction as provided for in the French Commercial Code ■ To keep some or all of the shares purchased for subsequent remittance in exchange for or as consideration in connection with any other growth-related transactions or any other transaction authorised pursuant to the regulations in force ■ To implement any market practices that are permitted by law or by the *Autorité des marchés financiers*
Repurchase arrangements	These shares may be purchased, sold, transferred or exchanged and paid for by any means on the regulated markets or multilateral trading systems, including under a liquidity agreement entered into by the Company with an investment service provider, subject to compliance with the regulations in force, including off-market and block transactions, the use of derivative financial instruments, the implementation of option strategies (purchase and sale of calls and put options, and any combinations thereof in accordance with the applicable regulations) at the times that the Board of Directors or, where appropriate, the person to whom the Board of Directors delegates its powers, sees fit (except during a public offer for the Company's shares). There are no restrictions limiting the portion of the buyback programme that may take place through block trades
Length of the programme	18 months from the General Meeting of the shareholders of 28 June 2018, that is until 27 December 2019

The Company has not used any derivatives in connection with this share buyback programme or the previous one, and it does not have any open positions.

LIQUIDITY AGREEMENT

The Company has entered into a liquidity agreement with Gilbert Dupont to implement the share buyback programme. The agreement 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 liquidity agreement and ensure its continuity. The sole purpose of the liquidity agreement 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 agreement must not disrupt the market's normal operation. Gilbert Dupont is also committed to the principle of proportionality set out in the charter.

The assets and funds held in the liquidity account at 31 December 2018 for the purposes of the liquidity agreement were as follows:

- number of shares: 15,875;
- cash balance held in the liquidity account: €508,763.70.

2.4.5 RESEARCH AND DEVELOPMENT

The Company did not incur any research and development expenses during the year.

2.5 OUTLOOK AND EVENTS SUBSEQUENT TO 1 JANUARY 2019

2.5.1 OUTLOOK

ORPEA intends to push ahead with its expansion strategy outside France, both in the regional clusters where the Group is already established and in new territories, by:

- building new facilities to a high standard of quality in prime locations in all the countries where it has a presence;
- making selective acquisitions to complement its existing network or establishing a presence in new geographical territories, while strictly observing the Group's profitability criteria;
- expanding into new geographical territories where there is substantial demand for long-term care, and especially into regions with strong purchasing power;
- developing complementary services within ORPEA's offering, such as home-based care and services, independent living facilities and outpatient treatment, to bolster the spectrum of care it provides.

For 2019, management is reiterating its revenue target of at least €3,700 million (up 8.2% compared with 2018) and solid profitability levels.

Having achieved a real estate ownership rate of close to 50%, the Group plans to sell between €200-250 million in real estate assets on attractive financial terms over the next 12 months.

Lastly, in line with its strategy of moving its network upscale, ORPEA will continue to make adjustments to its portfolio, particularly in Germany.

2.5.2 EVENTS SUBSEQUENT TO 1 JANUARY 2019

POSITIONS IN GERMANY'S PREMIUM SEGMENT STRENGTHENED WITH THE ACQUISITION OF THE AXION GROUP

In January 2019, ORPEA acquired the Axion group's facilities to build up its presence in the premium nursing homes segment in Germany.

The Axion group was founded in 2001 by Nikolaos Tavridis, its current CEO. He is regarded as a renowned expert in the German market given that he possesses over 20 years' professional experience in the nursing homes sector and has built a successful premium model. Axion currently operates seven facilities with 985 beds, including two high-end nursing homes (275 beds) in Hamburg. In FY 2017, Axion's facilities generated €30 million in revenue.

At the same time, ORPEA and Mr Tavridis are setting up a joint venture 75%-owned by ORPEA to develop premium facilities in Germany. The aim of the new joint venture is to create new facilities in Germany's major cities focusing solely on locations where purchasing power is high. Mr Tavridis will be the joint venture's Chief Executive Officer.

This deal fits perfectly with ORPEA's strategy of moving the German network upscale, which aims to create significantly more value over the medium to long term, primarily by building new facilities that stand out from those run by other operators.

EXPANSION OF THE NETWORK IN THE NETHERLANDS

In January 2019, ORPEA cemented its position in the Netherlands by purchasing Allerzorg and September, which generated aggregate revenue of over €50 million in 2017.

Founded in 2006, Allerzorg is a specialist provider of homecare services and boasts nationwide coverage. Allerzorg's addition broadens ORPEA's offering in the Dutch market and brings on board a high-calibre workforce of qualified employees (94% of employees are qualified nurses).

At the same time, ORPEA has scaled up its presence in nursing homes by acquiring September and its network of 125 beds in seven facilities.

ORPEA's diversified offering now covers the full span of the Dutch long-term care sector in the Netherlands. It operates more than 1,000 beds there and has tremendous scope for organic growth given the strength of demand for new beds.

ACQUISITION AND INVESTMENTS IN BRAZIL, CHILE AND URUGUAY

In 2019, ORPEA has established strategic positions in Latin America alongside high-profile partners. It is now the market leader on the continent, with:

- a 50% stake in Senior Suites, Chile's leading operator of nursing homes, plus a 5-year option to buy out the 50% interest it does not already own;
- a 20% stake in Brasil Senior Living (BSL), the Brazilian market leader, plus options to buy out the remainder of the share capital within five years;
- acquisition of Uruguay's leading facility.

In Chile, ORPEA has acquired a 50% stake in Senior Suites, the country's number one operator of nursing homes.

Senior Suites, a group founded in 1995, now leads the country in terms the number of facilities it operates and its quality standards. It has four recently opened facilities (616 beds) and three more (350 beds) under construction, and owns all the real estate assets. These facilities are built to an excellent standard of quality, with private rooms accounting for 95% of the total, and are located in Santiago's most desirable areas. For future developments, ORPEA will be able to count on the support of Cimenta, Chile's national real estate fund, which founded and developed Senior Suites.

In Brazil, ORPEA has completed the strategic acquisition of a 20% stake in Brasil Senior Living (BSL), the Brazilian market leader. Founded in 2012, BSL is the country's leading integrated long-term care provider, operating nursing homes and post-acute and rehabilitation hospitals, as well as delivering homecare. BSL has a network of 22 facilities (over 3,000 beds), all located in São Paulo (population of 29 million, the third-largest urban area in the world):

- nine facilities opened (1,283 beds);
- 13 facilities under construction or at the planning stage (1,800 beds).

BSL's real estate strategy is similar to ORPEA's, since its real estate ownership rate will eventually reach 50%.

BSL is owned by Patria Investments, one of Latin America's leading investment funds, which operates in partnership with Blackstone Group (40% shareholder in Patria Investments).

The acquisition of this stake has made ORPEA the leader in Brazil, with a focus on locations where purchasing power is high, as well as creating high barriers to entry for competitors and giving it a first-class partner with expertise in the development of facilities.

Lastly, ORPEA has moved into Uruguay, where it has acquired the most upscale facility with 98 beds located in the most prestigious district of Montevideo. ORPEA also acquired the real estate assets. The facility has raised the bar for quality standards in Uruguay and has gained recognition from the Ministry of Health and from the President of the Republic of Uruguay.

Q1 2019 REVENUE – PRESS RELEASE DATED 6 MAY 2019

ORPEA reported its revenue for the first quarter of 2019, for the three months to 31 March, on 6 May 2019.

Q1 2019 revenue growth of 9.4%

(in millions of euros)	Q1 2019	Q1 2018	Chg.
France Benelux	540.6	499.3	+8.3%
Central Europe	234.1	214.5	+9.2%
Eastern Europe	87.0	80.1	+8.6%
Iberian Peninsula	47.4	37.8	+25.5%
Rest of the World	0.8	0.4	N/A
TOTAL REVENUE	**909.9**	**832.1**	**+9.4%**
*o/w organic growth**			*+4.7%*

* *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.*
Consolidation dates: the disposals announced in France were deconsolidated from 1 April 2018, Dagelijks Leven in the Netherlands has been consolidated since 1 July 2018, and Axion in Germany, September and Allerzorg in the Netherlands have been consolidated since 1 January 2019.
Composition of the clusters: Central Europe (Germany, Italy and Switzerland), Eastern Europe (Austria, Poland and the Czech Republic), Iberian Peninsula (Spain and Portugal), Rest of the World (China).

First-quarter 2019 revenue rose strongly, rising 9.4% to €909.9 million. Half of this increase came from a healthy pace of organic growth and the other half from the contribution made by recently acquired companies, including those in Germany, the Netherlands and Spain.

Organic growth of 4.7% during the quarter was powered by ORPEA's key success factors:

- consistently high occupancy rates across our network;
- the ramp-up in facilities that the Group has opened over the past two years, mostly located in large towns and cities where residents have high levels of purchasing power;
- the addition of 500 beds over the quarter, predominantly in Eastern Europe and Central Europe.

PARTNERSHIP WITH BPIFRANCE AND RDIF TO DEVELOP POST-ACUTE AND REHABILITATION HOSPITALS IN RUSSIA

In 2018, ORPEA signed a number of cooperation agreements at the St Petersburg International Economic Forum (SPIEF) in the presence of Presidents Putin and Macron to develop a network of healthcare facilities across Russia.

ORPEA has recently entered into an operational partnership with Bpifrance and RDIF, Russia's sovereign wealth fund, to establish post-acute and rehabilitation hospitals in Russia. These high-profile partners will help to underpin ORPEA's development in Russia.

Under the deal, an initial project was agreed with the government and the Moscow city authorities to build a post-acute and rehabilitation hospital at the Moscow International Medical Cluster. The 200-bed rehabilitation facility with 50 outpatient spaces will specialise in care for orthopaedic, cardiology, neurology and oncology patients. It is scheduled to open in 2022.

In this developing segment, the Russian government wants a leading contender to take shape as a partner to collaborate on establishing a network of post-acute and rehabilitation hospitals nationwide to help Russian patients recover and return to work and/or living at home.

Yves Le Masne, Chief Executive Officer of ORPEA, concluded by saying:

"Our growth accelerated during the first quarter of 2019, lifting our revenue 9.4% to €910 million. This strong performance was predicated on the two core pillars of our strategy: healthy organic growth of 4.7% and the contribution made by our selective acquisitions.

As part of ORPEA's strategy of international expansion, the partnership with RDIF, Russia's sovereign wealth fund, and Bpifrance to develop post-acute and rehabilitation hospitals in Russia possesses significant potential given the very modest number of existing units. It demonstrates the Group's pre-eminence in the European market.

On the strength of our robust first-quarter performance, we are confidently reiterating our guidance of growth of 8.2% in revenue to over €3,700 million and healthy profitability levels."

2.6 RISK MANAGEMENT

2.6.1 GENERAL RISK IDENTIFICATION AND MANAGEMENT POLICY

Given the nature of its operations, the ORPEA Group conducts an active risk prevention and management policy. The risk prevention and management framework is predicated on a structured approach, which aims to identify, assess and control risk factors liable to adversely affect the smooth operation of the Group.

Measures to strengthen the audit, risk and internal control department, which began in 2017, continued in 2018, under the leadership of the Chief Executive Officer. The department, which has dual reporting lines to the Chief Executive Officer and to the Audit Committee to safeguard its independence, is built around two units:

- the permanent control unit endeavours to identify and prevent risk factors and to devise an appropriate internal control framework. It has four main areas of expertise:
  - risk management, which is in charge of preparing and coordinating various risk mapping exercises,
  - internal control, which has responsibility for establishing the internal control framework, including by introducing and monitoring Group-wide standards and by taking part in various Group projects to ensure that risk factors are handled properly,
  - compliance, which is tasked with ensuring that the Group complies with its obligations, with a particular focus on efforts to combat corruption and influence peddling,
  - data protection, which is tasked with ensuring that the Group complies with its obligations in relation to personal data;
- the periodic control unit, consisting solely of internal audit, has responsibility for ensuring that the internal control framework is effective and that risks are mitigated at all Group entities. It may also recommend improvements to curb risk exposure.

The Group has a structured risk mapping programme, which rests on the following pillars:

- analysis and classification by area of the risks arising from the interviews conducted with the Group's key managers and the departments of the various clusters and business units;
- a rating of each risk factor based on expected severity, its likelihood of occurrence and the extent to which it has been mitigated;
- oversight of action plans to mitigate risk factors constituting major challenges for the Group.

2.6.2 RISK FACTORS

This section presents the principal risks to which ORPEA believes it is exposed and the measures taken to control each of these risk factors.

Factors related to the Group's strategy and development policy	Risks arising from acquisitions and integration of newly acquired companies ■ Risks arising from the pricing of acquisitions ■ Risks arising from the purchase and integration of facilities recently acquired by the Group
Factors related to the market environment	Risks arising from changes in medical cost/benefit policy ■ Regulatory risks arising from the award and renewal of operating licences ■ Regulatory risks arising from pricing at Group facilities ■ Risks arising from a change in public policy ■ Risks arising from changes in the marketplace
Social factors	**Covered in the Statement of non-financial performance: see section 3.4 "A responsible social approach"** ■ Risk arising from recruitment difficulties and employee turnover, especially among medical and paramedical staff ■ Risk arising from attracting and retaining talent ■ Risk linked to employee health and safety ■ Risk of failing to comply with regulations and procedures and not maintaining a labour-management dialogue fostering the stability of facilities' teams
Environmental factors	**Covered in the Statement of non-financial performance: see section 3.5 "A responsible environmental approach"** ■ Risk arising from a failure to take environmental responsibility into account in construction projects or in the management of facilities ■ Risk arising from a failure to take environmental responsibility into account in waste management ■ Risk arising from climate change
Societal factors	**Covered in the Statement of non-financial performance: see section 3.6 "A responsible societal approach"** ■ Risk arising from a failure to respect the rights and dignity of patients and residents ■ Risk arising from the medical treatment provided to patients/residents ■ Risk arising from the safety and security of individuals cared for in facilities ■ Risk of not engaging in a dialogue with patients/residents and their families
Risks related to information systems, cybersecurity and data	■ Information system risks ■ Cybersecurity risks ■ Data security risk
Risks related to purchasing, suppliers and subcontractors	■ Risks related to purchasing, suppliers and subcontractors
Legal risks	■ Legal risks
Non-compliance risks	■ Risk of a breach of the principles of business ethics and integrity in the conduct of business ■ Risk of non-compliance with the Sapin II law
Real estate risk	■ Construction risk ■ Real estate ownership risks ■ Risks arising from real estate disposals ■ Risks arising from real estate leases
Financial risks	Risk arising from raising additional funding Management of customer risks Credit, liquidity and cash flow risks ■ Liquidity risk associated with the ORPEA Group's debt ■ Interest-rate risk associated with the ORPEA Group's debt

2.6.2.1 FACTORS RELATED TO THE MARKET ENVIRONMENT

Risk arising from changes in medical cost/ benefit policy

Regulatory risks arising from the award and renewal of operating licences

Description of risks

A licence is needed to operate a nursing home or medical facility in France, as in most of the other countries where the Group is active. These licences are issued by the relevant authorities, specific to each country (Regional Health Agency and/or local authority in France, Local Health Administration (ASL) in Italy, the autonomous communities' social services in Spain, groups of municipalities in Belgium, etc.). The ease with which such licences are obtained varies with the 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 established such barriers to entry. However, the authorities require compliance with architectural, safety, quality, staff and other standards before issuing a licence.

Licences are awarded either for an indefinite period – 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.

To maintain or renew their licences, they usually have to undergo procedures that assess and check their service quality. Depending on the country, these procedures are carried out by either the national or regional regulatory authorities.

An operating licence may be not be renewed if a significant breach of standards is identified. Licences may even be withdrawn by the supervisory authorities where serious misconduct occurs.

Risk management

Generally speaking, the operating licences granted to ORPEA's facilities have never come under any threat given the internal control and meticulous monitoring processes implemented by its various departments and support units (quality department, medical department, operations departments, works, purchasing and catering units, etc.).

The quality procedures, which cover 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, help ORPEA to guard against the potential risk of operating licences not being granted or renewed.

Regulatory risks arising from pricing at Group facilities

Description of risks

In some of the countries where ORPEA operates, the pricing schedule applied by facilities has 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 covering accommodation and/or superior comfort levels (e.g. a private room), paid for by the resident or patient.

The portion paid for by the public authorities varies from country to country, and even from one region to another within the same country, but makes up less than 50% of total funding in most cases.

The portion paid for by patients and residents is deregulated in most countries, but increases may be regulated (including in France, Belgium, Austria and Germany) subject to an inflation-linked cap, at least for existing residents. By contrast, pricing is not subject to any regulations 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 fiscal restraint. A general decrease in rates paid by the public sector could have a negative impact on the Group, the results of its operations and financial position.

Risk management

The Group now operates in 14 countries, and so it has diversified its exposure to several healthcare systems by expanding its operations 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 focused on countries where a significant portion of its revenue, and crucially its profits, is generated from private funding. In the event of a cut in public funding, the Group has a degree of flexibility because of the proportion of its funding that comes from private sources.

In certain countries, the Group has developed a completely private offering that does not receive any public funding. That applies in Spain, Poland, Portugal, Brazil and China.

Risks arising from a change in public policy

Description of risks

Generally speaking, regardless of the country, governments are keen to promote homecare for the elderly requiring long-term care and thus to support homecare services. In recent years, all European countries have developed initiatives and increased funding for homecare, giving retirement homes a greater focus on elderly people requiring a high level of care. Germany, after the second reform of the long-term care sector (known as PSG2), is a case in point. Right across the board, nursing homes are tending to focus more on residents requiring the highest levels of care.

Risk management

ORPEA, regardless of the country where it operates, does not consider homecare to be a direct competitor but a complementary service. Indeed, it looks after people requiring levels of long-term care that effectively preclude them from staying in their home. Multiple studies have shown that new beds will need to be provided for the elderly everywhere over the coming years. As an example, the number of new beds that will be needed in the 13 countries served by ORPEA (excluding China) given the strong growth in the elderly population is estimated at over 1 million by 2040.

Over several years, the Group has developed a complementary range of homecare services, including its DOMIDOM and ADHAP Services networks in France, Spitex Ville et Campagne in Switzerland, the country's leading private-sector homecare network, and Allerzorg in the Netherlands, which was acquired in early 2019. In many countries, the Group has also refined its offering so it can meet demand for assisted-living facilities, hospitals and outpatient care, and homecare services, as well as for nursing homes.

Description of risks

Owing to fiscal constraints, certain 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 has diversified its risk exposure since it now operates in 14 countries. In addition, the Group has strengthened its position in the mid-range to high-end segments in most countries.

What's more, the solvency risk of residents and patients is mitigated by three factors:

- statistics suggest that the very elderly are poised to see their incomes grow over the next few years right across Europe;
- the private commercial sector accounts for just 10% to 40% of the total number of beds for the elderly in all the countries served by ORPEA. Accordingly, the ability of residents and patients appears to be less of an issue given the statistical distribution of wealth among the very elderly;
- ORPEA has always aimed to locate its facilities in areas with strong purchasing power.

Risks arising from changes in the marketplace

Description of risks

The type of facilities and long-term care available varies tremendously in the long-term care sector, ranging from homecare, to sheltered housing, assisted-living facilities and nursing homes. Industry players come from very different backgrounds and may be public-sector, not-for-profit or private commercial organisations, offering different services and charging different prices. Consequently, patients, residents and their families choose a facility based on several criteria (location, quality, cost, etc.). Accordingly, ORPEA's facilities have to stay competitive and maintain a high level of appeal.

Risk management

Hospitals play a key role in influencing the choice of medical facilities, with families, referring physicians or social services key influencers for nursing homes. They advise future patients and residents on choosing a facility based on a number of criteria, including its location, expected quality of care, team expertise and bed availability. ORPEA is constantly striving to make its facilities more attractive by investing and redeveloping buildings, offering locations in city centres and carrying out ongoing quality audits. Each facility manager cultivates local relationships with influencers, inviting them to visit their facility on a regular basis.

A satisfaction survey is conducted annually among influencers 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. Medical facilities and nursing homes are regulated in most countries, and so an operating licence is generally required.

In addition, with the population ageing, bed capacity in nursing homes continues to lag well short of the level of demand seen in all the countries in which ORPEA operates.

2.6.2.2 FACTORS RELATED TO THE GROUP'S STRATEGY AND DEVELOPMENT POLICY

Risks arising from acquisitions and integration of newly acquired companies

Risks arising from the pricing of acquisitions

Description of risks

For many years now, ORPEA has implemented an active development policy, in particular through the acquisition of existing facilities or small groups of facilities.

Competition to buy companies is heating up given the concentration of the long-term care sector in recent years and growing interest from private equity companies. The emergence of national and indeed international 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.

Risk management

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 and is dominated by small family-owned operators. In most cases, these facilities are no longer able to comply with the regulatory standards or their owners wish to hand over the reins, perhaps because the founder has reached retirement age. In addition, given the funding difficulties faced by local authorities, certain facilities in the not-for-profit sector are struggling and therefore represent a new source of growth for the Group.

ORPEA has significantly broadened its range of potential targets through its geographical diversification. With is new cluster-based organisation structure, the Group is in a position to make acquisitions in 35 countries. ORPEA adopts a highly selective approach focused on acquiring independent facilities or small groups of facilities, a segment in which there is far less competition than for larger groups.

Lastly, ORPEA's development policy consists not just in going ahead with selective acquisitions, but also in organic developments by establishing completely new facilities.

Risks arising from acquisitions and from the integration of facilities recently acquired by the Group

Description of risks

ORPEA's network of facilities has expanded rapidly, with acquisitions playing a major part in this. In recent years, around 50% of the Group's growth has come from acquisition-led growth in countries where it was already present and in new territories. The facilities it purchases do not usually comply with its quality or its expected profitability standards at the time of their acquisition.

Risk management

ORPEA has gained great experience in acquiring facilities, and has built its organisation and information systems to integrate and control the groups it buys. In recent years, it has invested heavily in both information systems and in strengthening management to facilitate the smooth integration of its new facilities in all respects and to tighten up its controls.

What's more, ORPEA's strategy is to make selective acquisitions of independent facilities or medium-sized groups, which helps to reduce the impact on the Group and makes it possible to integrate them rapidly.

2.6.2.3 SOCIAL RISKS

All the factors related to social risks are covered in section 3.4 of the Statement of non-financial performance.

2.6.2.4 ENVIRONMENTAL RISKS

All the factors related to environmental risks are covered in section 3.5 of the Statement of non-financial performance.

2.6.2.5 SOCIETAL RISKS

All the factors related to societal risks are covered in section 3.6 of the Statement of non-financial performance.

2.6.2.6 RISKS RELATED TO INFORMATION SYSTEMS, CYBERSECURITY AND DATA

Information system risks

Description of risks

Information systems play an important role in ORPEA's operations. The temporary unavailability or failure of information systems as a result of either internal or external factors would be damaging for all the Group's operations, adversely affecting the availability of data and continuity of business.

What's more, its efficiency and operational effectiveness could be impaired if technologies prove to be ill-suited to the Group's transformation in the current fast-changing environment.

Risk management

The Group has introduced a flexible organisation for the information systems department so it can respond and adapt rapidly to business needs and technological advances. Under this organisation, which puts user satisfaction at the heart of its strategy, teams have been remodelled into start-up-like units.

Where appropriate, the Group designs and introduces bespoke tools tailored to its needs. Each system reflects a desire to unlock greater efficiency and performance gains. Since IT developments are carried out internally, the teams have a real understanding of the changes and developments in the software used. Active monitoring of these information systems' availability is achieved through both preventative and detection-based warnings and indicators.

To eliminate risks as far as possible, back-up facilities and redundant networks safeguard data availability and accessibility. Business recovery plans are updated and tested on a regular basis. The ORPEA Group makes every effort to ensure its information systems operate as efficiently as possible.

Mindful that the requirements of the future are already taking shape today, ORPEA does not simply monitor advances in technology, but puts innovation at the centre of its strategy. For this purpose, it has established an innovation unit consisting of specialists who plan ahead for and develop the tools of the future, such as telemedicine.

Cybersecurity risks

Description of risks

Like all businesses that use connected information systems, the Group is exposed to cybersecurity risks. The general view today is that cyberattacks are becoming more and more varied and complex. Their frequency and severity are steadily increasing, too.

Efforts to combat cybersecurity threats are a clear priority since system disruptions or shutdowns and data losses following attacks could have an adverse on the Group's operations, financial position and reputation.

Risk management

Given the proliferation of increasingly innovative cyberattack techniques, the ORPEA Group constantly adapts and refreshes the resources it uses for prevention and detection purposes. High security standards have been introduced Group-wide, including the following measures:

- active vulnerability monitoring: monitoring of the latest attacks, cybercrime threats (ransomware, CryptoLocker and Crypto Wall) and drafting of an action plan, if necessary;
- security audits to assess existing measures;
- incident tracking to safeguard the information system security and design effective remedial measures;

- regular awareness-raising campaigns intended to reach all employees.

The Information System Security governance framework is based on the ISO 27001-certified information security management standard. As part of this, information system and cybersecurity risks were mapped in 2017, and an update was carried out in 2018.

Data security risk

Description of risks

Risks arising from data collection, hosting and access are clear priorities given the increasing trend towards the digitalisation of the data held on the Group's systems. Insecure and unauthorised data access could, for example, lead to leaks of medical data, which would have ramifications for patients/residents and for the Group.

In addition, all these factors need to be handled in accordance with the Group's obligations under the General Data Protection Regulation (GDPR) to ensure that it does not incur financial penalties or suffer damage to its reputation.

Risk management

Data security and confidentiality have always been a strategic priority for the Group. Accordingly, it has laid down and implemented strict security rules to safeguard data integrity, availability, traceability and confidentiality. Special attention has been paid to the concept of user profiles, restricting data access, especially to medical data. Accordingly, each user has access solely to the data required for their duties and activities.

Specialised companies, external auditors and the internal audit function regularly test the effectiveness and robustness of the access management rules and controls implemented. In addition, concrete security and data privacy measures are regularly implemented and monitored. These have included programmes to raise employee awareness, the use of a questionnaire to assess IT system security risks for each project, an impact assessment procedure, upskilling of the IT department's staff.

Given the nature of its business, the security of personal data has always been a major concern for the Group, and it has established a dedicated data protection unit. It tightened up its data protection policy further in May 2018 when the GDPR entered force. ORPEA has appointed a Data Protection Officer (DPO) responsible for managing all the relevant GDPR obligations Group-wide. The Group DPO can call on a network of internal and external correspondents in the clusters/BUs who put the Group policy into action.

2.6.2.7 RISKS RELATED TO PURCHASING, SUPPLIERS AND SUBCONTRACTORS

Risk identification

The ORPEA Group could run the risk of becoming dependent on its subcontractors or its suppliers. The Group could be adversely affected were one or more of them to discontinue their activities, cease payments or deliver lower-quality products or services. Such an occurrence could diminish the quality of ORPEA's own services or increase the expenses it incurs, especially if it had to replace the defaulting subcontractors with more costly service providers.

Risk management

ORPEA has a corporate purchasing department that manages its purchasing policy and supports the purchasing departments of the clusters/business units. Its mission goes well beyond merely selecting suppliers or subcontractors. The department monitors the quality of suppliers, keeps a tight grip on its costs, implements Group-wide purchasing procedures, and contributes to the successful integration of the new facilities.

Not only does this purchasing policy streamline costs, it also safeguards traceability and, more broadly, the quality of products and services (food, outsourced laundry services, medications, medical devices, etc.).

The Group is careful not to rely on a single provider for its strategic supplies or services, thereby reducing the risk of temporary lapses in the quality of services provided should there be a change in supplier.

2.6.2.8 LEGAL RISKS

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, business activities or the results of its operations.

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.

2.6.2.9 NON-COMPLIANCE RISKS

All the factors related to non-compliance risks are covered in section 3.3 of the Statement of non-financial performance.

2.6.2.10 MANAGEMENT OF REAL ESTATE RISKS

Management of the risk arising from the safety of buildings

All the factors related to building safety risks are covered in section 3.6.2.3 "Guaranteeing the safety and security of individuals cared for in the facilities" of the Statement of non-financial performance.

Construction risk

The Group is exposed to construction risks, including:

- third-party objections to planning permission, which may delay the start of construction work;
- delays to project delivery, mainly owing to failures by sub-contractors or inclement weather;
- temporary adverse opinions from safety and disabled access committees, which may delay the commissioning of facilities;
- defects and substandard building work.

To curb these risks, the Group relies on a property development department, responsible, in conjunction with external architects, for preparing applications for planning permission in close cooperation with:

- operational staff (regional managers, medical department and pricing department) to devise a functional plan ensuring 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 the process of obtaining permission.

In addition, all works are insured under comprehensive construction work policies.

Real estate ownership risks

The main risk arising from property ownership is the risk of vacancy and non-utilisation of properties leading to a revenue and cash flow shortfall.

This risk is very limited for the Group because:

- properties are operated or intended to be operated by the Group itself in carefully selected geographical areas, and are not therefore exposed to the risk of a tenant's voluntary departure;
- the risk of vacancy is virtually nil in a sector characterised by very strong structural demand that 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 arising from real estate disposals

ORPEA regularly sells operating properties in blocks or individually to third-party investors. Where these sales take place off-plan, the Group may face construction-related contingencies 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 arising from real estate leases

ORPEA sells some of the properties it operates and leases them back over a given period of time. There is a risk of rent increases based on indexation and of rent increases upon renewal of a lease.

To keep rental costs under control, around 50% of leases are indexed annually at a fixed or capped rate to protect the Group against the risk of inflation.

Upon renewal of a lease, ORPEA retains some degree of flexibility because it holds the operating licence for the facility.

2.6.2.11 FINANCIAL RISKS

Risk arising from raising additional funding

Description of risks

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 as equity or debt.

Risk management

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 structure, with covenant ratios well below the authorised limits.

Since 2012, ORPEA has greatly diversified its funding sources beyond just banks by carrying out various bond issues:

- private bond placements with major French institutional investors (insurance companies and mutual insurance groups);
- several *Schuldschein* note issues in the German market, bought by a wide variety of European and Asian investors. At year-end 2018, *Schuldschein* issuance totalled over €1.3 billion and was placed with over 50 separate investors;
- in 2018, the Group completed its first-ever public bond placement issuing a seven-year maturity that raised €400 million, tapping into a whole new pool of credit investors.

The Group has also regularly continued to arrange financing with a growing number of banks in recent years as ORPEA has pursued its geographical diversification drive.

Lastly, the Group still boasts a healthy cash position, which came to €768 million at 31 December 2018.

Management of customer risks

ORPEA's exposure to customer risk is limited, as its pricing is regulated.

In nursing homes, about three-quarters of revenue is paid in advance by residents and/or their families. The customer risk is therefore spread across all the residents in ORPEA's facilities, and so no one resident is a significant customer for the Group. To guard against the risk of unpaid invoices, the Group's nursing homes require all new residents to provide a security deposit plus a guarantee from a third party, where appropriate.

In post-acute and rehabilitation hospitals and in psychiatric hospitals, revenue is received from the social security authorities, private insurance companies, such as mutual insurers in France, and directly from patients themselves. To guard against the risk of default or late payments, including by public and private insurance bodies, the Group closely monitors the billing and collection process, with a centralised collection service.

Credit, liquidity and cash flow risks

Liquidity risk associated with the ORPEA Group's debt

Since 2012, ORPEA has diversified its funding by using leasing, mortgage loans, private placements and *Schuldschein* notes in additional to conventional bank loans. This policy of diversifying and optimising the financial structure continued in 2018, with the Group taking advantage of the record low level of interest rates and the strong interest it has attracted from banks and credit investors. In the first half of 2018, ORPEA completed the placement of its first public seven-year €400 million bond placement. The issue has helped to diversify its base of credit investors. ORPEA also raised a further €336 million from a *Schuldschein* issue in July 2018. By virtue of its track record and the resilience of its activity to the economic environment, ORPEA boasts an attractive risk profile for lenders.

ORPEA's net debt came to €5,022 million at 31 December 2018 (excluding debt relating to assets held for sale), and broke down as follows:

- €753 million in net operating debt, resulting in a limited operating debt/EBITDA ratio of 2.3x, below the permitted level of 5.5x;
- €4,269 million in net real estate debt secured by a real estate portfolio conservatively valued at €5,713.3 million based on a capitalisation rate of 5.8%.

Thanks to the growth in the bond market in Europe, ORPEA's financing now comes from five sources:

- financing for operating properties through finance leases or bank loans typically repayable over a period of 12 to 15 years;
- financing for properties or business acquisitions through private or public bond issues with maturities ranging from 5 to 14 years;
- financing for properties or business acquisitions through *Schuldschein*-type financing with maturities ranging from 5 to 10 years;
- financing for the acquisition of facilities, operating licences, etc., mainly through bank loans repayable over seven years;
- financing for properties recently acquired or under redevelopment or construction provided by bridging loans. Bridging real estate loans comprise financing lines dedicated to a specific project and general bank credit lines. The intention with these properties is either to sell them to third parties or to keep them, in which case they are usually subsequently refinanced under finance leases.

ORPEA only enters into 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 repayment schedule is presented in Note 3.12 to the 2018 consolidated financial statements.

Interest-rate risk associated with the ORPEA Group's debt

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 almost all of its consolidated net debt against interest-rate risk. To do so, 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.). The Group applies hedge accounting under IFRS 9, 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.

Interest rate derivatives

At 31 December 2017, the average notional amount of the derivatives portfolio based on a one-year maturity was €2,204 million.

At 31 December 2018, the average notional amount of the derivatives portfolio based on a one-year maturity was €3,006 million. As at 31 December 2017, the portfolio comprised fixed-for-floating (mainly three-month Euribor) interest-rate swaps and interest-rate options. These derivatives have either a constant or decreasing nominal profile.

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 its hedging instruments is sensitive to changes in interest rates and volatility trends. Volatility is assumed to remain unchanged for the purposes of this analysis.

At 31 December 2018, ORPEA's net debt amounted to €5,022 million (excluding debt relating to assets held for sale), of which approximately 33% was 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 €0.4 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.

Details of the Group's hedging positions are provided in Note 3.13.1 to the 2018 consolidated financial statements.

Counterparty risk

The use of hedging products to limit interest-rate and currency 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 enters into hedging transactions only with the largest international financial institutions.

Currency risk

ORPEA has little exposure to currency risk, since 92.7% of its 2018 revenue derived from the euro zone. ORPEA generates 7.3% of its revenue in Poland, the Czech Republic, China and above all Switzerland, where it reinvests most of its profits in future developments, thereby reducing currency risk.

2.7 INTERNAL CONTROL

2.7.1 SCOPE AND OBJECTIVES OF INTERNAL CONTROL

Internal control is a framework applicable to the Company and its consolidated subsidiaries. It is rolled out across all its clusters and 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 and its reputation;
- the information produced is reliable, comprehensive and of a high quality, including 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 organisation that aims to safeguard operations as far as possible and, secondly, to react as effectively as possible should a material adverse event occur.

The Group's principal risk factors arising from its business activities are presented in the "Risk factors" section of this document.

2.7.2 INTERNAL CONTROL PARTICIPANTS AND BODIES

2.7.2.1 INTERNAL CONTROL PARTICIPANTS

Executive management

Executive management plays a crucial role in internal control. The "tone at the top" is vital for establishing, leading and passing on best practices in the area.

ORPEA's executive management has always adopted a very clear stance, never leaving any doubt about the imperative of ensuring that key controls are in place and that risk factors are identified, ranked by their importance and appropriately dealt with.

Audit, risk and internal control department

Measures to strengthen the audit, risk and internal control department, which began in 2017, continued in 2018, under the leadership of the Chief Executive Officer. The department, which has dual reporting lines to the Chief Executive Officer and to the Audit Committee to safeguard its independence, is built around two units – permanent control and periodic control.

Permanent control unit

The permanent control unit endeavours to identify and prevent risk factors and to devise an appropriate internal control framework. It has four main areas of expertise:

- risk management, which is in charge of preparing and coordinating various risk mapping exercises;
- internal control, which has responsibility for establishing the internal control framework, including by introducing and monitoring Group-wide standards and by taking part in various Group projects to ensure that risk factors are handled properly;
- compliance, which is tasked with ensuring that the Group complies with its obligations, with a particular focus on efforts to combat corruption and influence peddling;
- data protection, which is tasked with ensuring that the Group complies with its obligations in relation to personal data.

Permanent control's four functions are centralised at the head office, but are also represented in the clusters/business units by local correspondents dedicated to control activities, ensuring that ORPEA's best practices are passed on and applied. They are also in charge of adapting the Group principles to fit the local environment.

Coordination between the corporate headquarters and the cluster/BU teams is achieved through regular communication and visits to foster transparency on issues encountered at corporate and local level.

Periodic control unit

The periodic control unit, consisting solely of internal audit, has responsibility for ensuring that the internal control framework is effective and that risks are mitigated at all Group entities. It may also recommend improvements to curb its risk exposure.

It performs its engagements in accordance with professional standards and aims to safeguard the quality of the internal control framework. Best practices are reported so they can be incorporated in the internal control environment, with recommendations issued to address weaknesses identified and regular follow-up.

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 in section 2.7.5.1 below.

Quality department

The quality department provides methodological assistance to facilities to ensure that they are able to implement and monitor their own quality and operational 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 training courses.

In particular, a Quality and Risk Management Committee meets every month in all the clusters to review implementation and adoption of best practices by the facilities. It also addresses any implementation difficulties encountered by operational teams and proposes solutions to ensure that targets are met. The Committee also considers changes in and improvements to internal control systems to ensure that the Group's operational policy is complied with. A report is then given at the Operations Committees.

Legal department

The legal department advises and assists executive management and all the operations 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 be held liable, 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 in the clusters/business units also provide support to the legal function.

2.7.2.2 CONTROL COMMITTEES AND BODIES

Audit Committee

The remit of the Audit Committee is presented in the "Corporate governance report" in Chapter 4 of this document.

Executive Committee

The Executive Committee, a forum for discussion and reflection, meets every quarter and lays down the major strategic, commercial, managerial and organisational priorities applicable to all the entities. It reviews and signs off on the arrangements for implementing all large-scale projects and makes sure the Group operates smoothly. It is also responsible for enhanced internal communication of the Group's policies and tighter integration of the various entities, unifying them around common values and processes.

Any decisions made at the Executive Committee are implemented through action plans, which are then followed up on at its subsequent meeting.

As part of the Group's reorganisation and creation of clusters, the composition of the Executive Committee was overhauled and given a greater international dimension. The CEOs of the clusters now sit on the Executive Committee alongside 10 members from the corporate headquarters (Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Human Resources Officer, Chief Quality Officer, Chief Medical Officer, the Heads of Operations responsible for oversight of nursing homes and hospitals respectively, the Corporate Secretary, and the Secretary General for finance).

The Executive Committee meets once a year with the executive teams (CEOs, COOs, CFOs) of all the business units as part of an international seminar that aims to promote best practices, set in motion discussions and launch new transformational projects.

Operations Committee

Operations Committees are held every month by each cluster/business unit and meet with the executive team of the relevant entity and the Chief Operating Officer and/or the Head of Operations responsible for oversight of the relevant entity. The various support services (local or corporate) may give presentations on a regular basis.

These Committees consider any issues arising in relation to the activities of the cluster/business unit. Their discussions include an update on action plans in progress and for implementation, budgets, quality and the training plan. They also review commercial performance and the main expense items, and sign off on any decisions submitted for the prior approval by corporate headquarters in line with the rules in force within the Group.

These Committees generally follow on from an internal Operations Committee specific to the cluster/business unit (which the corporate-level members do not attend), during which the relevant entity's executive team and main heads of department prepare for the Operations Committee meeting.

The decisions made during these Operations Committee meetings are passed on and explained as a matter of course to facilitate their implementation *via* monthly meetings with the head of operations of the relevant entity, regional managers and facility managers. These meetings are scheduled over the same week across the various regions to ensure that information is passed on to all facilities concurrently and thus that decisions made are put into action rapidly.

Decisions approved are added to the action plan of each of the regions, and even of each facility, so that attainment of the objectives set can be tracked 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.

Development Committee

The role of the Development Committee is to give the go-ahead to development projects, which may include the creation of new facilities, acquisitions and redevelopments. It also conducts progress reviews on development projects in progress. Each development project undergoes a due diligence process, which the Development Committee relies on when making its decision. To make sure decisions can be made rapidly, the Committee meets several times a month at the request of the clusters and business units. It is made up of Group Executive management, the heads of development, representatives of the cluster and/or the business unit (generally, the CEO, CFO, COO, head of development) and the head of Development Committee coordination. Where required, the Development Committee may call on the operations, finance, legal, construction and maintenance, medical and compliance departments.

The merits and shortcomings of each project are considered in detail, before the Committee decides whether or not to go ahead with it.

Construction and maintenance department

Real estate has a major impact on ORPEA's investments and also on the care and security of its residents, patients and employees. With this in mind, the construction and maintenance department conducts controls throughout a building's life cycle:

- in advance of the Development Committees: ensuring the building is designed properly and the investment budget is estimated appropriately;
- before construction projects are set in motion: making certain all the critical pre-requisites for the smooth progression of a construction project have been put in place prior to the launch of work;
- during construction, *via* monthly monitoring and on-site inspections at milestones states: ensuring the project is delivered on budget and on schedule and meets quality guidelines;
- during operation, including the implementation and follow-up on security and asset register audits: ensuring compliance with regulatory obligations and maintaining the condition of the premises.

Operational 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 and/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 Chief Legal Officer, the Chief Quality Officer, the Chief Medical Officer, the Head of communications, the Head of supervisory affairs, and the Head of audit, risk and internal control provides support and guidance to the cluster and/or business unit 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 establish contact with the supervisory authorities and inform them of the incident once a preliminary investigation has established the basic facts.

2.7.3 ESTABLISHING, ROLLING OUT AND APPLYING EXACTING ANTI-CORRUPTION AND ANTI-FRAUD PRINCIPLES

All the factors related to non-compliance risks are covered in section 3.3 of the Statement of non-financial performance.

2.7.4 INTERNAL CONTROL FRAMEWORK FOR OPERATIONS

CONTROL ACTIVITIES

Control activities, which are effected at every tier of the organisation, aim to safeguard operations and to enable ORPEA to achieve its objectives while taking only an acceptable level of risk. If they are to be relevant, control activities must be proportionate to the goals they seek to achieve, and they may cover either the entire organisation or be specific to just one business (to meet specific needs).

Control activities must not be reduced to a series of documents or information because all those involved in the organisation are stakeholders in these control activities. The control activities may take various forms and involve implementation of a procedure, a shared or supervised control action.

Nonetheless, ORPEA has drafted internal rules and crisis management plans so that Group-wide risk factors are addressed in a consistent manner or in respect of which management has adopted a clear stance to uphold the Group's values. Risk mitigation methods include reduction of the impact, prevention and transfer when the very nature of a risk factor means that it cannot be addressed in any other way.

It is essential for the nature of the Group's activities to be taken into account because it operates in a highly regulated environment.

CORPUS OF INTERNAL RULES

Rules issued by executive management

Executive management has stated its desire for the corpus of rules to apply to everyone within the organisation from the top down. Management thus has to abide by the rules and principles that apply in every country. These rules of procedure provide the framework for delegation of powers, reporting, governance and compliance that has to be adopted locally by the management team. The BU CEOs have to sign a statement certifying that the rules of procedure have been abided by, and so they play a leading role in making sure the rules of procedure are properly applied.

Rules issued by support functions drafted with assistance from the internal control unit

The internal control unit is responsible for coordinating the internal control framework under the supervision of the audit, risk and internal control department. Accordingly, it has established rules with the business lines to ensure that best practices are catalogued in an internal control reference framework. This reference framework dovetails perfectly with the rules of procedure to maintain overall consistency and is built around the following priorities:

- educational tools to ensure full buy-in from teams that have to abide by these principles. In practice, these tools are largely translated into flowcharts and mind maps that can be used to gain insights into the key stages and key controls, and to identify the individuals/functions responsible for implementing them. To make sure these principles are abided by properly, ORPEA's internal control holds workshops across its various business units, which are backed up with action plans to achieve full compliance with the Group's principles while addressing specific local characteristics;
- the formal definition of rules in the "Internal control standards" handbook, which presents details of the various educational tools and illustrates them with expected theoretical controls, examples of how these controls can be applied, formal templates. etc. These standards are made available to all the Group's entities *via* a dedicated platform and also to the business units during the workshops;
- coordination of self-assessment campaigns based on the standards.

Rules issued by the quality department

The quality 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 functions 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 quality procedures are applied by all the Group's facilities. When ORPEA acquires an operation in a new territory, the corporate quality teams support the business unit's quality teams with implementing and establishing its rules and best practices with the local teams.

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.

The BCP is supported by a crisis management plan that catalogues 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 submitted to the relevant authorities and also undergo scrutiny by the operating departments and the quality department.

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 MATERIAL ADVERSE EVENTS

A procedure for handling material 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 business unit head and the Group's Chief Operating Officer.

The procedure is applied at every facility. The causes of the material 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

Permanent 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 BU 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 and certifications

In France, nursing homes and hospitals are subject to mandatory appraisals conducted 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).

Outside France, depending on the regulations in force in the various countries, ORPEA may comply with other types of certification, including in Spain and Switzerland.

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.

2.7.5 INTERNAL CONTROL FRAMEWORK FOR THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

2.7.5.1 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 the other handling supplier accounting. The consolidation process is overseen by the Group Head of Consolidation.

Finance departments of international subsidiaries

The finance departments of international subsidiaries 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 BU heads and the works unit in relation to investment projects.

2.7.5.2 PROCESS OF PREPARING ACCOUNTING AND FINANCIAL INFORMATION

Given the ORPEA Group's major expansion in recent years, it has had 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 ORPEA's consolidated financial statements based on each entity's individual financial statements and the consolidation packages prepared by each country.

Each country has its own accounts and makes its own entries on a daily basis. The French accounting teams use Navision, which interfaces on a daily basis with Harmonie, pending full and final migration to Navision. Outside France, most of the Group's units use Navision.

The finance team of each facility also produces monthly reporting for ORPEA's Group finance department.

Interim and full-year consolidated financial statements are prepared, with the process being supervised by the Head of Group consolidation and her team. Consolidated financial statements are prepared only for the interim and the full-year period.

The financial reporting process also involves all the accounting teams in France and around the world. 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. Each entity has to send in its individual financial statements within one month of the year-end date. In Spain, Switzerland, Austria, Germany, Belgium and Poland, 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 consolidation department prepares 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 Group 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 other headquarters functions or on the services of external advisors.

ORPEA stays in regular contact throughout the year with its Statutory Auditors, and it may consult them on certain specific technical issues, whenever the need arises.

2.7.5.3 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 to:

- prepare an annual budget for each facility;
- prepare a monthly budget tracking and reporting system;
- develop new systems and enhancements to existing systems to improve responsiveness;
- carry 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 the Cluster managers at Operations Committee meetings, during which action plans are drawn up, where required, with input from the managers of the technical headquarters units (medical, employee affairs, purchasing, catering and works).

Meetings are also held every month in each cluster 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 in 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 budget variances 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. Special powers and procedures have been put in place to cover these restrictions at the finance departments of the subsidiaries outside France.

The Group's cash flows are also 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.

2.7.5.4 AUDIT COMMITTEE

The remit of the Audit Committee is presented in the "Corporate governance report" in Chapter 4 of this document.

2.7.5.5 THE 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 for ORPEA SA and the most significant subsidiaries;
- an audit at the end of financial year.

A letter of representation, signed jointly by the Chief Executive Officer and the Group's 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.

2.7.5.6 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.

2.8 VIGILANCE PLAN

The vigilance plan aims to detect and prevent serious breaches of human rights, fundamental freedoms and threats to the health and safety of people and to the environment.

As a leading provider of long-term care, ORPEA was very quick to make respect for human rights a core pillar of its business. To achieve this goal, it put in place the requisite resources to ensure that the people accommodated in its facilities are cared for appropriately. It also introduced policies and procedures for employees and partners who work in its facilities on a daily basis.

It is also a leading player in real estate by virtue of the nature of its business activities. The environmental impact of the facilities built and/or operated by ORPEA is considered from the design stage or when a building or site is acquired. Likewise, strict procedures are put in place and regular monitoring is carried out concerning daily operations that could potentially have an impact on the environment.

The ORPEA Group believes that given the implications of its operations for people and the environment careful consideration is a crucial aspect of making its business sustainable. It has thus established its governance framework and development model around socially responsible values and principles covering all the territories in which it operates. In addition, ORPEA endeavours to rigorously uphold human rights and comply with the labour, health and safety, and environmental legislation in all the countries where it has a presence.

For consistency's sake, the points related to the vigilance plan are covered under the relevant headings of the management report and the Statement of non-financial performance. However, to make the vigilance plan easier to read, these points have been included here in full, so that it is easier to grasp the commonality between the 2018 plan and that for 2019, while presenting the results obtained.

2.8.1 RISK MAPPING: IDENTIFICATION AND EVALUATION OF THE RISKS GENERATED BY THE ORPEA GROUP'S BUSINESS

2.8.1.1 THE GROUP HAS LAUNCHED A PROACTIVE APPROACH TO IDENTIFY CORE BUSINESS RISKS *VIA* A RISK ASSESSMENT UNDERPINNED BY A POLICY OF MEETING VERY HIGH STANDARDS FOR ITS RESIDENTS, PATIENTS AND CUSTOMERS

Given the nature of its operations, the ORPEA Group conducts an active risk management policy. The risk prevention and management framework is predicated on a structured approach, which aims to identify, assess and control risk factors liable to adversely affect the smooth operation of the Group. As part of this approach, ORPEA has identified the risks that may adversely affects its patients, residents and customers. These risks are presented and assessed below, together with the measures implemented to mitigate them.

2.8.1.1.1 Respecting the rights and dignity of patients and residents

ORPEA's mission is to provide a high quality of life and compassionate care for residents and patients who have chosen to live in one of the Group's facilities and for users of its homecare services. It aims to fulfil its mission in keeping with the basic principles of human rights, and the hospitalised persons' charter and the charter on elderly people living in care homes.

Respecting all individuals and preserving their dignity is one of the Group's key ethical principles laid down ORPEA's Code of Conduct.

A feeling of belonging, a person's culture, traditions and religious identity are strictly respected and staff are required to show an impartial attitude.

Furthermore, the resident/patient has the right to refuse any treatment and may express their end-of-life wishes by providing guidelines in advance. ORPEA's teams are trained in end-of-life care. They can manage pain and discomfort, and provide psychological support, not only for the resident/patient, but also for relatives. Training involves the listening skills, compassion and availability that teams need in order to maintain the resident/patient's dignity so that they do not feel abandoned, and to create a safe space for them.

The Group's facilities naturally abide by the legislation in force. In France, that includes the 1999 law enshrining the right to 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.

As well as respecting the rights of residents and patients, every facility operated by the ORPEA Group is committed to providing positive treatment, which is founded on respect for individuals, their dignity and their uniqueness.

Positive treatment also requires collective analysis of working practices with professionals regularly reflecting on what they do, and rigorously applying the measures decided on to improve practices.

To some extent, it is part of a culture that involves continuous self-reflection and analysis of the latest advances in knowledge and findings in the human, social and medical sciences. Striving to provide positive treatment entails continuous reflection and analysis and cooperation among professionals, users and close relatives, as well as other stakeholders, to identify the best possible way of meeting a given need at any particular time.

Appropriate organisational measures and management systems have been introduced to underpin this continuous reflection, which is crucial for an ambitious positive treatment approach.

Difficulties identified while caring for a resident/patient are discussed at the weekly briefing meetings held in each Group facility. The best solutions for respecting the freedom, rights, individuality and dignity of the resident or patient are identified by participants working as a team. In addition, the Group's organisation facilitates closer monitoring of the quality of care provided, as well as oversight of staff's handling of everyday problems, as facility managers are relieved of the burden of having to perform the majority of support functions.

The ORPEA Group continually educates staff about the values and best practices that are essential to maintain respect for the dignity and individuality of its residents and patients. These values are enshrined in the Group's Code of Conduct and in ORPEA's quality charters and in charters setting out values that matter most to teams.

To reinforce the attention it gives to the ethical aspects of care practices, the Group established an International Scientific and Ethics Council in 2015. Its work helps to nurture the practices of the various teams at ORPEA facilities in France and around the world. Each of the Group's facilities can refer matters to the Committee or raise issues questions concerning a resident's or patient's care, especially where this has implications for positive treatment.

Every year the International Scientific and Ethics Council (ISEC) organises the ORPEA Excellence Awards to promote a responsible professional and pragmatic culture of clinical ethics and to encourage teams to innovate, to question their approach and make constant improvements to the care they provide to residents and patients. The event aims to reward the Group's teams that have devised noteworthy clinical ethics programmes. In the past four years, 21 entries have been submitted in the clinical ethics category.

Lastly, the Group has drawn up a preventive and remedial protocol for mistreatment and abuse covering all of its facilities. Not only is this designed to help prevent such behaviour - through appropriate recruitment, staff integration, support and training - but it also calls for any person suspected of mistreatment or abuse to be suspended in compliance with personnel management rules for as long as it takes to conduct an internal investigation.

Throughout the year, ORPEA's employees receive training on how to detect and prevent mistreatment and abuse. The training includes discussions of personal experiences, role-playing activities, and individual and collective action plans. Mini-refresher courses are also provided regularly in each facility.

2.8.1.1.2 Keeping residents and patients healthy

The health of residents and patients is of paramount importance to ORPEA and represents the overriding priority for all the teams working at the Group's facilities. Their primary mission is to care for and look after people who have become frail with age and lost the ability to lead independent lives.

The ORPEA Group has implemented appropriate preventative measures and curative action plans to address the various health-related risk factors that its facilities may encounter (pandemic risk, infection risk, food safety risk, etc.), while taking into account the regulations in force in the various countries in which it operates:

- **Staff information and training:**

  ORPEA has adopted best practices in hygiene, the prevention and control of infection risks, treatment protocols, medicinal safety mechanisms, a HACCP programme to control food safety in its kitchens. ORPEA has also established two specific working groups, hygiene & infection risks, and medication – responsible for formulating recommendations.
- **Preparation of a crisis management plan:**

  every facility has a business continuity plan covering every situation, with different levels of response. This business continuity plan also includes an inventory and orders for the relevant equipment (masks, protective glasses, alcohol-based solution to cope with an epidemic, plus air conditioners and ventilation equipment for heatwaves, etc.) to help protect residents/patients and Group employees. The facility's crisis cell communicates with the national crisis unit (consisting of the operations department, the medical department, the quality department), which coordinates measures Group-wide and compiles the information provided by local crisis cells.
- **Roll-out of IT tools providing full traceability:**

  the systems track all medical procedures and care, as well as the prescription, dispensing and administration of medication and the food product cycle. Combined with the medical and paramedical monitoring protocols and operating procedures devised by the medical department and Group quality department, these IT systems and this robust traceability help to:
  - enhance the safety of the care provided in all Group facilities (France and international), ensuring compliance with best clinical practice and all health and safety obligations;
  - harmonise the organisation of work with specific materials prepared to facilitate internal control of the care provided in the Group's facilities.
- **Establishment of a dietary plan focused on food safety and nutritional quality:**

50
million meals
served in 2018

Diet and nutrition are crucial factors for the elderly and the frail, and ORPEA, which serves 50 million meals p.a. to its residents and patients, pays special attention to these areas. ORPEA has put in place all the requisite resources **to guarantee food safety and serve healthy, high-quality meals accessible to all with high animal welfare standards:**

- food hygiene and safety: ORPEA's food safety control plan forms one of the main pillars of its chemical, physical and biological risk prevention programme. It covers all the requisite points for ORPEA's facilities to fully honour their responsibilities: best practices in food hygiene, compliance with the HACCP method, management of remedial actions and warnings, introduction of a traceability system. Evaluations and appraisals are conducted on a regular basis, both internally and by independent organisations. An external specialist provides support ORPEA's kitchen staff to ensure that procedures are implemented properly and to control the quality of services and products. The Group catering department works with its suppliers to offer high-quality, healthy and safe products in the restaurants of its facilities and to safeguard the traceability of products and their origins. Every month, teams verify close to 250 compliance and food safety control points;
- nutritional quality: menus are devised with the medical department, with input from dieticians, factoring in recommendations made by ANSES (French food, environmental and occupational health & safety agency), PNNS (French national nutrition and health programme) and GEMRCN (research body monitoring contract catering and nutrition markets) to make sure the meals served meet the appropriate nutritional standards. The catering plan provides variety and a balanced diet throughout the seasonal menu cycles. In addition, a personalised nutritional programme is drawn up by the care team for each resident/patient taking into account their needs and their tastes. Risks of undernutrition are monitored, and textures and diets can be tailored accordingly. Diet and hydration are monitored on a daily basis at each mealtime;
- food quality: the Group's catering department considers quality as a purchasing criterion in its own right for food products. Accordingly, it prioritises companies with their own quality (ISO-type) quality programmes, products with quality labels (MSC, *Bleu Blanc Cœur, Label Rouge,* AOC, AOP, etc.). It also takes into account the origin of products.

In parallel, the risk arising from the presence of allergens (INCO standard) in preparations and/or products from listed suppliers is identified, and an information sheet is made available to keep consumers fully informed.

2.8.1.1.3 Safeguarding the safety and security of individuals cared for at facilities

Keeping the people it looks after physically safe is a pre-requisite for any medical facility or nursing home. Failure by the Group's facilities to abide by the applicable regulations, which are constantly growing in number and being tightened up, could result in civil and/or criminal action against the ORPEA Group or lead to the withdrawal of operating licences.

ORPEA has identified all the health and safety risks that could occur in its facilities. Over a period of many years, it has introduced appropriate tools and systems (procedures, training, check lists and verifications) to prevent and manage these risks. They principally include 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 (fire safety, asbestos-related risks, radon, etc.).

A group of ORPEA's size, which manages over 900 facilities, has to devote very considerable financial and human resources to rolling out these tools and systems and to ensuring that it maintains them and conforms to the standards at all times.

ORPEA has risen to this challenge by opting to invest heavily each year to ensure that its facilities, in all the territories in which it operates, provide high-quality, safe and comfortable accommodation and to comply with government health, safety and fire directives. This investment also serves to maintain the appeal of the Group's facilities and the meet the comfort and safety expectations of residents/patients.

As such, a works budget is allocated each year by the Group works department and executive management to fully comply with regulatory standards. A works department established in each BU is responsible for building safety and maintenance. This involves:

- a prevention policy implemented through training provide to all the facilities' employees (annually or semi-annually depending on the country). This policy is implemented by either an accredited external firm or a specially trained in-house officer in compliance with the legal requirements in each country;
- preventative quarterly, semi-annual or annual maintenance work (fire safety system, smoke extraction system, fire doors, fire extinguishers, etc.);
- remedial measures as part of a system assuring full traceability to identify the issue that has arisen, the action taken to mitigate it, the person responsible, and the date on which the action was completed.

In parallel, ORPEA has established a network of specialist independent contractors that can audit the safety of its installations and buildings to check their compliance with the regulations in force. Fire safety checks are also carried out on the fire safety of installations by the relevant bodies. Legionella analyses are conducted on the basis of a schedule set annually, as are potability analyses (bacteriological and physico-chemical analysis) to check the quality of drinking water in all the countries where ORPEA operates.

With its portfolio of facilities built or redeveloped recently, ORPEA possesses a consistent, homogeneous portfolio of assets that meet the most stringent regulatory standards and provide a level of comfort few in the sector can match.

Keeping people safe and secure in the Group's facilities also means preventing the risk of wandering and suicide among residents and patients.

Teams assess the potential risks when residents and patients are first admitted. For individuals at risk, in addition to the requisite close monitoring, the care team (doctor, nurses, care workers, psychologist) introduces protective measures, devises an appropriate care plan and makes sure the resident's/patient's environment is secure.

These measures are always discussed with the doctor, staff and the resident's legal guardian, safeguarding the resident's and patient's well-being, rights and freedoms. To bolster prevention in ORPEA's facilities, training and awareness-raising initiatives for staff are also carried out (to spot behaviours that may point to a risk of wandering, prevention of suicide risk, recommended actions, etc.).

2.8.1.2 IN PARALLEL TO CORE BUSINESS RISK MONITORING, ORPEA HAS ALSO MAPPED SPECIFIC RISK FACTORS

2.8.1.2.1 ORPEA's risk mapping programme

Given the nature of its operations, the ORPEA Group conducts an active risk prevention and management policy. The risk prevention and management framework is predicated on a structured approach, which aims to identify, assess and control risk factors liable to adversely affect the smooth operation of the Group.

Measures to strengthen the audit, risk and internal control department, which began in 2017, continued in 2018, under the leadership of the Chief Executive Officer. The department, which has dual reporting lines to the Chief Executive Officer and to the Audit Committee to safeguard its independence, is built around two units:

- the permanent control unit endeavours to identify and prevent risk factors and to devise an appropriate internal control framework. It has four main areas of expertise:
  - risk management, which is in charge of preparing and coordinating various risk mapping exercises,
  - internal control, which has responsibility for establishing the internal control framework, including by introducing and monitoring Group-wide standards and by taking part in various Group projects to ensure that risk factors are handled properly,
  - compliance, which is tasked with ensuring that the Group complies with its obligations, with a particular focus on efforts to combat corruption and influence peddling,
  - data protection, which is tasked with ensuring that the Group complies with its obligations in relation to personal data;
- the periodic control unit, consisting solely of internal audit, has responsibility for ensuring that the internal control framework is effective and that risks are mitigated at all Group entities. It may also recommend improvements to curb its risk exposure.

The Group has a structured risk mapping programme, which rests on the following pillars:

- analysis and classification by area of the risks arising from the interviews conducted with the Group's key managers and the departments of the various clusters and business units;
- a rating of each risk factor based on expected severity, its likelihood of occurrence and the extent to which it has been mitigated;
- oversight of action plans to mitigate risk factors constituting major challenges for the Group.

2.8.1.2.2 Information systems risk mapping

The Information System Security governance framework is based on the ISO 27001-certified information security management standard. As part of this, information system and cybersecurity risks were mapped in 2017, and an update was carried out in 2018.

The ORPEA Group constantly adapts and refreshes the resources it uses for prevention and detection purposes. High security standards have been introduced Group-wide, including the following measures:

- active vulnerability monitoring: monitoring of the latest attacks, cybercrime threats (ransomware, CryptoLocker and Crypto Wall) and drafting of an action plan, if necessary;
- security audits to assess existing measures;
- incident tracking to safeguard the information system security and design effective remedial measures;
- regular awareness-raising campaigns intended to reach all employees.

2.8.1.2.3 Personal data protection risk mapping

Data security and confidentiality have always been a strategic priority for the Group. The risk factors that could potentially lead to personal data breaches have been mapped. Risks arising from data collection, hosting and access are clear priorities given the increasing trend towards the digitalisation of the data held on the Group's systems.

Accordingly, it has laid down and implemented strict security rules to safeguard data integrity, availability, traceability and confidentiality. Special attention has been paid to the concept of user profiles, restricting data access, especially to medical data. Accordingly, each user has access solely to the data required for their duties and activities.

In addition, specialised companies, external auditors and the internal audit function regularly test the effectiveness and robustness of the access management rules and controls implemented. Concrete security and data privacy measures are regularly implemented and monitored. These have included programmes to raise employee awareness, the use of a questionnaire to assess IT system security risks for each project, an impact assessment procedure, upskilling of the IT department's staff, etc.

Given the nature of its business, the security of personal data has always been a major concern for the Group, and it has established a dedicated data protection unit. It tightened up its data protection policy further in May 2018 when the GDPR was introduced. ORPEA has appointed a Data Protection Officer (DPO) responsible for managing all the relevant GDPR obligations Group-wide. The Group DPO can call on a network of internal and external correspondents in the clusters/BUs who put the Group policy into action.

2.8.1.2.4 Non-compliance risk mapping

ORPEA has demonstrated its determination to pursue a formal and structured approach to addressing non-compliance risks. It encompasses the risk of corruption and influence peddling, as recommended by the Sapin II law, as well as other non-compliance risk factors, such as failures to comply with competition law and the General Data Protection Regulation (GDPR), and fraud risk. The first mapping exercise was conducted by the audit, risk and internal control department in 2017. It was supported by an external firm to ensure the consistency of the methodology used and completeness of the approach.

The Group's key risk factors and aggravating factors were identified through a series of interviews. The criticality and "gross" risk associated with each factor was computed based on a combination of the likelihood and severity of its impact. The Group's stakeholders provided input into the review of the principal risk factors based on their area of expertise.

The level of control provided by the existing arrangements was determined through a second series of interviews, to calculate the net or residual risk. This score reflects the combination of the criticality and level of control. Each source of non-compliance risk was analysed meticulously by means of scenarios, aggravating factors, control arrangements and areas for improvement.

Lastly, when the Compliance programme was presented to the Group's Business Units during 2018, special attention was drawn to the non-compliance risks present locally, and the risk mapping was updated.

2.8.2 PROCEDURES ASSESSING AND MONITORING THE STATUS OF FACILITIES, SUBSIDIARIES, SUBCONTRACTORS/SUPPLIERS WITH WHICH ORPEA HAS AN ONGOING BUSINESS RELATIONSHIP

2.8.2.1 PROCEDURE ASSESSING AND MONITORING THE STATUS OF FACILITIES WITH WHICH ORPEA HAS AN ONGOING BUSINESS RELATIONSHIP

2.8.2.1.1 Internal assessments are carried out by the regional departments, quality department, medical department and/or executive management

For the smooth operation of the arrangements put in place to protect the health of residents, assessments and controls are conducted on a regular basis across all Business Units to make sure the procedures and regulations are followed properly and that training has been taken on board by employees.

ORPEA has devised a stringent quality control process that applies to all its facilities in every BU. More than 400 criteria are tracked and controlled. They cover care and treatment, safety and security, meals, hygiene and monitoring of the quality process. Internally, these criteria are monitored using daily management charts, as well as internal audits and evaluations:

- every quarter, self-assessments are conducted by facility managers 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); and
- every six months, a control audit is performed by regional managers to monitor compliance with all Group procedures (care, food, administrative and hygiene procedures) and as such to ensure the health and safety of residents and patients.

In addition, audits are also carried out by the Business Units' quality departments and by approved external companies (e.g., food product laboratory analyses, building safety external control office). What's more, hospitals also undergo an external certification process conducted by an independent organisation. The goal of this is to provide an independent assessment of the quality of services and safety of the care provided. In France, 72% of Group hospitals obtained an A rating, the highest level, from the French health authority, with all the others awarded a B rating.

In total for France, an average of 37 controls are performed every year at ORPEA facilities spanning the full range of management and resident and patient care activities.

2.8.2.1.2 External appraisals are also often called certifications

In France, nursing homes and hospitals are subject to mandatory appraisals conducted 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).

Outside France, depending on the regulations in force in the various countries, ORPEA may comply with other types of certification, including in Spain and Switzerland.

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 views the regulations applicable to its activities as an opportunity for continuous quality improvement.

2.8.2.1.3 In parallel, satisfaction surveys are conducted on a regular basis

Independent satisfaction surveys, organised site by site, in all countries, in post-acute, rehabilitation and psychiatric hospitals, nursing homes and DOMIDOM, ADHAP and Spitex homecare units alike. In hospitals, these surveys are conducted when patients check out; in nursing homes, they are conducted annually, and the results and improvement plans drawn up within each facility are presented to residents and their families.

In 2018, the satisfaction survey was given out to over 50,000 Group nursing home residents and their families, with more than 58% responding. In all, 92.5% of respondents said they were satisfied or very satisfied, and 93.7% would recommend an ORPEA facility to family or friends.

2.8.2.2 PROCEDURE ASSESSING AND MONITORING THE STATUS OF THE GROUP'S CLUSTERS/BUSINESS UNITS

2.8.2.2.1 Audit, risk and internal control department

Measures to strengthen the audit, risk and internal control department, which began in 2017, continued in 2018, under the leadership of the Chief Executive Officer. The department, which has dual reporting lines to the Chief Executive Officer and to the Audit Committee to safeguard its independence, is built around two units – permanent control and periodic control.

Permanent control unit

The permanent control unit endeavours to identify and prevent risk factors and to devise an appropriate internal control framework. It has four main areas of expertise:

- risk management, which is in charge of preparing and coordinating various risk mapping exercises;
- internal control, which has responsibility for establishing the internal control framework, including by introducing and monitoring Group-wide standards and by taking part in various Group projects to ensure that risk factors are handled properly;
- compliance, which is tasked with ensuring that the Group complies with its obligations, with a particular focus on efforts to combat corruption and influence peddling;
- data protection, which is tasked with ensuring that the Group complies with its obligations in relation to personal data.

Permanent control's four functions are centralised at the head office, but are also represented in the clusters/business units by local correspondents dedicated to control activities, ensuring that ORPEA's best practices are passed on and applied. They are also in charge of adapting the Group principles to fit the local environment.

Coordination between the corporate headquarters and the cluster/BU teams is achieved through regular communication and visits to foster transparency on issues met at corporate and at local level.

Periodic control unit

The periodic control unit, consisting solely of internal audit, has responsibility for ensuring that the internal control framework is effective and that risks are mitigated at all Group entities. It may also recommend improvements to curb its risk exposure.

It performs its engagements in accordance with professional standards and aims to safeguard the quality of the internal control framework. Best practices are reported so they can be incorporated in the internal control environment, with recommendations issued to address weaknesses identified and regular follow-up.

2.8.2.2.2 Operations Committee

Operations Committees are held every month by each cluster/business unit and meet with the executive team of the relevant entity and the Chief Operating Officer and/or the Head of Operations responsible for oversight of the relevant entity. The various support services (local or corporate) may give presentations on a regular basis.

These Committees consider any issues arising in relation to the activities of the cluster/business unit. Their discussions include an update on action plans in progress and for implementation, budgets, quality and the training plan. They also review commercial performance and the main expense items, and sign off on any decisions submitted for the prior approval by corporate headquarters in line with the rules in force within the Group.

These Committees generally follow on from an internal Operations Committee specific to the cluster/business unit (which the corporate-level members do not attend), during which the relevant entity's executive team and main heads of department prepare for the Operations Committee meeting.

The decisions made during these Operations Committee meetings are always passed on and explained to facilitate their implementation *via* monthly meetings with the head of operations of the relevant entity, regional managers and facility managers. These meetings are scheduled over the same week across the various regions to ensure that information is passed on to all facilities concurrently and thus that decisions made are put into action rapidly.

Decisions approved are added to the action plan of each of the regions, and even of each facility, so that attainment of the objectives set can be tracked 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.

2.8.2.3 REGULAR PROCEDURE ASSESSING THE STATUS OF SUBCONTRACTORS/SUPPLIERS WITH WHICH ORPEA HAS AN ONGOING BUSINESS RELATIONSHIP

2.8.2.3.1 ORPEA has introduced a responsible purchasing policy

Purchasing policy and supplier relations

ORPEA also intends to extend its social, societal and environmental commitments to its dealings with its suppliers. It regards them first and foremost as partners, with whom it is vital to build a trust-based relationship and to share common values, goals and objectives.

The Group strives to forge a balanced relationship with its suppliers and subcontractors based on the observance of reciprocal commitments. ORPEA thus intends to build a shared vision with each of its partners covering its projects and priorities. The goal is to plan ahead more effectively for risks and to innovate to meet needs.

Dialogue and face-to-face meetings lie at the cornerstone of supplier relationships, but tools and systems, such as management charts, also need to be established in advance to provide traceability and track progress towards the objectives set.

Reporting and regular discussions are thus important elements of the management of supplier relationships. In addition, always keen to improve its practices for the benefit of residents and patients, the Group purchasing department regularly assesses its strategic suppliers – once a year on average, but more often if an incident occurs. Should issues be encountered with a product, a report is drafted by the relevant facility and sent to the purchasing department. That helps to keep track of any issues arising, and remedial action can be implemented if necessary.

This policy and these guidelines prepared by the Group purchasing department are naturally adapted and applied by the BUs' purchasing units in each of the territories where ORPEA has a presence.

Code of Conduct

The purchasing department (at Group level and for the various clusters) has been identified as a key department in view of its duties. As a result, employees have been given training in business ethics and the Code of Conduct by the audit, risk and internal control department. The main topics covered were:

- good business conduct;
- management of supplier relations;
- controls on the acceptance of gifts and hospitality.

Eco-responsible criteria incorporated in calls for tenders

Suppliers should be selected on the basis of objective criteria (quality, cost, fit with the Group's ethical principles, etc.) through a process of open and fair competition.

Aside from purely business and financial aspects, a number of other criteria are required in the competitive tenders held by the Group and are taken into account when selecting the Group's partners:

- qualitative aspects: product quality is taken into account, as is the quality of follow-up and services offered (e.g., support with roll-out, training provided to the Group's teams in how a product is used, relationship tracking, etc.);
- the partner's social and environmental credentials may also be taken into account.

In its national and international listings, the Group gives preference to companies with an environment charter or which are developing environmentally friendly procedures or solutions.

Fair trade is also a priority for the ORPEA Group, and so it prefers to work with suppliers and subcontractors abiding by ethical and social rules.

Because the ORPEA Group wants to involve its partners and suppliers in its environmental strategy, it further tightened up its eco-responsible purchasing policy in 2017 by adding an ORPEA Environmental Responsibility Charter, which now supplements the environmental criteria in its tender documentation and thus ensures that listed products are environmentally responsible.

As part of this approach, the ORPEA Group continued its relamping drive at its facilities in 2018, switching over to LED bulbs. It also replaced certain vehicles in its fleet (service vehicles, utility vehicles, vehicles with low annual mileages) with electric vehicles. In parallel, fuel consumption monitoring was introduced to develop responsible driving behaviour, as this brings benefits for both employee safety and for the environment. The Group also decided to switch over to biogas at certain of its facilities.

Starting in 2019, an "e-purchasing" application will centralise all calls for tenders, Group contracts, listed products and suppliers, orders and deliveries for all facilities in France and abroad. This centralised system will serve the entire Group and provide accurate, harmonised monitoring of the purchasing policy (through reporting tools) in all countries where the Group operates, while ensuring it abides by its social and environmental commitments.

2.8.2.3.2 Lastly, the compliance department set up in early 2018 also introduced systematic evaluation of the third parties with which the Group works

Oversight of third parties

The ORPEA Group has introduced reputational surveys of the third parties as part of its development and a policy of listing its main suppliers. The top priority is to avoid any risk of corruption and/or influence peddling in any of the Group's areas of activity.

Alongside the measures already implemented by the purchasing and legal departments, the compliance department, which became part of the audit, risk and internal control department in early 2018, also launched a process of identifying and evaluating significant existing third party partners. The development, works, purchasing and IT departments have already undergone more in-depth analysis.

Suppliers were pre-classified on the basis of their business volumes with the Group or their strategic importance. Depending on the results of the evaluation, the compliance then conducted Know Your Third Party procedures based on due diligence compliance questionnaires. Action plans were then implemented on the basis of the responses provided.

At the same time, the Code of Conduct was sent to the Group's suppliers, and compliance clauses are now added to commercial agreements, where appropriate. For new third parties, the arrangements are predicated on internal control and strict approval procedures to avoid any risk of corruption and/or influence peddling. Accordingly, a formal due diligence process takes place before any acquisition goes ahead.

In 2018, 235 strategic third parties were analysed, and 112 underwent an in-depth compliance due diligence process. No corruption was found.

2.8.3 RISK PREVENTION AND MITIGATION ACTIONS GUARDING AGAINST SERIOUS BREACHES OF HUMAN RIGHTS OR ENVIRONMENTAL DAMAGE

2.8.3.1 PREVENTATIVE MEASURES IMPLEMENTED TO GUARD AGAINST ENVIRONMENTAL DAMAGE

Controlling the impact of ORPEA's operations on natural habitats is a top priority for the Group, and relevant measures are taken at the building design, construction and operation stage.

Facilities' environmental performance is a major concern for the Group given that its business operates 24/7.

The management of waste generated by facilities is another point monitored closely by the Group. The goal is to curb waste through awareness campaigns aimed at teams and customers (especially food waste) and to make sure that everyone sorts their waste appropriately.

2.8.3.1.1 ORPEA and all its teams have embraced an eco-responsible approach to reduce energy consumption and waste at its facilities

Raising the energy performance of sites and curbing energy and water consumption

As part of its multi-year action plan, the ORPEA Group is committed to reducing energy consumption in its facilities by optimising the use of resources.

For example, ORPEA 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-intensive and the most energy efficient facilities, determining best practices, raising employee awareness about eco-friendly behaviour, etc.).

The aim is to teach everyone to respect the environment through simple everyday gestures, and to adopt eco-responsible behaviour.

This procedure entails checking and analysing energy consumption to identify problems (for example leaks, excessively high consumption, and benchmarking of sites) and energy-intensive facilities. Training courses are arranged to give the facilities all the tools they need to make their buildings energy-efficient (centralised technical management, etc.).

ORPEA monitors its meters, and of course its bills, using a consumption-tracking platform. To date, this system is installed in France.

In the other Business Units where the consumption-tracking platform has not yet been installed, weekly readings are taken, and semi-annual reporting is consolidated at Group level.

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.

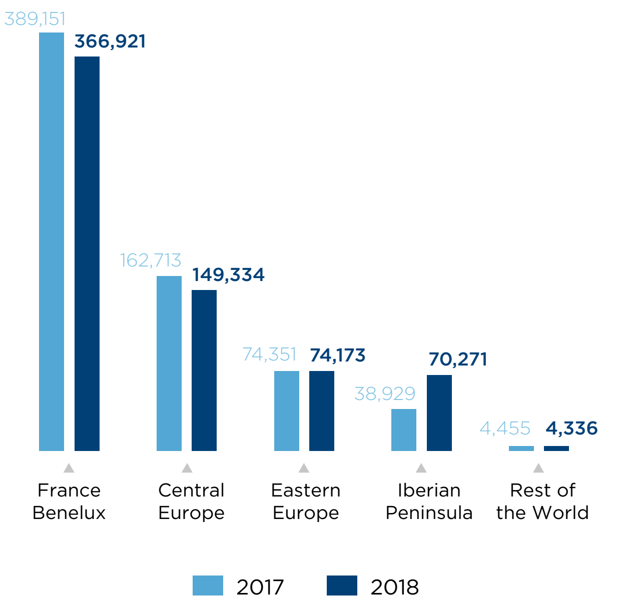
Electricity and heating consumption and management

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
(in MWh)	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Electricity	283,165	267,087	169,747	164,234	51,129	53,510	28,314	27306	31,592	19,669	2,383	2,368
Heating	381,870	402,512	197,175	224,917	98,204	109,203	45,859	47,045	38,679	19,260	1,953	2,087
TOTAL	**665,035**	**669,599**	**366,921**	**389,151**	**149,334**	**162,713**	**74,173**	**74,351**	**70,271**	**38,929**	**4,336**	**4,455**

The types of energy used for heating are town gas, propane, fuel oil, wood and district heating.
N.B. The figures include electric heating where this can be separated from other uses of electricity.

In 2017, energy consumption amounted to 669,599 MWh across ten countries (France, Italy, Spain, Belgium, Germany, Austria, Czech Republic, Poland, China and Switzerland), compared with 665,035 MWh in 2018 across the same ten countries but with an overall greater number of beds and facilities. These figures reflect the growth in the various clusters/business units, especially in the Iberian Peninsula cluster, with the Sanyres facilities being added to the reporting scope in 2018.

Energy consumption remained stable or even declined in other countries where the scope remained almost unchanged (no major acquisitions by the Group), albeit with some increases in the number of facilities and the number of beds occupied.



For example, it is worth noting:

- the decline of close to 6% in energy consumption at the France Benelux cluster between 2017 and 2018, confirming the impact of eco-responsible measures introduced over the past two years and more at this cluster;
- the stable energy consumption at the Eastern Europe cluster between 2017 and 2018 even though the number of facilities in the scope increased by 18%.

Everywhere it operates, ORPEA aims to reduce the energy consumption of its buildings as far as possible, by gradually installing energy-efficient equipment, including:

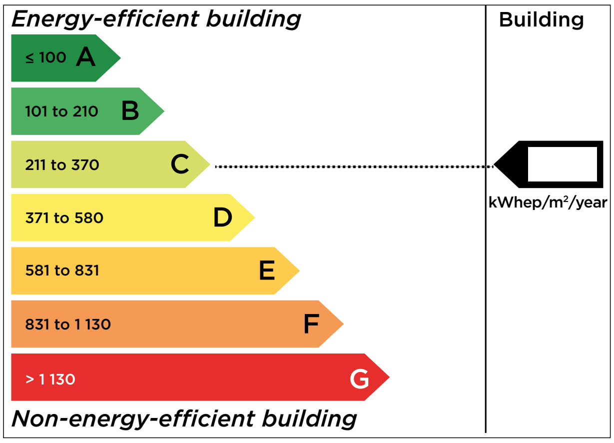
- fitting low-consumption lighting (all new buildings are equipped with LED lighting) as and when existing light bulbs and lamps are replaced;
- optimising procurement contracts with energy suppliers for the entire European network;
- fitting sensors to reduce electricity consumption in all service areas (storage rooms, etc.);
- insulating loft spaces and water networks to help combat energy losses.

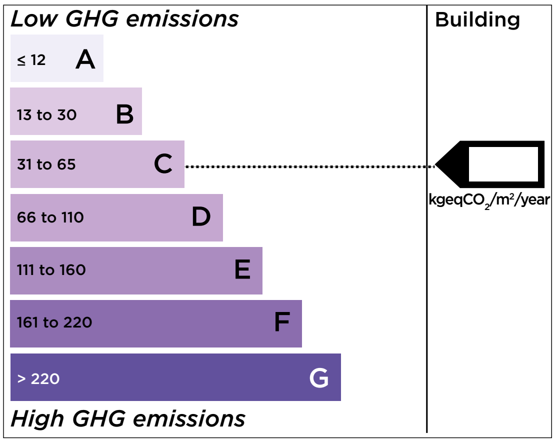
Energy audits are carried out wherever the regulations(1) so require.

As a result of these efforts:

- **France:** pursuant to the regulations (decree No. 2013-1121 of 24 November 2014, enacting into French law European directive 2012/27/EU of 25 October 2012 on energy efficiency), the ORPEA Group conducted in late 2018 an energy footprint of its operations in France. As well as determining the Group's energy performance level, this analysis identified a number of measures that needed to be implemented to enable the Group to continue pushing ahead with its eco-responsible programme.

2018 ENERGY LABEL IN FRANCE (STANDARD SCALE IN FRANCE FOR MEASURING ENERGY CONSUMPTION)



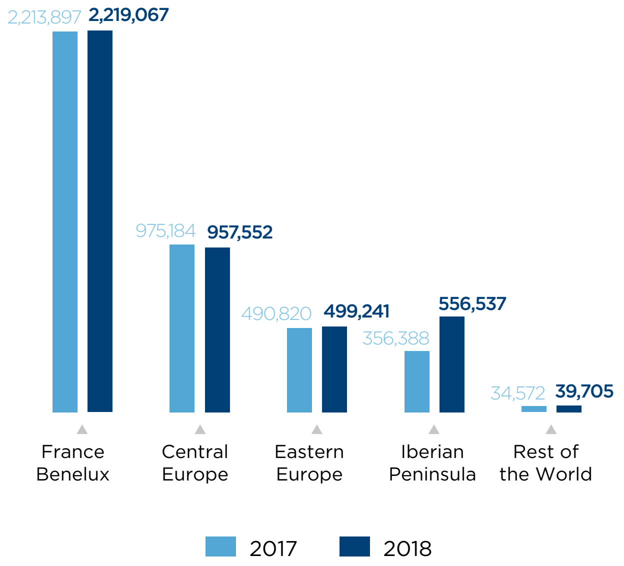


- Energy audits were also carried out by the facilities in **Germany** (in accordance with DIN EN 16247-1, EDL-G). Given the European objective of lowering energy consumption by 20% out to 2020, the nursing homes have been asked to carry out an energy audit every four years. Audits have been carried out in some of the facilities. In 2017, the results of these audits were consolidated and formed the basis for an action programme for the next five years.
- In **Poland,** an energy audit was carried out internally by the purchasing manager, who renegotiated contracts with energy suppliers in 2017.
- 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, 2017 and 2018.
- **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. The norm aims to promote energy efficiency and wider use of renewable sources of energy while ensuring improved quality of life, greater competitiveness and less damage to the environment.

(1) No regulations requiring energy audits to be carried out exist in Italy, the Czech Republic, Spain or Portugal.

Water consumption and management

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Water *(in m³)*	4,272,102	4,070,861	2,219,067	2,213,897	957,552	975,184	499,241	490,820	556,537	356,388	39,705	34,572



In 2017, total water consumption amounted to 4,070,861 cubic metres across ten countries (France, Italy, Spain, Belgium, Germany, Austria, Czech Republic, Poland, China and Switzerland) but with fewer beds and facilities than in 2018.

To reduce its water consumption and having installed aerators in all its French facilities in 2014 and its Belgian facilities in 2015, the ORPEA Group continued to equip its facilities in the other countries from 2017.

The ORPEA Group's works and maintenance department ensures that the hot water systems of all facilities are compliant and present no risk of legionella. It also verifies 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.

Addressing the challenges posed by climate change and curbing greenhouse gas emissions

ORPEA has set itself the goal of helping to combat climate change and conserving the natural resources it uses in its operations.

The Group leaves no stone unturned in pursuit of this objective. It strives to limit its use of resources and attempts to find eco-responsible purchasing and transportation solutions for the materials and products it requires for its activities.

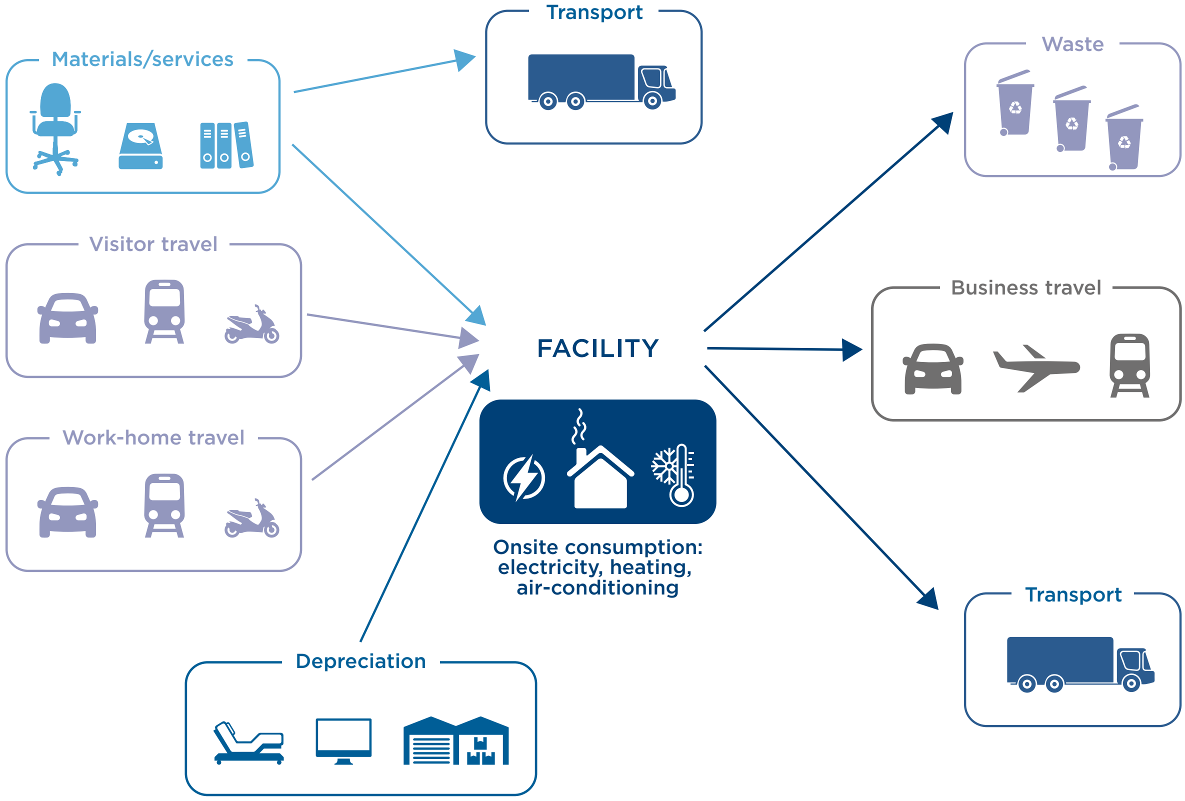
As part of its ambitious drive to cut its CO_2 emissions and to better understand and curb the largest sources of greenhouse gases, the Group publishes every four years an updated version of the carbon footprint of all its operations in France.

The most recent carbon footprint was conducted in late 2017 and published in the first quarter of 2018. The carbon footprint was produced with the assistance of specialist carbon consulting firm which is a member of the APCC (ECO 2 initiative) and presents all the greenhouse gas emissions generated by the activities of the facilities in France.

The assessment covered all facilities controlled by ORPEA in France and 100% of the emissions of the assets and activities over which ORPEA has operational control were thus 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.

▶ OPERATIONAL SCOPE OF A FACILITY



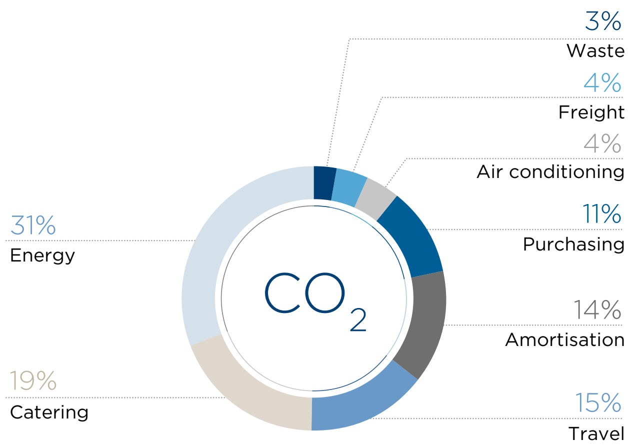
Consolidated carbon footprint, France, 2017

▶ KEY FIGURES FOR 2017

207,712
CO_2-equivalent **tonnes** were emitted, or **580 tonnes** per facility

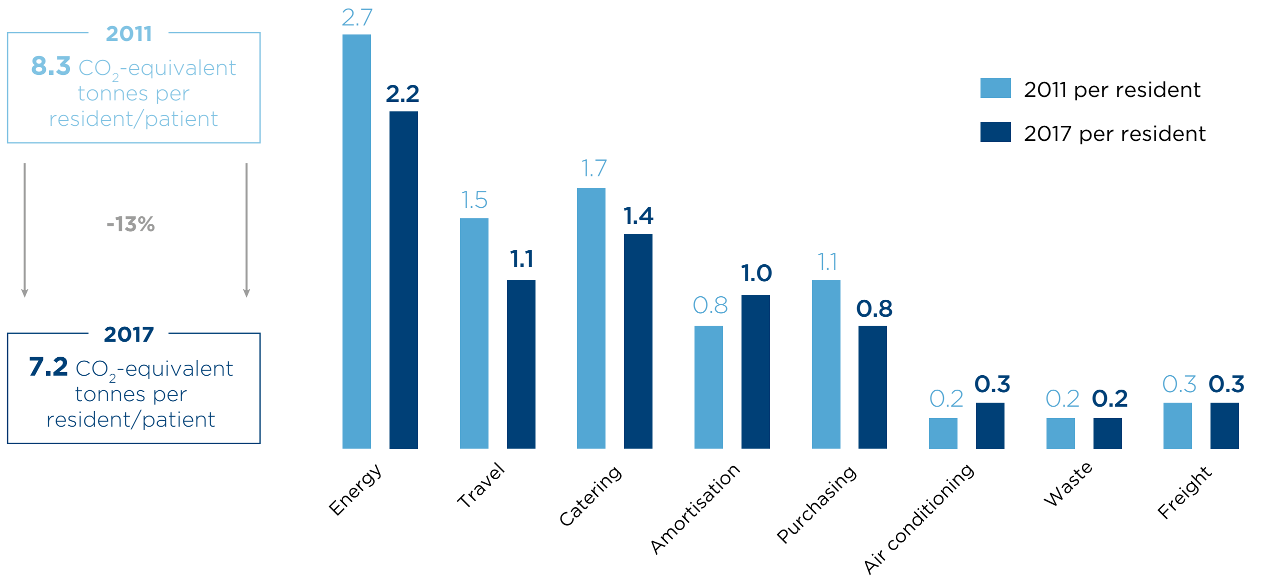
358
facilities covered

7.2
CO_2-equivalent tonnes per resident patient



Comparison of 2011 and 2017 issues (by activity ratio)

▶ **COMPARATIVE TRENDS IN 2011-2017 CARBON FOOTPRINT IN CO_2-EQUIVALENT TONNES PER RESIDENT**



At comparable scope and methodology, greenhouse gas emissions declined by 13% owing to the following combined effects:

- reduction in the energy consumption of buildings, for both electricity and gas;
- steep decline in greenhouse gas emissions for vehicles, owing partly to the improvement in emissions measurements (CO_2 data provided);
- reduction in the relative amount of red meat served at mealtimes and in food waste.

The greenhouse gas footprint presented is representative of France and cannot be extrapolated to its operations in other countries.

CO_2 emissions from electricity consumption vary between countries depending on how electricity is generated (for example *via* hydroelectric, nuclear or thermal power stations), causing differences in the CO_2 emissions attributable to energy consumption. What's more, the report covering France includes movements by employees at the headquarters, which account for a large proportion of emissions in the travel category.

Since 2012, ORPEA has embraced a sustainable development approach extending to partners and suppliers to help reduce its greenhouse gas emissions.

According to the carbon footprint, facilities' energy consumption (electricity and heating) is the largest source of emissions (31%).

Reflecting its service and accommodation business, the next two largest sources are:

- catering (19%), which includes production of the foodstuffs;
- travel (15%), which factors in the movements of employees (commuting), patients and/or visitors.

ORPEA therefore continues to pursue its policy of minimising the impact of its business travel, by travelling only when necessary and only flying when absolutely imperative.

Wherever possible, the Group arranges conference calls instead.

Since 2016, all Business Units have used videoconferencing wherever possible, which contributed significantly to reducing staff travel. However, given the Group's growth and its business activity, there will always be a certain number of journeys that cannot be avoided (visits to facilities in connection with field audits, development, etc.).

The vehicle fleet was optimised in all countries by preferring models with lower CO_2 emissions and through a policy to promote cleaner and electric vehicles.

In addition, to combat greenhouse gas emissions caused by food production, the Group has introduced a food purchasing policy, continued to take measures reducing the number of deliveries by food suppliers (for example, once a week for groceries) and to encourage the use of dual-temperature trucks that can carry both frozen and fresh produce.

CO_2 emissions from energy consumption in 2018

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).

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
(in tonnes of CO_2)	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Scope 1*	70,288	72,169	42,826	45,038	15,246	18,247	3,501	4,780	8,629	4019	87	1,362
Scope 2**	63,565	58,422	12,603	13,680	26,448	25,393	13,984	11,577	7,519	4,681	3,011	1,813
TOTAL	**133,853**	**130,591**	**55,428**	**58,718**	**41,694**	**43,640**	**17,486**	**16,357**	**16,148**	**8,700**	**3,097**	**3,175**

* *Scope 1: direct emissions (fuels).*
** *Scope 2: indirect emissions (electricity and other energy).*
All the coefficients applied in the electricity and heating calculations are shown in the methodological note at the end of this chapter. ADEME (French Environment and Energy Management Agency) provided these coefficients, which were updated in 2018.

The energy efficiency of buildings is the most important area of focus for the ORPEA Group in its sustainable development programme.

ORPEA is already committed to a strategy of reducing future CO_2 emissions at its facilities, thereby contributing to the fight against climate change. This strategy applies to both new buildings under construction (renewable energy, eco-design and eco-management) and existing facilities with the ongoing measures set out in its multi-year plan.

Optimising waste management

Sorting waste

At present, it is not possible to systematically quantify the volume of waste produced as waste is collected primarily by public operators.

Depending on the local policy where a facility is located, waste may be sorted (into separate processing chains for plastic, glass, deposit, cardboard, packaging, food waste methanisation, etc.). Operations in every country comply with the waste sorting regulations in force.

In certain countries (Belgium, Germany, Switzerland, etc.), items can be returned to the supplier under the deposit system in place, which, for example, allows plastic bottles to be recycled (in Germany).

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.

Management of hazardous clinical waste

In 2018, 550 tonnes of hazardous clinical waste was produced in France, compared with 576 tonnes in 2017. The calculation of production is based on quarterly production tables supplied by the service provider in charge of recycling this waste. To calculate the weight of hazardous medical waste, a volume/weight conversion table is applied.

Belgium produced 7.2 tonnes of hazardous clinical waste, down from 7.9 tonnes in 2017.

Spain produced 2.4 tonnes of hazardous clinical waste in 2018.

As the definition of hazardous clinical 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 from different countries.

In addition, in other countries where ORPEA operates, the method of collecting hazardous clinical waste is currently different (collected by a local service provider) and so the total volume cannot be computed.

All of the Group's facilities comply with local regulations concerning the management of hazardous clinical waste.

All facilities are equipped with special receptacles for collecting these types of waste: containers for needles and other "sharps", and "cliniboxes" for other infectious waste.

Waste is removed and disposed of 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 disposal records for the period required, which may vary from one country to another, in order to provide full traceability.

These agreements and traceability records are kept available for the relevant authorities.

Action to combat food waste

Given the nature of ORPEA's business activities and the number of meals served each year at its facilities (50 million meals), the Group attaches great importance to combating food waste.

ORPEA has already taken concrete measures:

- raising the awareness of kitchen employees about eco-tips and tricks through training and posters to combat food waste;
- adapting orders and production on a daily basis to facilities' operations. As part of this process, every Group kitchen is informed of the number of meals it needs to prepare and their type;
- analysing kitchen waste through weighing returned food and/or meal production.

These analyses, which began in late 2018, will enable the Group to pinpoint the products and recipes that are not very popular among residents and patients and take them into account when the next cycles of menus are designed and to work on changing certain production practices in the kitchen and/or in the restaurant service area. Under the food safety procedures, any food that "leaves the kitchen" has to be thrown away if it has not been eaten.

Efforts to combat food waste have been incorporated into efforts by the Group's sustainable development steering committee. Every month, a milestone review is conducted to determine the effectiveness of the measures implemented and to identify outlier facilities.

2.8.3.1.2 The Group has also embraced a responsible policy for the construction of its properties

ORPEA Group's overall environmental policy

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 prioritises a pleasant visual and acoustic environment, as well as natural light.

The Group is particularly careful and innovative when it comes to designing living spaces geared towards the autonomy and well-being of residents.

Starting at the design stage, ORPEA makes sustainable choices for new buildings that help to protect the environment:

A. The building and its environment:

- paying attention to the building's orientation, particularly with regard to course of the sun;
- location of the building to fit in with the land's topography;
- principal façades facing east and west and well-lit;
- acoustician's support concerning road classifications and treatment of façades;
- conducting impact studies of future installations on the environment (neighbours, etc.).

B. Building design:

- accessibility of the facility for people with reduced mobility. This criterion is crucial, as the majority of the Group's facilities care for people with long-term care requirements;
- a design that limits thermal bridges (for example curbing the number of balconies, using special balcony treatments where they exist, and using exterior thermal insulation);
- separation of technical equipment from the building structure (e.g. anti-vibration mounts, etc.);
- natural lighting for premises with a workstation;
- independent storage for everyday waste and special storage arrangements for food waste;
- passive design features preferred to keep buildings cool in the summer and warm in the winter.

C. Technical and technological choices:

- design offices required to deliver results and performance obligations set for contractors;
- depending on the context, rain water treatment (retention tank), solar water heating (if sufficient yield);
- thermal modelling;
- use of energy efficient technologies (widespread use of LED lighting, motion detectors, etc.);
- use of a mimic panel for hot water production;
- for large rooms, dual flow ventilation with energy recovery.

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 meet the criteria for classification as low-energy consumption buildings;
- in Switzerland, all new facilities meet the requirements for the Minergie label, a seal of quality and energy performance for new and renovated buildings;
- in Belgium, an environmental approach is taken for all new construction (external insulation, dual-flow ventilation, aerators, etc.).

Since ORPEA also expands by acquiring facilities that have already been built, the Group also plans to introduce from 2019 an annual review of the facilities requiring redevelopment and restructuring work to improve the standards of comfort for the individuals being looked after or working there and to underpin the level of the buildings' energy efficiency.

Lastly, before purchasing land, ORPEA ensures that the soil is not contaminated and, if necessary, carries out soil remediation.

2.8.3.2 ACTION PLANS IMPLEMENTED TO CURB AND MITIGATE ADVERSE EFFECTS ON THE HEALTH AND SAFETY OF EMPLOYEES

The actions undertaken to curb and mitigate adverse effects on the health and safety of residents are addressed in the "Risk mapping: identification and evaluation of the risks generated by the ORPEA Group's operations". The sections presented below apply to employees.

2.8.3.2.1 Compliance with best practices

The Group's senior managers strive to create and maintain an environment conducive to buy-in to and respect for ethical principles and internal control.

Respect for ethical and quality standards provides the cornerstone of ORPEA's control environment. These values are closely associated with its core business, which is primarily based on interpersonal relationships. Not only does this core business rely on the trust built up by ORPEA and its employees, on the one hand, with patients/residents and their family, on the other hand, but also on fully transparent relationships with third parties, suppliers and the public authorities.

In the past the Group has drawn up ethical and quality charters setting out its values and best practices. In 2018, ORPEA continued this approach by introducing a Code of Conduct. The values set out in the Code of Conduct include universal respect for people, trust, a sense of responsibility and high standards of professional ethics as part of a broad-ranging care relationship and ethical commitments.

The Group relies on three key documents:

- the Code of Conduct;
- the Quality charter;
- the Staff commitments charter.

These principles are put into action through a robust training policy supporting employees with implementing the best practices contained in these documents.

Code of Conduct

The Code of Conduct sets out ORPEA's commitments to all its stakeholders – employees, patients, residents and those benefiting from homecare services, the public authorities and third parties, investors and lenders.

ORPEA's Code of Conduct is founded on principles hard-wired into its make-up and on those laid down in the following international and/or national agreements:

- the 1948 Universal Declaration of Human Rights;
- the International Labour Organization's Fundamental Conventions;
- the OECD Guidelines for Multinational Enterprises;
- the United Nations Global Compact;
- the United Nations Convention against Corruption;
- WHO Principles;
- the HAS (French health authority) reference framework;
- the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

The Code will be made available in French and English on the Group's corporate website to facilitate its distribution in a fully transparent manner. The Code of Conduct has also been translated into all the languages spoken where the Group operates. It was presented to the management teams of all the BUs for adaptation to the local regulations, where appropriate.

Face-to-face training sessions have been arranged for Executive management, the corporate functions and the France cluster. These training courses for both headquarters and facilities staff covered the topics of corruption and influence peddling through practical case studies. The populations identified as being at the highest risk – the development, works, IT, quality and accounting departments – were given training as a matter of priority by the Chief Compliance Officer. The quality department provides an invaluable bridge, because it forges close connections with the facilities. The Code of Conduct constitutes an integral part of the onboarding process for new employees. It forms a supplemental agreement to their contract of employment and is displayed in staff rooms. Every employee is informed of the existence of this Code of Conduct and the need to be familiar with it. To back up these efforts, a training programme is currently being rolled out at all the Group's clusters and BUs. Training modules supported by appropriate materials have been provided to the BUs/Clusters to facilitate the training of employees throughout their career with the Group. For example, the entire senior management team, department heads and facility managers have been trained. The training programme was then rolled out for all employees, and in 2018 over 7,112 employees from the headquarters and facilities attended the Code of Conduct training session.

Other workstreams, such as increasing the penalties for breaches of the Code of Conduct and introducing a reporting and whistleblowing process (presented below in section 2.8.4), have also been launched to flesh out the arrangements backing up the Code.

Quality charter

Each of the Group's clusters/BUs has introduced a quality system in the form of a charter. These quality charters are underpinned by the ORPEA Group's commitments and accommodate local factors specific to each activity, BU or cluster.

Like all the Group's other quality charters, the quality charter for the France cluster's nursing homes outlines ORPEA's commitments to its residents and their families. The best practices it presents cover accommodation, care, meals, bedrooms, accessibility, information, activities and employee training for the benefit of its residents. The charter is displayed in each facility, presented to new residents and their family upon their admission. Employees are regularly reminded of the importance of honouring the commitments laid down in the charter.

The BUs/clusters adopt national charters, along similar lines to the France cluster, which applies the hospital patient charter, a nationwide charter in force in all healthcare facilities, including clinics and hospitals.

Lastly, dedicated quality charters for homecare services have also been introduced and published on the corporate sites.

Staff commitments charter

The Staff commitments charter is a joint effort prepared by the teams of each facility. Each team is helped to draft their charter by an expert facilitator 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 professional 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.

To date, the charter has been introduced in France and Belgium.

2.8.3.2.2 Maintaining suitable working conditions

Monitoring the health, safety and well-being of our employees

To provide a unique and bespoke service for every patient and resident, while maintaining its leadership in a constantly changing market, the ORPEA Group has developed an ambitious strategy to enhance working conditions and make quality of life in the workplace a strategic priority.

Quality of life in the workplace is the Group's driving force, because engagement goes hand in hand with performance. Nurturing a climate of trust and confidence is crucial in order to improve working conditions in the facilities. ORPEA has grown to become a well-known business with respected expertise in its field by protecting physical and mental health through managers' constant vigilance, training its employees to work safely and establishing and maintaining strong labour relations.

In many countries, ambitious policies have been introduced in conjunction with the HR department and employee representatives to enhance employees' quality of life in the workplace.

Measures taken in various countries include providing breakfast, making a gym available to teams and providing childcare places.

In addition, because rewarding and recognising achievements also helps to enhance teams' quality of life in the workplace, every country in ORPEA's network holds internal and/or external competitions, events and staff parties.

Quality of life in the workplace is also shaped by how the Group responds to employees' expectations. The human resources department strives to spot and reward talent by creating new opportunities for personal and professional development. ORPEA never loses sight of the fact that high-quality management is essential for developing stimulating targets and career opportunities and for encouraging individuals and groups to unlock their full potential.

Promoting safety in the workplace

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.

Employee representative bodies and employees themselves are consulted on a regular basis concerning policies being drafted 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.

Either at its own initiative or in cooperation with the employee representative bodies, the Group's actions include:

- identifying risk factors in order to design an overarching risk prevention plan and action plan;
- analysing locally the causes of workplace accidents and occupational diseases;
- raising awareness and making managers accountable for employees' induction and training;
- providing facilities with suitable equipment to avoid the need to carry heavy loads (e.g., ceiling rails).

In keeping with its values, the Group also reaffirms its commitment to preventing harassment and violence in the workplace by repeatedly making employees 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 severity of 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 systematically the risk of workplace accidents when new structures are built and during renovation or extension projects. For several years now, ORPEA has endeavoured to build occupational risk prevention into its projects at the earliest possible stage.

In addition, 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 rules and dealing with pain are all subjects covered by the training policy in all countries. They enable all employees to learn best practices in their profession and environment in the best possible conditions.

Countries may also take additional measures to prevent musculo-skeletal disorders. ORPEA Deutschland, for example, arranges courses in conjunction with the health insurance authorities (fitness, swimming, gradual muscular relaxation, etc.), which make a financial contribution to the external classes held in fitness facilities. In Spain, all employees are informed and given training about general and specific workstation risks through a training session updated every two years that specifically addresses the prevention of musculo-skeletal disorders. Every year, a special training session is organised and delivered by a physiotherapist.

In Switzerland, team leaders have developed a connected management style, listening carefully to employees to help prevent the risks of occupational illness and workplace accidents. Every year, the care teams have to attend mini-training sessions reiterating the rules and requisite behaviours for working safely.

In Italy, employees working in nursing homes attend training as a matter of course about lifting so they are informed the right movements to make when providing treatment and care. The aim is to reduce the accidents caused by these movements, thereby reducing absenteeism.

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, 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 ORPEA 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 also extremely important to engage in dialogue with employees in this area in order to identify areas for improvement.

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.

Workplace accidents (frequency and severity) between 2017 and 2018

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Frequency rate	36.2	43.8	58.1	63.7	8.6	14.4	9.5	8.2	49.8	53.5	0	0
Severity rate	1.4	1.1	2.5	1.5	0.3	0.4	0.3	0.4	1.4	1.5	0	0

The very definition of a workplace accident, its reporting and the conditions for it to be recognised as such depend on national legislation.

These new indicators were introduced for the first time in 2016. Several years' worth of data as well as time will be required for the countries to get used to using the indicators before truly relevant conclusions can be drawn. 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. Comparisons are also difficult in Spain due to the increase in the size of the workforce.

Lastly, France did not have the technical capability to switch over to the new Group-wide definition used. As in previous years, therefore, the calculation is based on hours worked, not hours paid as is the case in other countries. These factors also have the effect of artificially inflating workplace accident frequency and severity rates.

Consequently, the headline frequency and severity rates reported for the Benelux countries are higher but are not comparable with the data for other clusters.

It is not as yet possible to envisage an overall Group indicator for occupational illnesses, 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 conditions varies significantly from country to country. Each country therefore has its own definition of the various conditions (whether or not listed) and its own rules for establishing cause and effect and for determining whether the conditions 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 developed countries, are given particular attention in the prevention policies implemented by the ORPEA Group. In addition to being disabling or painful for the affected employees, these disorders are an area of concern for the Group as they lead to organisational disruption and are thus detrimental to the smooth running and quality of work within its facilities.

Preventing psychosocial risks

Facility managers and team leaders also receive training to optimise their management role. Communication, crisis management and team leadership training as well as training on preventing psychosocial risks is arranged every year.

For example, a specific module on "Understanding and managing a facility by forward planning to prevent psychosocial risks" was developed and delivered very successfully in France during 2018.

One of the objectives is to give managers the tools they need for the proper management of the staff under their oversight (appraisal interviews, stress management, delegation of skills, meeting facilitation, risk prevention, and conflict management).

Eight editions of this three-day course were held to provide integrated and extensive training for more than one hundred managers. The training programme will be held a similar number of times in 2019.

To support employees having to deal with emotional distress by virtue of the very nature of the work they do, the Group established in 2009 a psychological unit known as the "Group Emergency Intervention Unit" consisting of qualified psychologists with special training in facility trauma. The unit began operating in France and, more recently, expanded into Belgium and Switzerland.

The conditions under which the psychologists are called in are set out in a Group procedure. The unit can help to contain crises 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 facility life and threatens the emotional and/or physical well-being of members of the facility;
- to contain and deal with the anxiety and resistance among teams;
- to help care teams cope with events by restoring their collective care capacity;
- to identify people at risk, who are emotionally fragile and unduly affected by the event.

In 2018, 53 interventions and 44 missions (one mission may involve several interventions) took place, restoring a feeling of security or peace of mind among staff, and 367 people sought to benefit from the support (individual and group) of the psychological unit.

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

- take time to talk and share feelings 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 improved well-being at work.

Nurturing quality of life in the workplace

Since its inception, ORPEA has always endeavoured to provide secure environments that also offer a high quality of life in the workplace.

It encourages all such initiatives, and due credit is given for the contributions they make.

As well as protecting their health, ORPEA 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 work area and in rest rooms, etc.

For example, Belgium has introduced a "living and working together" course at the request of its staff and in cooperation with the employee representative bodies. The purpose of this training/awareness-raising campaign is to strengthen team spirit and mutual support within its facilities, and to develop understanding and respect between the various different job and employee categories. These topics are very important to the ORPEA Group and the training provided is highly popular among all staff.

Quality of life in the workplace is also a factor that can help employees achieve a better work/life balance.

In Germany, the municipal authorities of Siegen-Wittgenstein and Olpe have decided to award accreditation to family-friendly businesses. Six businesses were certified for the first time and another eight secured re-accreditation, including CELENUS Fachklinik Hilchenbach.

Andreas Müller, the president of the municipality, commented: "The award-winning businesses demonstrated a high level of commitment to a better work/life balance for their employees. Even in areas in which it is hard to provide more flexible working hours, such as in the healthcare sector, the businesses worked tirelessly to introduce timetables fitting the needs of their workforce."

In France, ORPEA and its employee partners decided to push ahead with efforts made for several years to enhance the quality of life in the workplace by negotiating a company-wide agreement, a general framework and programmes to promote well-being in the workplace for all employees.

2.8.4 INTRODUCTION OF FEEDBACK SYSTEMS

2.8.4.1 TAKING ON BOARD COMPLAINTS RECEIVED FROM RESIDENTS AND PATIENTS

Building a relationship of trust with the 250,000 patients/residents cared for every year in the Group's facilities and their families is essential to deliver high-quality care.

Compassion is one of ORPEA's core values, with listening a crucial element of this, as it represents a way to provide residents and patients with personalised care plans, customised treatments and solutions adapted to their specific needs, which evolve throughout their stay.

The main concern of facility managers is to maintain an ongoing dialogue with and to meet the expectations residents/patients and their families.

This dialogue and transparency give residents/patients a say in shaping their living and care arrangements so that they take the lead in decisions related to their health and maintain their independence as a far as possible. This is a crucial aspect of giving prevention pride of place over the long term and also of respecting the choices made by residents/patients. As part of this approach, ORPEA's teams always take the time to explain the care and treatment they are giving to residents/patients so that they can freely make their own decisions. Their consent is systematically requested for all courses of treatment.

At the same time, various measures have been introduced Group-wide to make sure they are listened to attentively and compassionately:

- facility management teams are always on hand thanks to the Group's centralised organisation. They also make sure their staff are attentive to every individual's needs and expectations;
- special attention is paid to complaints made by patients/residents and their families, to the handling of those complaints, and to their follow-up;
- a constructive dialogue is maintained in all facilities and all BUs through:
  - committees (menus, entertainment, etc.) and residents' councils (known in France as Social Life Committees), which are composed of representatives of the management, residents and families to discuss various themes such as organisation and daily life within the facilities, socio-cultural activities and therapeutic activities, plus construction work and new equipment planned, and maintenance aspects,
  - user representatives in hospitals from accredited healthcare associations, who sit on the Users Committee, and whose role is to ensure the rights of users are respected and to contribute to the improvement of the accommodation and care policy by reviewing complaints made by patients and user satisfaction indicators.

2.8.4.2 EMPLOYEE REPRESENTATIVE BODIES RESPONSIBLE FOR SAFETY AND WORKING CONDITIONS

The Group fully involves any local employee representative bodies in its development. In addition to the mandatory consultations, ORPEA maintains an ongoing dialogue with employees throughout the year, both *via* trade unions and with all staff in the field.

Employee dialogue has been established and takes place within the Group mainly through employee representative bodies including union representatives, works councils and Health & Safety Committees. Union representatives also meet during annual negotiations covering matters such as pay, working hours, incentive plans, employee savings, disability employment and gender equality. Every country has its own representative bodies structured to meet the local statutory requirements. In all cases, the rules governing the renewal of employee representative bodies are scrupulously observed, as the Group is committed to strengthening the quality of employee dialogue and balancing employee interests and career progression against ORPEA's financial imperatives. The Group operates according to the principle that effective and constructive employee relations for all are crucial for it to operate smoothly. Elections to the employee representative bodies took place across all the Group's facilities in Germany in 2018, and are due to be held in France in 2019 and then in Belgium during 2020. The structure of these bodies may at any time be tweaked to reflect and comply with local legislative changes.

In any event, the Group is determined to abide by the principle of fair and balanced representation of all its employees at every level of the organisation so as to cultivate a coherent and effective dialogue with employees.

Employee dialogue is organised along similar lines to France in both Belgium and Spain. A body composed equally of staff and employer representatives discusses economic, social and financial information, while another, also composed equally of staff and employer representatives, addresses issues related to prevention and protection at work.

In Italy, employees are represented through a different structure in accordance with local laws. Meetings are set depending on the topics selected (organisation of the day, work schedules, etc.) by the employee partners in compliance with the Group's determination to consult.

In Germany and Austria, employees are also represented by a body consisting of elected representatives.

In the Netherlands, each of the Business Units maintains a dialogue with employee representatives who are also elected by staff.

In Poland and Switzerland, local dialogue is the norm.

In addition, company-wide agreements are negotiated through regular negotiations with these bodies or union representatives. The scope of these agreements varies depending on the employee concerns and local regulations in force with regard to the following issues:

- work-life balance;
- leave and taking time off work in lieu;
- reducing difficult working conditions;
- incentives, bonuses and profit-sharing;
- healthcare and personal protection;
- promoting the inclusion of target groups such as people with disabilities and older workers.

The various themes of these agreements are naturally adapted across the European operations in line with each country's own legislative framework and more political priorities. In France, as a result of the mandatory annual negotiations, more agreements are entered into than in other countries. In 2018, for example, in addition to an agreement on quality of life in the workplace and workplace equality, an agreement was also entered into instituting a savings plan enabling employees to build a portfolio of securities with ORPEA's assistance, while benefiting from the reduced tax and social security levy levies applicable to this type of collective savings vehicle.

In all the countries where ORPEA operates, the agreements accommodate statutory requirements while also promoting equity and respect for employees to promote loyalty and transparent dialogue.

2.8.4.3 INTRODUCTION OF A NEW WHISTLEBLOWING SYSTEM

In June 2018, a general whistleblowing framework for (internal and external) employees and third parties was introduced, providing them with a mechanism for sounding a warning about breaches of the Code of Conduct, especially those concerning fraud, corruption and conflicts of interest.

Confidentiality of the information disclosed is guaranteed at every stage of the whistleblowing process, which extends to the identity of the whistleblower. No action may be taken against an employee who reports in good faith a breach of the principles laid down in the Group's Code of Conduct *via* the whistleblowing platform, which is available at www.orpea.signalement.net.

The Group has also established a procedure for compiling reports accessible on the whistleblowing site. The procedure sets out the rights and obligations of whistleblowers and those referred to in a whistleblowing report. It also stipulates the scope of the protection provided to the whistleblower making a report in good faith.

An investigation charter has also been drafted to guide the course of investigations launched following a whistleblower's report.

To broaden awareness of the tool, the site was presented in greater detail in the face-to-face training concerning the Code of Conduct. The audit, risk and internal control department has established arrangements to facilitate the reporting of information. In addition to the whistleblowing site and the conventional information reporting channels, efforts to raise awareness concerning the corruption and influence peddling risk were provided to the functions potentially exposed. At year-end 2018, a single incident was reported and did not concern any corruption.

2.9 APPENDIX

APPENDIX 1: FIVE-YEAR FINANCIAL HIGHLIGHTS

	2018	2017	2016	2015	2014
SHARE CAPITAL AT YEAR-END					
Share capital *(in euros)*	80,732,904	80,691,404	75,342,114	75,342,114	69,459,866
Number of ordinary shares in issue	64,586,323	64,553,123	60,273,691	60,273,691	55,567,893
Maximum number of additional shares to be issued					
■ through bond conversion	0	0	4,503,369	4,448,097	8,957,216
■ through exercise of subscription rights	0	0	0	0	171,572
KEY INCOME STATEMENT HEADINGS *(in euros)*					
Revenue	866,262,327	792,094,399	723,748,182	687,048,320	625,094,135
Operating profit	73,782,467	72,128,666	64,149,083	53,920,720	47,478,199
Net finance cost	(43,959,392)	52,996,448	(17,188,304)	(27,450,495)	(32,760,096)
Pre-tax profit on ordinary activities	29,823,075	125,125,114	46,960,779	26,470,225	14,718,103
Net non-recurring items	25,085,146	(8,969,099)	(10,568,119)	(10,118,919)	(2,438,903)
Earnings before tax, depreciation and amortisation and provisions	51,962,169	146,632,512	69,367,946	52,387,470	37,933,410
Income tax	17,537,186	4,954,206	6,483,743	5,112,712	4,767,843
Net profit	37,371,035	111,201,809	29,908,917	11,238,594	7,511,357
Profit paid out to shareholders	77,539,004	71,044,955.30	60,273,691	54,246,322	44,454,314
EARNINGS PER SHARE *(in euros)*					
Basic earnings per share	0.58	1.72	0.50	0.19	0.14
Diluted earnings per share	0.58	1.72	0.50	0.19	0.12
Dividend paid per share	1.20	1.10	1.00	0.90	0.80
STAFF					
Average headcount	11,145	9,643	9,219	8,735	7,910
Total payroll expenses *(in euros)*	327,623,211	279,795,303	260,494,876	243,743,094	223,226,103
Total employee benefits *(in euros)*	104,689,281	89,515,129	85,434,373	79,837,096	73,865,397

3 Statement of non-financial performance

The Statement of non-financial performance presents the ORPEA Group's social, environmental and societal responsibility strategy in accordance with the new regulatory requirements (Article L. 225-102-1 of the French Commercial Code) on the publication of non-financial information.

This chapter forms an integral part of the management report pursuant to the provisions of Articles L. 225-102-1 and R. 225-104 to R. 225-105-2 of the French Commercial Code regarding the social, environmental and societal responsibilities of businesses.

This Statement outlines the Group's business model and principal non-financial risks and also the policies it has implemented to address them and the results obtained by each of these policies.

Since ORPEA has made social, environmental and societal responsibility commitments, this chapter also presents the Group's ambitious policies and action programmes, in addition to the principal risks identified.

3.1 BUSINESS MODEL

To meet the demographic and health-related challenges arising from the ageing of the population and shifting trends in pathologies, ORPEA aims to provide a whole range of suitable care solutions. They are tailored to meet the needs of populations in the areas in which ORPEA operates and uphold the essential values for providing this care – well-being, ethics and safety (see Chapter 1 Presentation of the ORPEA Group and its markets).

By harnessing the resources and working with the stakeholders participating in the Group's business model, ORPEA has always endeavoured to create value over the long term – for residents, patients and employees, and also for society as a whole and for the environment.

The following diagram illustrates the ORPEA Group's business model.

RESOURCES AND STAKEHOLDERS

HUMAN CAPITAL AND STAKEHOLDERS

- **59,571 employees** in **14 countries**
- **66%** of senior management posts are held by **women**
- **Regular dialogue** with employee partners, local authorities and communities
- **Suppliers** and **medical and paramedical** partners
- **Families** and **friends** of the residents and patients
- **Universities** and **training schools**

INTANGIBLE CAPITAL: KNOW-HOW

- **30 years' experience** in providing long-term care
- **Quality procedures:** over 25 controls every year per facility, over 2,000 criteria analysed
- **Substantial ability to innovate** *via* E-novea, the management committee for innovative projects

PHYSICAL CAPITAL: REAL ESTATE AND EQUIPMENT

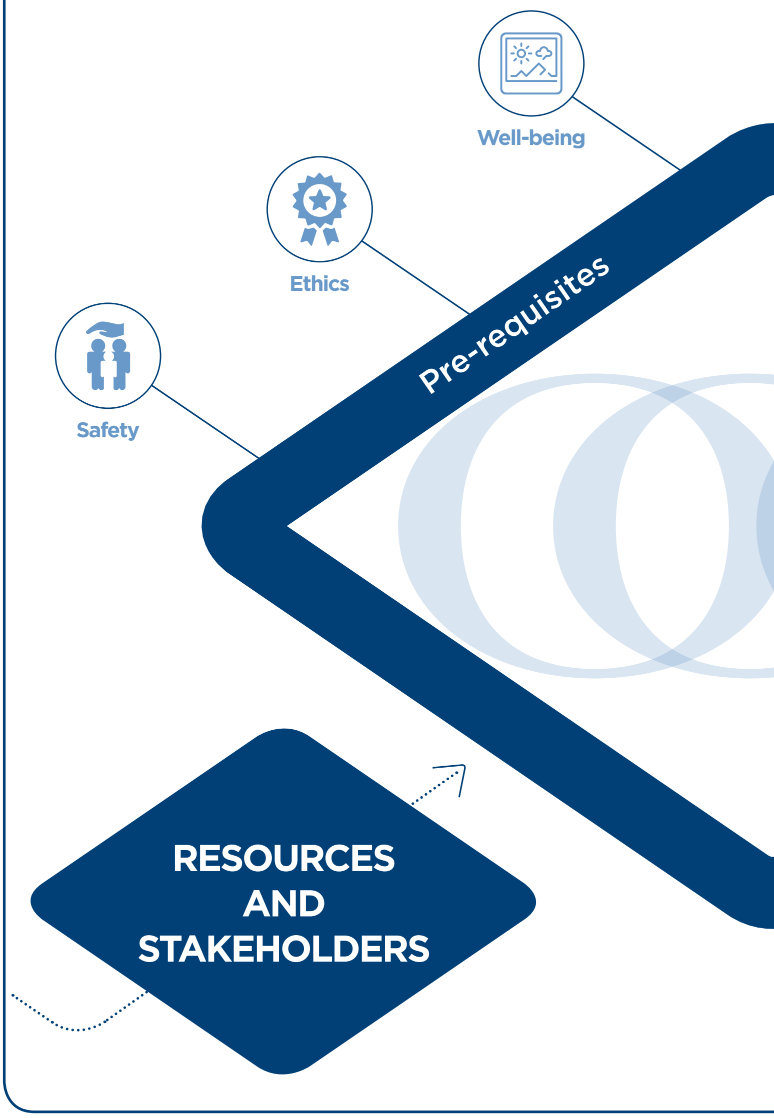
- **€5.6 billion** in real estate assets
- **935 facilities** with a total of over **95,000 beds**
- **Advanced technology**, especially in psychiatric hospitals and post-acute and rehabilitation hospitals
- **Architecture** and equipment **specifically designed** to care for sufferers of neurodegenerative diseases

FINANCIAL CAPITAL

- **2/3 of earnings reinvested** in maintenance, refurbishment and development;
- Long-term **shareholders**
- **Robust** and **flexible** balance sheet

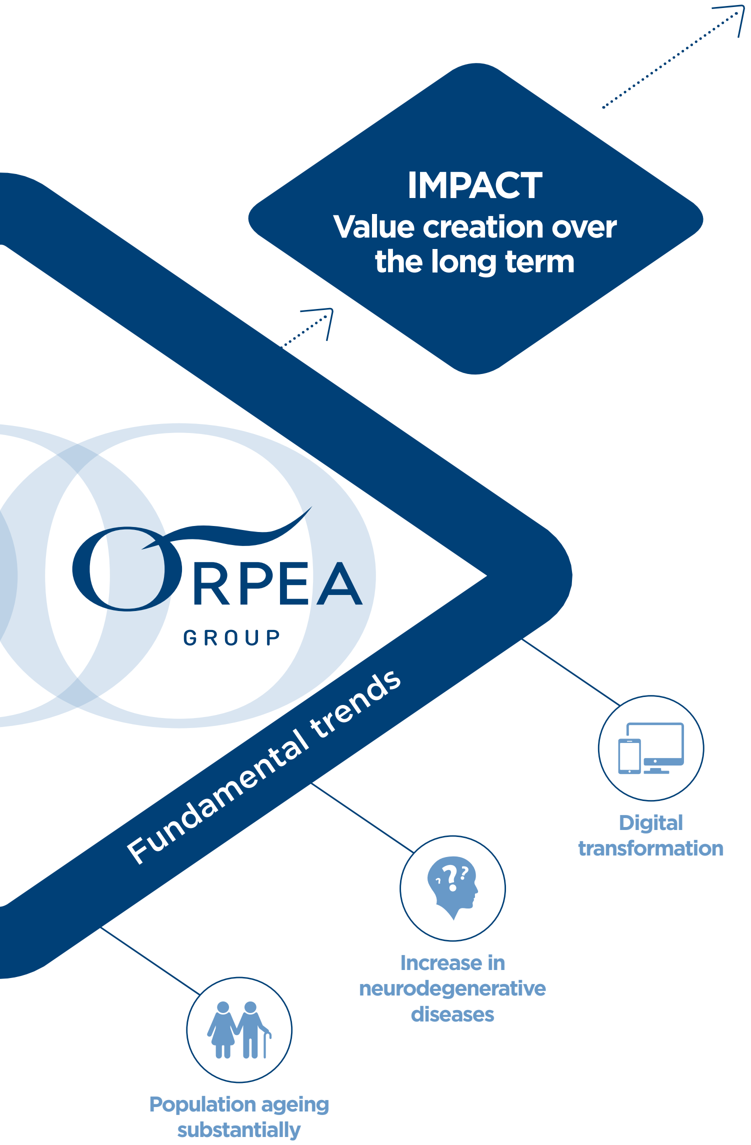
ORPEA'S CORE BUSINESS

Looking 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 respecting their individuality



ORPEA now has an integrated range of services:

- nursing homes
- post-acute and rehabilitation hospitals, including both in-patient and outpatient care
- psychiatric hospitals
- homecare services
- senior assisted-living facilities



VALUE CREATION

WELL-BEING AND SAFETY OF RESIDENTS AND PATIENTS

- Support for **250,000 patients and residents** p.a. with various levels of long-term care requirements
- Resident satisfaction survey: **93% satisfaction rate** and **94% recommendation rate**
- Catering: **50 million meals served every year**

COMMUNITY-DRIVEN, OUTWARD-LOOKING FACILITIES

- Footprint in **14 countries,** firmly rooted in neighbourhood life
- **Outward-looking facilities:** open days, advice for caregivers, collaboration with local associations
- Recruitment and creation of local jobs that cannot be transferred abroad: around **10,000 new employees hired p.a.**

SOCIAL POLICY

- **14 training hours** per employee p.a.
- Collaboration with over **200 training schools and universities**
- Over **1,000 employees on apprenticeships** and work/study programmes
- Diverse age profile: **10%** of employees are **under 25 years old** and **18%** are **over 55 years old**

ENVIRONMENTAL POLICY

- **Reduction in energy** and water consumption (widespread use of water-saving equipment)
- Development of **eco-responsible** purchasing
- **Reduction in CO_2 emissions:** 13% cut in CO_2 tonnes emitted per resident between 2011 and 2017
- **Action to combat food waste**

BUSINESS SUSTAINABILITY

- Revenue growth **averaging 21%** over the past 15 years
- Growth in net profit attributable to owners of the parent **averaging 20%** over the past 15 years
- **Stable governance framework:** two Chief Executive Officers in the past 30 years and Executive Committee members with an average length of service of 15 years

3.2 GENERAL RISK IDENTIFICATION AND MANAGEMENT POLICY

3.2.1 RISK IDENTIFICATION PROCESS

Given the nature of its operations, the ORPEA Group conducts an active risk prevention and management policy. The risk prevention and management framework is predicated on a structured approach, which aims to identify, assess and control risk factors liable to adversely affect the smooth operation of the Group.

Measures to strengthen the audit, risk and internal control department, which began in 2017, continued in 2018, under the leadership of the Chief Executive Officer. The department, which has dual reporting lines to the Chief Executive Officer and to the Audit Committee to safeguard its independence, is built around two units:

- the permanent control unit, which endeavours to identify and prevent risks and to devise an appropriate internal control framework. It has four main areas of expertise:
  - risk management, which is in charge of preparing and coordinating various risk mapping exercises,
  - internal control, which has responsibility for establishing the internal control framework, including by introducing and monitoring Group-wide standards and by taking part in various Group projects to ensure that risk factors are handled properly,
  - compliance, which is tasked with ensuring that the Group complies with its obligations, with a particular focus on efforts to combat corruption and influence peddling,
  - data protection, which is tasked with ensuring that the Group complies with its obligations in relation to personal data;
- the periodic control unit, consisting solely of internal audit, has responsibility for ensuring that the internal control framework is effective and that risks are mitigated at all Group entities. It may also recommend improvements to curb risk exposure.

The Group has a structured risk mapping programme, which rests on the following pillars:

- analysis and classification by area of the risks arising from the interviews conducted with the Group's key managers and the departments of the various clusters and business units;
- a rating of each risk factor based on expected severity, its likelihood of occurrence and the extent to which it has been mitigated;
- oversight of action plans to mitigate risk factors constituting major challenges for the Group.

3.2.2 PRINCIPAL RISKS ARISING FROM ORPEA'S SOCIAL AND ENVIRONMENTAL RESPONSIBILITY, HUMAN RIGHTS AND BUSINESS CONDUCT

The key social, environmental, societal and business conduct priorities presented below derived from the risk analysis methodology presented above.

The various internal control participants and bodies (Quality, Human Resources, Audit, Risks and Internal Control, etc.) have drawn up definitions and rolled out policies to address them. These policies are presented in detail in Sections 3.3 to 3.6 of this Statement of non-financial performance.

The improvements made by these teams are measured using indicators so as to provide a regular update of the risk mapping and to focus efforts at all times on the key priorities.

PRINCIPAL RISKS RELATED TO BUSINESS CONDUCT

Risk of a breach of the principles of business ethics and integrity in the conduct of business

Ethical conduct and integrity are crucially important to ORPEA.

Like any decentralised international business with over 59,000 employees in 14 countries, the Group may be exposed to legal risks if its Code of Conduct is breached by one of its employees or stakeholders.

Aside from any penalties it may incur, these breaches could damage the Group's reputation and have a detrimental impact on its performance.

Risk of non-compliance with the Sapin II law

ORPEA is now expanding into countries where the risk of corruption is regarded as being higher than in its original markets. As a result, its employees could be exposed to new sources of risk, which the Group needs to identify, so it can guard against them. Moreover, the Group's activities involve building relationships with public authorities and civil servants, as well as with health professionals (doctors, pharmacists, etc.) in every country in which it operates. Accordingly, the Group may incur penalties unless it meets all the requirements imposed by the Sapin II law in terms of introducing a formal anti-corruption framework.

PRINCIPAL SOCIAL RISKS

Risk arising from attracting and retaining talent

The quality, approachability and commitment of staff play a key role in 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 the results of its operations.

In particular, difficulties in hiring qualified care staff in some countries or staff turnover could negatively affect the organisation and disrupt the smooth running of the Group's facilities. Should they persist over the long term, these difficulties could have an adverse impact on the quality of care provided.

All facilities must be able to provide continuity of care and medical treatment for their residents and patients through an adequately staffed and appropriately qualified care team.

Risk arising from employee health and safety

Whether they work in nursing homes, in hospitals or for homecare services, ORPEA's employees look after frail individuals losing their ability to lead independent lives. As a result, its employees may be called upon to perform lifting and handling tasks. That exposes them to the risk musculo-skeletal disorders, which could adversely affect their health.

PRINCIPAL ENVIRONMENTAL RISKS

Risk arising from a failure to take environmental responsibility into account in construction projects or in the management of facilities

Since the Group acts as lead contractor on the construction of its new facilities, it may be in charge of projects that have a negative impact on the environment. For example, a project's energy consumption could turn out to be too high because sufficient eco-design measures were not incorporated from the outset. To eliminate the risk, ORPEA and all its teams have embraced an eco-responsible approach to reduce energy consumption.

Moreover, ORPEA has adopted a broader sustainable development approach for several years, bringing partners and suppliers together to help cut its energy consumption (water, gas, electricity) and promote eco-friendly products that cause little or no pollution.

Lastly, by the very nature of its business activities, ORPEA generates hazardous clinical waste (carrying the risk of infection) that, if not managed property, could lead to contamination.

Risk arising from climate change

Depending on the geographical region in which they are located, the Group's facilities may experience natural events or climate phenomena such as flooding, violent winds and heatwaves.

Were such an event to occur and if the Group had not taken the requisite preventative measures, the safety of the individuals in its care could be compromised. Consequently, the Group strives to identify risks based on the location of its facilities and to follow up on the preventative measures decided upon.

PRINCIPAL RISKS RELATED TO HUMAN RIGHTS

Risk arising from a failure to respect human rights

Given the nature of its business activities, the ORPEA Group has always stressed the importance of respecting human rights – those of its employees and those in its care, both in its facilities and in their home.

This is a point of paramount importance because the Group's mission is to look after people requiring long-term care or in a frail condition. If they do not receive medical treatment or the right care, the dignity and human rights of patients and residents could be compromised. Likewise, respect for the human rights of employees, partners and subcontractors is essential because they must feel respected if they are to embrace these values.

3.3 RESPONSIBLE BUSINESS CONDUCT

3.3.1 PRINCIPAL RISK FACTORS IDENTIFIED

The ORPEA Group is a leading provider of long-term care. It has achieved this position through active, sustainable and responsible development founded on values and business ethics, plus the utmost respect for the law and regulations.

Even so, like other industry operators, the ORPEA Group may be exposed to the risk of corruption or influence peddling arising from its interactions with third parties (including public authorities). If this risk were to materialise, the Company, its employees and/or senior executives could face civil and criminal action, damaging the Group's global reputation.

To address this risk, the executive management team has always voiced its "zero tolerance approach" towards corruption and influence peddling. This vision has given rise to a compliance programme, with various components incorporated in the internal control framework and implemented by a dedicated unit. Through these efforts, ORPEA has cultivated a strong culture of ethical conduct at all its entities, building on the principles set out below.

The Group's rigorous compliance with the law and regulations extends to its tax affairs. ORPEA applies strict policies in that area, as outlined below.

3.3.2 ESTABLISHING, ROLLING OUT AND APPLYING EXACTING ANTI-CORRUPTION AND ANTI-FRAUD PRINCIPLES

3.3.2.1 ORPEA'S ETHICAL PRINCIPLES AND THE CODE OF CONDUCT

The Group's senior managers strive to create and maintain an environment conducive to buy-in to and respect for ethical principles and internal control.

Respect for ethical and quality standards provides the cornerstone of ORPEA's control environment. These values are closely associated with its core business, which is primarily based on interpersonal relationships. Not only does this core business rely on the trust built up by ORPEA and its employees, on the one hand, with patients/residents and their family, on the other hand, but also on fully transparent relationships with third parties, suppliers and the public authorities.

In the past the Group has drawn up ethical and quality charters setting out its values and best practices. In 2018, ORPEA continued this approach by introducing a Code of Conduct. The values set out in the Code of Conduct include universal respect for people, trust, a sense of responsibility and high standards of professional ethics as part of a broad-ranging care relationship and ethical commitments.

The Group relies on three key documents:

- the Code of Conduct;
- the Quality charter;
- the Staff commitments charter.

These documents are also supported by a policy on gifts, which is currently being harmonised and adapted by each BU/Cluster.

These principles are put into action through a robust training policy supporting employees with implementing the best practices contained in these documents.

Code of Conduct

The Code of Conduct sets out ORPEA's commitments to all its stakeholders – employees, patients, residents and those benefiting from homecare services, the public authorities and third parties, investors and lenders.

ORPEA's Code of Conduct is founded on principles hard-wired into its make-up and on those laid down in the following international and/or national agreements:

- the 1948 Universal Declaration of Human Rights;
- the International Labour Organization's Fundamental Conventions;
- the OECD Guidelines for Multinational Enterprises;
- the United Nations Global Compact;
- the United Nations Convention against Corruption;
- WHO Principles;
- the HAS (French health authority) reference framework;
- the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

The Code will be made available in French and English on the Group's corporate website to facilitate its distribution in a fully transparent manner. The Code of Conduct has also been translated into all the languages spoken where the Group operates. It was presented to the management teams of all the BUs for adaptation to the local regulations, where appropriate.

Face-to-face training sessions have been arranged for Executive management, the corporate functions and the France cluster. These training courses for both headquarters and facilities staff covered the topics of corruption and influence peddling through practical case studies. The populations identified as being at the highest risk – the development, works, IT, quality and accounting departments – were given training as a matter of priority by the Chief Compliance Officer. The quality department provides an invaluable bridge, because it forges close connections with the facilities. The Code of Conduct constitutes an integral part of the onboarding process for new employees. It forms a supplemental agreement to their contract of employment and is displayed in staff rooms. Every employee is informed of the existence of this Code of Conduct and the need to be familiar with it. To back up these efforts, a training programme is currently being rolled out at all the Group's clusters and BUs. Training modules supported by appropriate materials have been provided to the BUs/Clusters to facilitate the training of employees throughout their career with the Group. For example, the entire senior management team, department heads and facility managers have been trained. The training programme was then rolled out for all employees, and in 2018 over 7,112 employees from the headquarters and facilities attended the Code of Conduct training session.

Other workstreams, such as increasing the penalties for breaches of the Code of Conduct and introducing a reporting and whistleblowing process (presented below in section 3.3.2.5), have also been launched to flesh out the arrangements backing up the Code.

Quality charter

Each of the Group's clusters/BUs has introduced a quality system in the form of a charter. These quality charters are underpinned by the ORPEA Group's commitments and accommodate local factors specific to each activity, BU or cluster.

Like all the Group's other quality charters, the quality charter for the France cluster's nursing homes outlines ORPEA's commitments to its residents and their families. The best practices it presents cover accommodation, care, meals, bedrooms, accessibility, information, activities and employee training for the benefit of its residents. The charter is displayed in each facility, presented to new residents and their family upon their admission. Employees are regularly reminded of the importance of honouring the commitments laid down in the charter.

The BUs/clusters adopt national charters, along similar lines to the France cluster, which applies the hospital patient charter, a nationwide charter in force in all healthcare facilities, including clinics and hospitals.

Lastly, dedicated quality charters for homecare services have also been introduced and published on the corporate sites.

Staff commitments charter

The Staff commitments charter is a joint effort prepared by the teams of each facility. Each team is helped to draft their charter by an expert facilitator 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 professional 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.

To date, the charter has been introduced in France and Belgium.

Gifts policy

The Group's revised gifts and hospitality policy was circulated to all the Clusters and BUs in late 2018. In concrete terms, the policy aims to provide a framework for relationships between the Group's employees and third parties, such as business partners, authorities (civil servants, government representatives) and healthcare professionals.

The gifts policy lays down the rules to be applied by the Group's staff in their interactions with the civil servants, government representatives, third parties, healthcare professionals and suppliers. The policy also sets upper limits for gifts and hospitality.

The gifts policy was introduced in France, teams were trained and educated about best practices, and the policy is now being rolled out in the other countries in which the Group operates.

3.3.2.2 NON-COMPLIANCE RISK MAPPING

ORPEA has demonstrated its determination to pursue a formal and structured approach to addressing non-compliance risks. It encompasses the risk of corruption and influence peddling, as recommended by the Sapin II law, as well as other non-compliance risk factors, such as failures to comply with competition law and the General Data Protection Regulation (GDPR), and fraud risk. The first mapping exercise was conducted by the audit, risk and internal control department in 2017. It was supported by an external firm to ensure the consistency of the methodology used and completeness of the approach.

The Group's key risk factors and aggravating factors were identified through a series of interviews. The criticality and "gross" risk associated with each factor was computed based on a combination of the likelihood and severity of its impact. The Group's stakeholders provided input into the review of the principal risk factors based on their area of expertise.

The level of control provided by the existing arrangements was determined through a second series of interviews, to calculate the net or residual risk. This score reflects the combination of the criticality and level of control. Each source of non-compliance risk was analysed meticulously by means of scenarios, aggravating factors, control arrangements and areas for improvement.

Lastly, when the Compliance programme was presented to the Group's Business Units during 2018, special attention was drawn to the non-compliance risks present locally, and the risk mapping was updated.

3.3.2.3 A RESPONSIBLE AND CLOSELY CONTROLLED PURCHASING POLICY

ORPEA has a Group purchasing department backed up by purchasing units in the various countries in which it operates. Under its purchasing policy, ORPEA is particularly concerned with the societal, environmental and Sapin II-related aspects of its supplier relationships.

The purchasing policy is presented in detail in section 3.6.5 of this Statement of non-financial performance.

3.3.2.4 OVERSIGHT OF THIRD PARTIES

The ORPEA Group has introduced reputational surveys of the third parties as part of its development and a policy of listing its main suppliers. The top priority is to avoid any risk of corruption and/or influence peddling in any of the Group's areas of activity.

Alongside the measures already implemented by the purchasing and legal departments, the compliance department, which became part of the audit, risk and internal control department in early 2018, also launched a process of identifying and evaluating significant existing third-party partners. The development, works, purchasing and IT departments have already undergone more in-depth analysis.

Suppliers were pre-classified on the basis of their business volumes with the Group or their strategic importance. Depending on the results of the evaluation, the compliance then conducted Know Your Third Party procedures based on due diligence compliance questionnaires. Action plans were then implemented on the basis of the responses provided.

At the same time, the Code of Conduct was sent to the Group's suppliers, and compliance clauses are now added to commercial agreements, where appropriate. For new third parties, the arrangements are predicated on internal control and strict approval procedures to avoid any risk of corruption and/or influence peddling. Accordingly, a formal due diligence process takes place before any acquisition goes ahead.

In 2018, 235 strategic third parties were analysed, and 112 underwent an in-depth compliance due diligence process. No corruption was found.

3.3.2.5 INTRODUCTION OF A WHISTLEBLOWING SYSTEM

In June 2018, a general whistleblowing framework for (internal and external) employees and third parties was introduced, providing them with a mechanism for sounding a warning about breaches of the Code of Conduct, especially those concerning fraud, corruption and conflicts of interest.

Confidentiality of the information disclosed is guaranteed at every stage of the whistleblowing process, which extends to the identity of the whistleblower. No action may be taken against an employee who reports in good faith a breach of the principles laid down in the Group's Code of Conduct *via* the whistleblowing platform, which is available at www.orpea.signalement.net.

The Group has also established a procedure for compiling reports accessible on the whistleblowing site. The procedure sets out the rights and obligations of whistleblowers and those referred to in a whistleblowing report. It also stipulates the scope of the protection provided to the whistleblower making a report in good faith.

An investigation charter has also been drafted to guide the course of investigations launched following a whistleblower's report.

To broaden awareness of the tool, the site was presented in greater detail in the face-to-face training concerning the Code of Conduct. The audit, risk and internal control department has established arrangements to facilitate the reporting of information. In addition to the whistleblowing site and the conventional information reporting channels, efforts to raise awareness concerning the corruption and influence peddling risk were provided to the functions potentially exposed. At year-end 2018, a single incident was reported and did not concern any corruption.

3.3.2.6 STRICT POLICIES ON TAX RULE COMPLIANCE

The ORPEA Group is a responsible taxpayer, and it strives to abide by the tax rules in every country in which it operates.

The tax function is organised so as to achieve full compliance with the tax laws and regulations of the countries in which it operates. The finance department of each business unit/cluster verifies that changes in the tax regulations are taken into account and correctly applied by entities in the relevant geographical region. The Group may bring in specialised tax law firms, where appropriate, to make certain that new or unusual operations are compliant.

The role of the tax function is to:

- abide by all the local tax rules and settle all its tax liabilities in a timely manner in the countries in which the Group operates;
- plan ahead for and limit tax risks and disputes;
- maintain good relations with the various tax authorities.

ORPEA has no economic or financial interests in the countries on the EU's list of non-cooperative countries and territories.

3.4 A RESPONSIBLE SOCIAL APPROACH

3.4.1 PRINCIPAL RISK FACTORS IDENTIFIED

The quality, approachability and commitment of staff play a key role in the Group's success. As part of its continuous improvement approach, ORPEA aims to pursue an ambitious internal policy to identify, attract, retain and train competent employees who behave responsibly, thereby putting the development of its activities and the results of its operations on a sustainable footing.

And to address these priorities, the Group is actively strengthening its human resources department's teams. In 2018, the Group human resources department, which reports directly to executive management, was reorganised into three departments. As a result, it now has an HR development department, a data and processes department and a social affairs department.

With these departments now in place, the Group will be able to respond pro-actively to the HR priorities of:

- mitigating recruitment difficulties and curbing staff turnover, especially among medical and paramedical professionals, guaranteeing coverage of a full spectrum of care requirements for residents and patients, putting the business on a sustainable footing and fuelling the Group's expansion;
- enhancing the appeal and retention of talented individuals, as well as promoting career development within the Group;
- continuing to implement the requisite measures to protect employee well-being, health and safety;
- complying with regulations and procedures and engaging in an employee dialogue to underpin the stability of teams within facilities.

The Group's HR policy is focused on a number of projects. These include developing national and international mobility, pursuing a dynamic policy of relationships with training schools, shortening the length of the recruitment process by harmonising procedures, posting job offers on the most effective media and placing them with the best service providers, creating special partnerships between countries where there is a labour shortage and establishing the foundations of a talent spotting and special training programme.

However, the Group is well aware that the well-being and thus the stability of teams needs to be nurtured on a daily basis by a compassionate management team, through respectful working conditions, a work/life balance and local employee dialogue. These aspects are taken into account as a matter of course in the human resources policy pursued by the Group.

In parallel, the introduction of centralised monitoring of employee indicators will serve to better accommodate priorities and guide its actions more effectively.

Together, all these projects will help create a robust and sustainable business that can rise to the challenges of the future.

3.4.2 PRESENTATION OF THE POLICIES APPLIED AND RESULTS OBTAINED

ORPEA has adopted a largely **people-centred** policy based on forging local connections to help it achieve its current and future economic and social goals. Research and managerial excellence remain a key focus. The Group trains managers to listen to their employees and to build trust through dialogue. They all strive to reward achievements, and failures are analysed to encourage employees to succeed on a daily basis.

Well-being at work is another priority under the Group's HR policy, as it aims to provide all its employees with working environments in which they can all thrive, grow and reach their full potential.

Putting people at the centre of the business also helps to make employees more autonomous and take on responsibilities, while giving them the confidence to meet clear, achievable and motivating challenges. Managers are always on the front line, and so all employees feel appreciated and their work is recognised. Spurring employees on to reach new heights, detecting and promoting talent are daily challenges that ORPEA has always aimed to meet.

Lastly, ORPEA is constantly stepping up its efforts to make its recruitment more diverse, to promote from within and achieve equal pay. The human resources department and the entire Group are unrelenting in their efforts to provide equal pay for men and women and to support individuals with disabilities and/or provide them with access to employment. Diversity and inclusiveness form one of the core pillars of the Group's corporate culture and have always been considered by the Group as a performance driver central to its strategy. On a daily basis, ORPEA pursues a broader diversity policy that gives everyone – with their own individual skills and values – a chance to shine, irrespective of their gender, their age, their origins and their initial level of training.

3.4.2.1 HUMAN RESOURCES, A KEY DRIVER OF THE GROUP'S PERFORMANCE

3.4.2.1.1 Our model

ORPEA has founded its development and built its reputation on its ability to value where it has come from and what it has achieved and the excellence of the services it provides. This model is underpinned by the Group's culture, a long-term vision absolutely committed to the quality of care, treatment and safety of the patients and residents it looks after.

ORPEA possesses highly renowned know-how and expertise, upholds the highest quality standards and aims to recruit talented individuals and experts in its field of activity, who are loyal and responsible. Thanks to its resilient human capital, ORPEA has always maintained a unique identity of a hands-on management able to harness the benefits of cooperation and nimble working practices.

All ORPEA's employees are very proud of this truly unique model. Every task, and every decision made, guides the behaviour of every employee throughout the Group towards constant improvements in care, comfort and treatment, making it a mindset shared by all.

3.4.2.1.2 Our values

ORPEA's values are first and foremost a reflection of our senior managers' vision of how to move the business forward towards a common objective. On a daily basis, these values inform all employees' decisions and help to establish trust among all the stakeholders, including residents and patients, those looked after in their homes, suppliers, service providers, partners and public authorities, shareholders, investors, lenders, civil society and the environment.

These values form part of the implicit bond linking every individual to the Group as a whole.

Since thousands of new employees are now joining the Group every year around the world, we decided the time had come to proudly restate, *via* the Code of Conduct introduced in 2018, the values and principles that must continue to guide every employee's dealings with all the stakeholders of our business.

PROFESSIONALISM	LOYALTY
For all teams, displaying a professional approach means combining solid professional skills with an acute sense of responsibility and an unwavering commitment to quality of service. Every individual is required to meet this standard by demonstrating a rigorous approach and commitment in their work, and it also applies collectively to all employees – a requirement met through effective procedures, our quality policies and our training policies.	The Group firmly believes that loyalty is essential for maintaining healthy and sustained relationships built on trust with all the stakeholders, which is an essential element of the Group's long-term success. This loyalty fosters a high level of integrity and exemplary behaviour, honest and open discussions, and respect for the commitments given to partners, who are expected to uphold the same standards.
COMPASSION	**HUMILITY**
The well-being of all patients and residents looked after in the Group's facilities and all those supported in their homes by the homecare services is ORPEA's top priority. This well-being is predicated on high-quality treatment and accommodation, and on building trust with the frail individuals and their families that the Group cares for on a daily basis. This relationship is based on a daily commitment to positive treatment, i.e., treatment that is respectful, empathetic and always compassionate.	Humans are "an imperfect, and dependent being, and one who unceasingly aspires to something better and greater". This quote by philosopher René Descartes resonates with the Group's approach to its business. People are at the very centre of its business, and so it is essential to address their imperfections. That is the insight that guides the Group's employees pursuit of continuous improvement and their responsive and creative solutions to the challenges they encounter in their daily tasks.

3.4.2.1.3 Key figures

Workforce and working hours

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

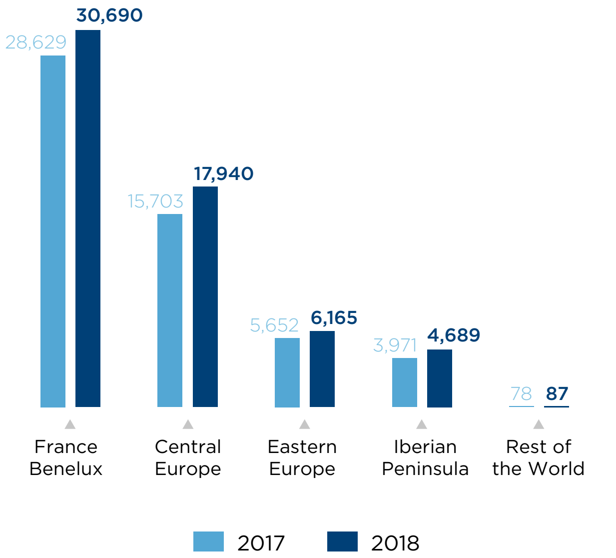
The Group's total workforce, including employees working at its headquarters, in its care facilities, nursing homes, hospitals and homecare services, stood at 59,571 at the end of 2018, or 10% more than at the end of 2017. This increase is partly attributable to the opening of new facilities and partly to the acquisitions made by the Group in 2018.

Since 2017, more of ORPEA's employees have worked outside than in France, following its major international expansion drive. That milestone prompted the Group to think about the more global approach to human resources it needs to adopt in future years.

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
Indicator	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Workforce*	59,571	54,033	30,690	28,629	17,940	15,703	6,165	5,652	4,689	3,971	87	78
Permanent contract	82%	83%	81%	85%	84%	78%	89%	94%	72%	75%	11%	10%
Fixed-term contract	18%	17%	19%	15%	16%	22%	11%	6%	28%	25%	89%	90%
Full-time	62%	64%	73%	76%	39%	40%	53%	54%	85%	84%	100%	100%
Part-time	38%	36%	27%	24%	61%	60%	47%	46%	15%	16%	0%	0%
Managers	N/A	N/A	11%	11%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-managers**	N/A	N/A	89%	89%	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 December 2018.*
** *The manager/non-manager concept applies only in France.*

▶ CHANGE IN THE BREAKDOWN OF EMPLOYEES BY CLUSTER BETWEEN 2017 AND 2018



ORPEA pursues a consistent policy that aims to give all its staff job stability and security in all the countries in which it operates. However, the prime objective is always to have a stable workforce that enjoys job stability.

This policy encourages sustainable (generally permanent) contracts in countries where this is the norm, such as France and Spain.

As a result, the percentage of employees working full-time and on a permanent contract is 62% and 82% respectively. Those figures were very slightly lower than in the previous year (down 2 points and 1 point). In most cases, the reasons for this are linked to the Group's rapid pace of development. ORPEA has expanded into countries where full-time working and permanent contracts are not so entrenched in working practices. Elsewhere, in situations where new recruits are taken on in countries that have experienced strong growth in the workforce as a result of construction projects, part-time working is commonly used to provide higher levels of support at key times of day for the care of patients and residents.

Fixed-term and other types of employment contract are also used but are restricted in law to specific situations. This type of contract is more prevalent in the healthcare and people-based services sector, which requires 24/7 availability, than in other business sectors. Fixed-term contracts are invariably used to replace employees on leave of absence, in particular maternity leave (83% of the Group's employees are women), or to cope with unexpected absences. These fixed-term replacements are therefore essential in order to maintain the high quality of care provided to residents and patients. Although fixed-term contracts are essential, permanent contracts are still the priority.

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 who may prefer fixed-term contracts.

Use of temporary employees is marginal and confined to exceptional one-off needs, mainly due to emergencies, to ensure the continuity of care provided by nursing staff, for instance.

Absenteeism rate

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
Indicator	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Absenteeism rate	7.6%	8.5%	9.1%	9.0%	5.6%	8.5%	7.4%	5.5%	7.3%	9.2%	0.5%	0.6%

The absenteeism rate was lower in 2018 than in 2017, demonstrating the benefits of the Group's attention to its employees' quality of life in the workplace.

Managers are constantly on the look-out for ways of making improvements, and they leave no stone unturned in their efforts to lower these rates by investing in their teams and combating psychosocial and occupational risk factors.

Number of departures

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
Indicator	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Number of departures (staff on permanent contracts)	11,440	11,228	6,011	6,240	3,261	2,872	1,598	1,646	569	470	1	0
o/w number of redundancies (staff on permanent contracts)	3,063	2,177	1,317	1,472	1,581	545	75	69	90	91	0	0

In most cases, dismissals are essentially of an individual nature and are usually the result of professional misconduct, including suspicions of mistreatment, an area in which the Group has a zero tolerance policy.

From time to time, reorganisations within countries may lead to staff departures. This occurred in Germany during 2018 with the centralisation of the support functions at the country headquarters.

Staff costs

ORPEA's remuneration policy aims to spur employees on to meet their objectives and to foster a culture of high performance and nurture the skills needed for the Group's development.

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Remuneration *(in millions of euros)*	2,025	1,471	1,166	779	576	439	189	170	93	80	1.6	1.5

3.4.2.2 ENHANCING THE GROUP'S APPEAL

3.4.2.2.1 An active recruitment policy

With its policy of expansion and opening new facilities, ORPEA is a major contributor to the local economy, creating many sustainable jobs each year which, by definition, cannot be transferred abroad.

Its employees form the cornerstone of ORPEA's success. Every year, new talents join its existing teams and help to continue fulfilling its mission each and every day of caring for and looking after residents, patients and recipients of homecare services and also of enabling the Group to keep growing and developing in existing and/or new territories.

11,693
employees
hired on permanent contracts in 2018

Together, job creations and renewals related to attrition allowed the Group to recruit a total of 11,693 permanent staff in 2018, compared with 9,775 in 2017 and 8,472 in 2016.

ORPEA's expansion into new countries continued in 2018. In Portugal, for example, it recruited over 90 employees on permanent contracts, contributing to the development of local employment in the territories it serves.

The vast majority of ORPEA's vacant positions are for permanent jobs in medical, nursing care, residential and catering services or administrative departments.

Aside from general recruitment, the Group also orients its HR policy towards identifying potential high-flyers and/or rare talents, by forging partnerships with renowned training schools and universities.

It is essential for the Group to create a pool of talent with the requisite intercultural dimension to support its international expansion drive.

For example, ORPEA has established a partnership with the prestigious ESCP Europe business school to groom the talent of the future and to prepare them for senior management responsibilities.

This partnership also 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 fairs. Such events are organised by the HR department of all the Group's various clusters in response to local needs and realities.

Change in permanent contract recruitments by cluster between 2017 and 2018

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Staff hires (on permanent contracts)	11,693	9,775	5,612	5,476	3,461	2,206	1,989	1,783	630	309	1	1

3.4.2.2.2 Employer appeal/brand

Staff are recruited based on a combination of their experience and their personal qualities. In ORPEA's business – people-based services – it is crucial for team members to share the Group's values and not just to have professional qualifications.

To achieve this, ORPEA has always stressed its commitment to compassion, the foundation for positive treatment, requiring good listening skills, approachability, respect and trust.

Given that its employees are its most effective ambassadors, facilities strive to be warm, friendly and good-humoured places, so that they are bursting with life, open to the outside world and conducive to the development of social ties.

Even so, ORPEA is well aware that its appeal and attractiveness to potential applicants is a crucial factor in the sector.

The HR departments of the various countries are thus encouraged to take initiatives, which are then shared by all clusters at meetings of the Group HR departments held several times a year by the corporate HR department.

ORPEA Belgium, for example, has established a partnership with a nursing school in Flanders enabling students to spend their internship in facilities in France, including Montpellier. ORPEA Poland has set up a partnership to develop a mobile app so that its communications can reach a wider audience. Meanwhile, the Spanish unit holds an annual open day event at its facilities.

Over the next few years, the Group will continue to do whatever is necessary to showcase its abilities and enhance its image, while reaffirming its identity and highlighting its commitment to high-quality care as a socially and eco-responsible operator.

3.4.2.3 MONITORING THE HEALTH, SAFETY AND WELL-BEING OF OUR EMPLOYEES

To provide a unique and bespoke service for every patient and resident, while maintaining its leadership in a constantly changing market, the ORPEA Group has developed an ambitious strategy to enhance working conditions and make quality of life in the workplace a strategic priority.

Quality of life in the workplace is the Group's driving force, because engagement goes hand in hand with performance. Nurturing a climate of trust and confidence is crucial in order to improve working conditions in the facilities. ORPEA has grown to become a well-known business with respected expertise in its field by protecting physical and mental health through managers' constant vigilance, training its employees to work safely and establishing and maintaining strong labour relations.

In many countries, ambitious policies have been introduced in conjunction with the HR department and employee representatives to enhance employees' quality of life in the workplace.

Measures taken in various countries include providing breakfast, making a gym available to teams and providing childcare places.

In addition, because rewarding and recognising achievements also helps to enhance teams' quality of life in the workplace, every country in ORPEA's network holds internal and/or external competitions, events and staff parties.

Quality of life in the workplace is also shaped by how the Group responds to employees' expectations. The human resources department strives to spot and reward talent by creating new opportunities for personal and professional development. ORPEA never loses sight of the fact that high-quality management is essential for developing stimulating targets and career opportunities and for encouraging individuals and groups to unlock their full potential.

3.4.2.3.1 Promoting safety in the workplace

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.

Employee representative bodies and employees themselves are consulted on a regular basis concerning policies being drafted 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.

Either at its own initiative or in cooperation with the employee representative bodies, the Group's actions include:

- identifying risk factors in order to design an overarching risk prevention plan and action plan;
- analysing locally the causes of workplace accidents and occupational diseases;
- raising awareness and making managers accountable for employees' induction and training;
- providing facilities with suitable equipment to avoid the need to carry heavy loads (e.g., ceiling rails).

In keeping with its values, the Group also reaffirms its commitment to preventing harassment and violence in the workplace by repeatedly making employees 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 severity of 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 systematically the risk of workplace accidents when new structures are built and during renovation or extension projects. For several years now, ORPEA has endeavoured to build occupational risk prevention into its projects at the earliest possible stage.

In addition, 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 rules and dealing with pain are all subjects covered by the training policy in all countries. They enable all employees to learn best practices in their profession and environment in the best possible conditions.

Countries may also take additional measures to prevent musculo-skeletal disorders. ORPEA Deutschland, for example, arranges courses in conjunction with the health insurance authorities (fitness, swimming, gradual muscular relaxation, etc.), which make a financial contribution to the external classes held in fitness facilities. In Spain, all employees are informed and given training about general and specific workstation risks through a training session updated every two years that specifically addresses the prevention of musculo-skeletal disorders. Every year, a special training session is organised and delivered by a physiotherapist.

In Switzerland, team leaders have developed a connected management style, listening carefully to employees to help prevent the risks of occupational illness and workplace accidents. Every year, the care teams have to attend mini-training sessions reiterating the rules and requisite behaviours for working safely.

In Italy, employees working in nursing homes attend training as a matter of course about lifting so they are informed the right movements to make when providing treatment and care. The aim is to reduce the accidents caused by these movements, thereby reducing absenteeism.

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, 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 ORPEA 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 also extremely important to engage in dialogue with employees in this area in order to identify areas for improvement.

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.

Workplace accidents (frequency and severity) between 2017 and 2018

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Frequency rate	36.2	43.8	58.1	63.7	8.6	14.4	9.5	8.2	49.8	53.5	0	0
Severity rate	1.4	1.1	2.5	1.5	0.3	0.4	0.3	0.4	1.4	1.5	0	0

The very definition of a workplace accident, its reporting and the conditions for it to be recognised as such depend on national legislation.

These new indicators were introduced for the first time in 2016. Several years' worth of data as well as time will be required for the countries to get used to using the indicators before truly relevant conclusions can be drawn. 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. Comparisons are also difficult in Spain due to the increase in the size of the workforce.

Lastly, France did not have the technical capability to switch over to the new Group-wide definition used. As in previous years, therefore, the calculation is based on hours worked, not hours paid as is the case in other countries. These factors also have the effect of artificially inflating workplace accident frequency and severity rates.

Consequently, the headline frequency and severity rates reported for the Benelux countries are higher but are not comparable with the data for other clusters.

It is not as yet possible to envisage an overall Group indicator for occupational illnesses, 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 conditions varies significantly from country to country. Each country therefore has its own definition of the various conditions (whether or not listed) and its own rules for establishing cause and effect and for determining whether the conditions 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 developed countries, are given particular attention in the prevention policies implemented by the ORPEA Group. In addition to being disabling or painful for the affected employees, these disorders are an area of concern for the Group as they lead to organisational disruption and are thus detrimental to the smooth running and quality of work within its facilities.

3.4.2.3.2 Preventing psychosocial risks

Facility managers and team leaders also receive training to optimise their management role. Communication, crisis management and team leadership training as well as training on preventing psychosocial risks is arranged every year.

For example, a specific module on "Understanding and managing a facility by forward planning to prevent psychosocial risks" was developed and delivered very successfully in France during 2018.

One of the objectives is to give managers the tools they need for the proper management of the staff under their oversight (appraisal interviews, stress management, delegation of skills, meeting facilitation, risk prevention, and conflict management).

Eight editions of this three-day course were held to provide integrated and extensive training for more than one hundred managers. The training programme will be held a similar number of times in 2019.

To support employees having to deal with emotional distress by virtue of the very nature of the work they do, the Group established in 2009 a psychological unit known as the “Group Emergency Intervention Unit” consisting of qualified psychologists with special training in facility trauma. The unit began operating in France and, more recently, expanded into Belgium and Switzerland.

The conditions under which the psychologists are called in are set out in a Group procedure. The unit can help to contain crises 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 facility life and threatens the emotional and/or physical well-being of members of the facility;
- to contain and deal with the anxiety and resistance among teams;
- to help care teams cope with events by restoring their collective care capacity;
- to identify people at risk, who are emotionally fragile and unduly affected by the event.

In 2018, 53 interventions and 44 missions (one mission may involve several interventions) took place, restoring a feeling of security or peace of mind among staff, and 367 people sought to benefit from the support (individual and group) of the psychological unit.

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

- take time to talk and share feelings 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 improved well-being at work.

3.4.2.3.3 Nurturing quality of life in the workplace

Since its inception, ORPEA has always endeavoured to provide secure environments that also offer a high quality of life in the workplace.

It encourages all such initiatives, and due credit is given for the contributions they make.

As well as protecting their health, ORPEA 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 work area and in rest rooms, etc.

For example, Belgium has introduced a “living and working together” course at the request of its staff and in cooperation with the employee representative bodies. The purpose of this training/awareness-raising campaign is to strengthen team spirit and mutual support within its facilities, and to develop understanding and respect between the various different job and employee categories. These topics are very important to the ORPEA Group and the training provided is highly popular among all staff.

Quality of life in the workplace is also a factor that can help employees achieve a better work/life balance.

In Germany, the municipal authorities of Siegen-Wittgenstein and Olpe have decided to award accreditation to family-friendly businesses. Six businesses were certified for the first time and another eight secured re-accreditation, including CELENUS Fachklinik Hilchenbach.

Andreas Müller, the president of the municipality, commented: “The award-winning businesses demonstrated a high level of commitment to a better work/life balance for their employees. Even in areas in which it is hard to provide more flexible working hours, such as in the healthcare sector, the businesses worked tirelessly to introduce timetables fitting the needs of their workforce.”

In France, ORPEA and its employee partners decided to push ahead with efforts made for several years to enhance the quality of life in the workplace by negotiating a company-wide agreement, a general framework and programmes to promote well-being in the workplace for all employees.

3.4.2.3.4 Fostering and/or maintaining a high-quality dialogue with employee representative bodies

The Group fully involves any local employee representative bodies in its development. In addition to the mandatory consultations, ORPEA maintains an ongoing dialogue with employees throughout the year, both *via* trade unions and with all staff in the field.

Employee dialogue has been established and takes place within the Group mainly through employee representative bodies including union representatives, works councils and health & safety committees. Union representatives also meet during annual negotiations covering matters such as pay, working hours, incentive plans, employee savings, disability employment and gender equality. Every country has its own representative bodies structured to meet the local statutory requirements. In all cases, the rules governing the renewal of employee representative bodies are scrupulously observed, as the Group is committed to strengthening the quality of employee dialogue and balancing employee interests and career progression against ORPEA’s financial imperatives. The Group operates according to the principle that effective and constructive employee relations for all are crucial for it to operate smoothly. Elections to the employee representative bodies took place across all the Group’s facilities in Germany in 2018, and are due to be held in France in 2019 and then in Belgium during 2020. The structure of these bodies may at any time be tweaked to reflect and comply with local legislative changes.

In any event, the Group is determined to abide by the principle of fair and balanced representation of all its employees at every level of the organisation so as to cultivate a coherent and effective dialogue with employees.

Employee dialogue is organised along similar lines to France in both Belgium and Spain. A body composed equally of staff and employer representatives discusses economic, social and financial information, while another, also composed equally of staff and employer representatives, addresses issues related to prevention and protection at work.

In Italy, employees are represented through a different structure in accordance with local laws. Meetings are set depending on the topics selected (organisation of the day, work schedules, etc.) by the employee partners in compliance with the Group’s determination to consult.

In Germany and Austria, employees are also represented by a body consisting of elected representatives.

In the Netherlands, each of the Business Units maintains a dialogue with employee representatives who are also elected by staff.

In Poland and Switzerland, local dialogue is the norm.

In addition, company-wide agreements are negotiated through regular negotiations with these bodies or union representatives. The scope of these agreement varies depending on the employee concerns and local regulations in force with regard to the following issues:

- work-life balance;
- leave and taking time off work in lieu;
- reducing difficult working conditions;
- incentives, bonuses and profit-sharing;
- healthcare and personal protection;
- promoting the inclusion of target groups such as people with disabilities and older workers.

The various themes of these agreements are naturally adapted across the European operations in line with each country's own legislative framework and more political priorities. In France, as a result of the mandatory annual negotiations, more agreements are entered into than in other countries (15 agreements signed). In 2018, for example, in addition to an agreement on quality of life in the workplace and workplace equality, an agreement was also entered into instituting a savings plan enabling employees to build a portfolio of securities with ORPEA's assistance, while benefiting from the reduced tax and social security levy levies applicable to this type of collective savings vehicle.

In all the countries where ORPEA operates, the agreements accommodate statutory requirements while also promoting equity and respect for employees to promote loyalty and transparent dialogue.

3.4.2.4 SUPPORTING THE DEVELOPMENT OF OUR EMPLOYEES

3.4.2.4.1 Training, a core element of the Group's business

732,609
hours of training
provided in 2018

Developing, acquiring and consolidating professional skills helps to lay the foundations for ORPEA's future success. The range of training courses provided for employees continues to expand every year to help meet the challenges ORPEA faces in its various sectors of activity and as it moves forward with its international expansion.

ORPEA's goal has always been to make a substantial range of training available to all its employees. It wants every staff member to be equipped with the latest techniques to perform their job. At the same time, it aims to cultivate its values and culture, while upgrading their skill sets.

As a result, every Group employee is given the chance to hone, improve and diversify their expertise, which helps to support their career development. ORPEA has always endeavoured to nurture talent within its ranks.

It thus offers the broadest possible range of training (e-learning, videos, on-site, etc.), delivered by both external trainers and internal experts keen to share their knowledge.

The Group is taking a growing number of initiatives across its various countries to meet employee expectations as best it can. In Woonzorgnet in the Netherlands, for example, all employees (care personnel and support functions) have access to the GGZ E-cademy, which offers around 200 e-learning courses covering a wide array of areas (care practices and personal development).

14
hours of training
per employee provided in 2018

Change in the number of training hours by cluster between 2017 and 2018

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula*		Rest of the World	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Training *(number of hours)*	732,609	604,475	387,700	310,745	223,857	196,434	90,671	64,579	29,592	31,396	791	1,322

* *The number of training hours for the Iberian Peninsula cluster declined slightly compared with the previous year owing to a change in strategy concerning two training courses that had been held for several years. To adapt it to employees' needs, the HR department wanted to broaden the course's appeal to a larger number of employees (500 more on average) while reducing the number of hours' training per employee (four rather than seven hours).*

The popularity of these training courses illustrates ORPEA's success in meeting the needs and aspirations of its employees both in terms of professional training and personal fulfilment at work. Through its policy of short-term training, the Group is also able to raise all its employees' awareness of certain issues on a regular basis.

3.4.2.4.2 Professional mobility to meet employees' expectations and the Group's needs

Identifying talented individuals, retaining them and offering them specific training are the cornerstones of a proactive employee policy introduced very early on by the ORPEA Group to capitalise on and promote professional expertise and human qualities.

The Group builds on the skills models it has developed to enrich its training programmes, tweak its appraisal processes, flesh 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. In all the countries where it operates, many of its managers have been promoted from within the Company: care workers, nurses, health supervisors and administrative staff have advanced to positions of responsibility, thanks to their motivation, their commitment and their potential.

ORPEA is committed to making the most of individual strengths and energising the careers of each employee to improve the quality of patient and resident care and to boost staff motivation and satisfaction.

This bold approach reflects the support provided to employees by the Group with their efforts to build a rewarding career plan, plus the emphasis placed on internal recruitment when filling vacancies.

For example, all the regional managers in post in France have risen through the ranks. Elsewhere, the vast majority of regional managers have followed the same type of career path.

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

There are also opportunities to transfer between the Group's business lines or between countries for employees wishing to gain experience in or move more permanently to a specialised geriatric, post-acute and rehabilitation, or psychiatric hospital, or simply to get a taste of another culture.

International transfers are also gaining momentum, with employees from France now working in Spain, Portugal, Belgium and even China.

Exchanges between professionals and between countries are also very popular among ORPEA's staff. Be they doctors or head chefs, all employees are afforded opportunities to share their know-how in other countries, and this trend towards sharing and building bridges helps to make teams feel valued and bolsters the pride they take in working for the Group.

3.4.2.4.3 Partnerships for supporting and developing the talents of our teams

DOMEA, the carer training institute set up by the Group in 2005 (IFAS approved by prefectural order), reflects the Group's longstanding commitment to help its employees gain qualifications and provide 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 from employers, tutors and apprenticeship leaders.

The development of this school reflects the ORPEA Group's dedication to training high-quality staff, and providing training that combines technical skills and respect for the dignity of the elderly and patients.

The Group has therefore developed university diplomas in partnership with higher education institutes in various countries 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 managers and is a good example of the Group's ambition of implementing an integrated, international approach to training.

For more than a year, the Group has endeavoured to give all countries the chance to benefit from this existing partnership, which gives them access to a recognised syllabus that can be tailored to their own specific local requirements.

ESCP Europe continues to run the *Cadrélan Stratégique* programme, which enables Group employees who are interested to hone their managerial skills in a privileged environment.

The programme caters for employees with management and/or team leadership roles who want to advance to senior management level or perform cross-functional roles within the Group, irrespective of where they work. An additional module on intercultural management has been incorporated to reflect the Group's development outside France.

In Austria, the SENECURA Academy, which officially opened in 2016, now offers the Group's employees recognised training courses. The aim is for each employee to benefit from an individual lifelong learning programme and training leading to recognised qualifications.

Likewise in Switzerland, SENEVITA set up its own Academy in 2017, and the first classes began in 2018.

In Spain, ORPEA Iberica has funded a master's course in geriatric care management that was needed to support the development of employees keen to secure a management role. As in many countries, a university qualification is a pre-requisite for those seeking a facility management role. The diploma and course that are required are stated in regional rules in Spain. ORPEA Iberica thus enables deputy managers, and those with senior management ambitions to obtain the qualification they need to develop their skills and enhance their career without having to pay for it. That reflects the Group's determination to promote from within its own ranks wherever possible. Beyond seeking to motivate employees and develop their skills, these initiatives aim to streamline and standardise teaching while guaranteeing a high level of quality. Not only do these projects form part of the Business Unit's Quality programme, they also reflect the Group's relentless quest to differentiate itself – in the minds of current and prospective residents and patients and of current and future employees.

3.4.2.5 PROMOTING DIVERSITY AND INCLUSIVENESS WITHIN THE ORGANISATION

ORPEA has always considered diversity to be an opportunity to achieve greater success and, as such, put it at the heart of its strategy.

Every employee within the Group, irrespective of their qualifications, gender, religion, age, etc., is afforded the same professional development opportunities.

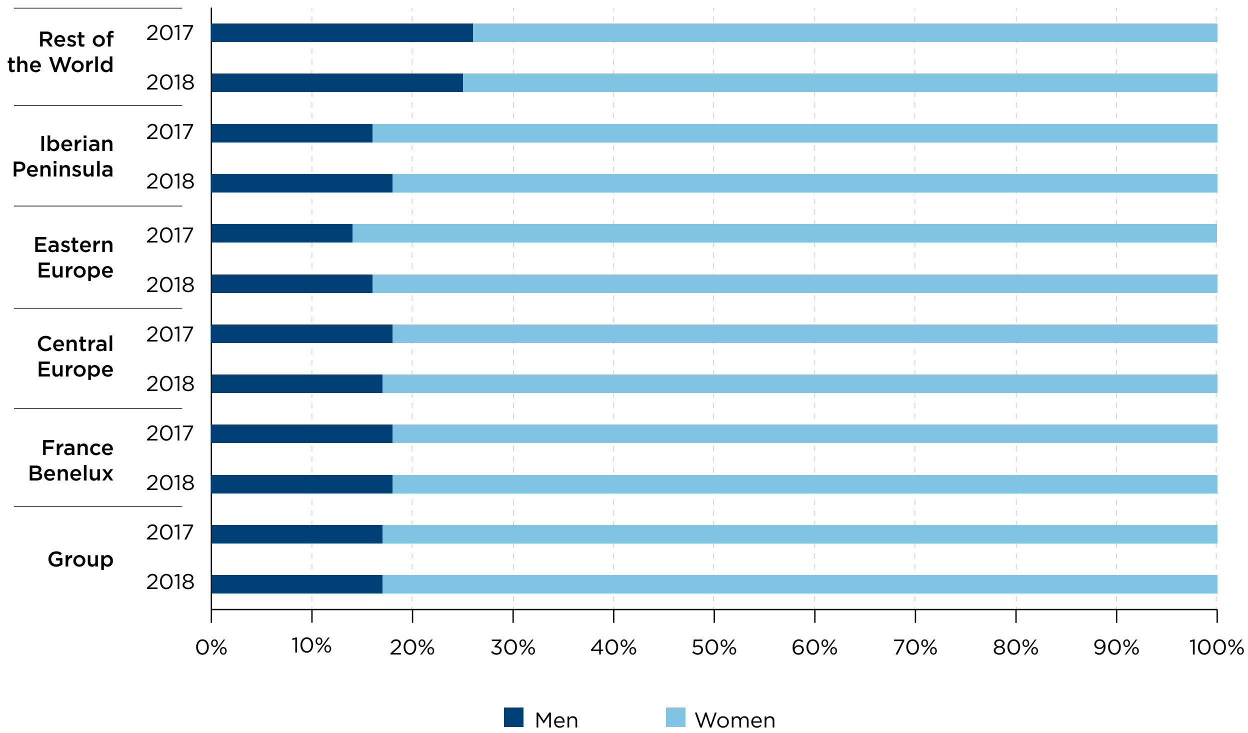
This mindset extends to the very top ranks of the organisation and across the entire management structure.

3.4.2.5.1 Gender equality

Since its inception, ORPEA's teams have always had a large number of women, and the same trend has been seen in every country. In 2018, 83% of ORPEA's employees were women.

The Group has always made sure that all jobs and all positions of responsibility are open to both women and to men, through both external recruitment and internal promotion.

▶ **BREAKDOWN OF EMPLOYEES BY GENDER AND BY CLUSTER IN 2017 AND 2018**



For over 20 years now, ORPEA has pursued a broad diversity and gender balance policy on a daily basis that gives everyone – with their own individual skills and values – a chance to shine, irrespective of their gender, their origins and their initial level of training.

As part of this approach, ORPEA has always been committed to treating men and women equally.

That achievement is the product of an unwavering commitment to a diversity policy that forms an integral part of the Group's values.

Male-female professional equality index

Equality between men and women is an unwavering point of focus for the organisation, especially in a sector in which women account for the majority of the workforce.
In 2018, the male-female professional equality index applied in France, as defined in Decree No. 2019-15 of 8 January 2019, illustrates the success of this policy:

- 84 out of 100 for the ORPEA economic and social unit;
- 78 out of 100 for the CLINEA SAS economic and social unit.

Equal treatment of men and women remains a top priority for the organisation, with remuneration and access to positions of responsibilities key elements of this.

2018 Diversity Award

At the 15th edition of AGEFI's Corporate Governance Awards held in October 2018, ORPEA received the Diversity in Senior Management Award in the SBF 80 category. The award reflects not only the diversity of its Board of Directors but also of all ORPEA's senior management teams.

Positions of responsibility held by a woman[(1)]

66%
of **senior management**-jobs are occupied by **women**

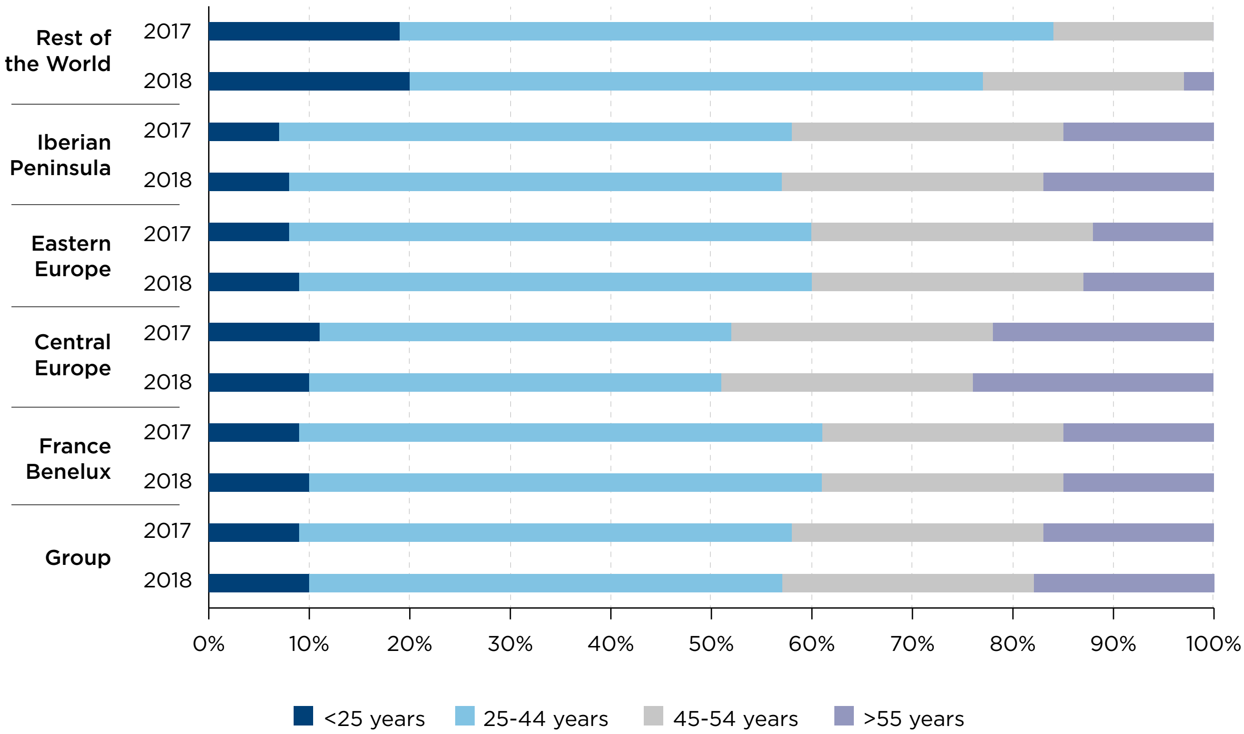
	Group	France Benelux	Central Europe	Eastern Europe	Iberian Peninsula	Rest of the World
Positions of responsibility held by a woman (in 2018)	65.6%	68.5%	59.9%	59.1%	75.4%	20.0%

3.4.2.5.2 Access to long-term employment opportunities for the young and not-so-young

As part of its recruitment policy, ORPEA places great importance on interpersonal skills, 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 knowledge and skills are passed on to the next generation.

▸ BREAKDOWN OF EMPLOYEES BY AGE BRACKET



A breakdown of the workforce by age bracket reflects this policy. Employees aged under 25 represented 9.6% of the total workforce in 2018, a similar level to the previous year. Employees aged 25 to 44 generally represent about 48%. That said, there may be some variation in certain countries, but the statistics should be interpreted in view of the actual employee numbers they cover, so the percentages may therefore be less representative.

Employees aged over 55 account for 17.6% of the total.

(1) Positions of responsibility includes facility managers and heads of a headquarters support function.

Employees from all age brackets are represented in fairly similar patterns in every country in which the Group operates. This ensures diversity of profiles and promotes the sharing of experiences, two priorities for the Group.

3.4.2.5.3 Disability and employment

For over 20 years, ORPEA has taken steps to find jobs for and retain people with disabilities through efforts including:

- promoting the recruitment of individuals with disabilities;
- training managers in how to accommodate people with disabilities and, more broadly, educating all employees about disabilities;
- adapting workstations and equipment to fit the needs of employees with disabilities;
- helping employees to report their disabilities so that working conditions can be adapted appropriately;
- entering into partnerships and agreements to facilitate the integration of people with disabilities within the organisation.

To date, it has not been possible to determine the total number of employees with disabilities on the payroll given the lack of regulations in every country.

In France, for example, the ORPEA Group employed 622 people with disabilities in 2018, compared with 609 in 2017 and 585 in 2016. It has entered into a company-wide agreement in France for this purpose.

In Spain, various partnerships have been established and ramped up with the Randstad Foundation and the Caixa Foundation to help individuals with disabilities access employment. In 2018, it set up another with Once Foundation, Spain's largest not-for-profit organisation promoting opportunities to hire people with disabilities. The management team in Spain also made a film to raise awareness among teams.

Equal opportunities

Over **1,000**
employees hosted on
apprenticeships and/or
work-study programmes

As well as in disabilities, ORPEA has established partnerships to foster the employment of disadvantaged individuals and/or those who need to be retrained and to accommodate employees on apprenticeships and work/study programmes.

In 2018, over 1,000 apprenticeships and/or interns were hosted by the Group (354 in France, 237 in Germany, 325 in Switzerland and 110 in Austria).

In France, a partnership was established in France with *Défense Mobilité,* an organisation that helps military personnel and their spouses retrain for a new career after they leave the armed forces. In Spain, the Group works actively with the senior sports council (part of the ministry of youth and sports) to help elite athletes find employment once their sporting career is over.

Lastly, other initiatives were also taken under the equal opportunities policy. In Spain, partnerships were forged with various associations (La Caixa Foundation, Juan Castilla Foundation, Randstad Foundation, APROCOR Foundation, Cooperation agreement with Fremap) to encourage the recruitment and continued employment of vulnerable individuals.

3.4.2.5.4 Promoting and adhering to the ILO Fundamental Conventions

Respect for freedom of association and the right to collective bargaining

For years now, the ORPEA Group has focused on achieving a high-quality employee dialogue to balance employee interests and social progress against the Company's business imperatives.

Effective and constructive labour relations for all are crucial for the Company to operate effectively, and the freedom of association, freedom of expression, freedom of assembly and the right to information are essential components of social stability and economic development.

Accordingly, employees may freely serve as representatives and voice their opinions, with mutual respect for the provisions of law, the regulations and employees' fundamental rights.

The Group remains committed to harmonious employee dialogue, which entails the negotiation of various aspects of labour relations to promote and defend employee interests.

Elimination of employment-related and professional discrimination

Through its recruitment, training and promotion policy, the ORPEA Group has always demonstrated its commitment to non-discriminatory practices. It believes that equality at work means everybody having the same chances to develop the knowledge, abilities and skills necessary for the business. Discrimination prevents the victims of prejudice from achieving their full potential and thus deprives the Group of the contribution they could make.

The diversity of cultures, languages, family situations, educational backgrounds, racial and social origins, religions and opinions make ORPEA a Group in which everyone can find their place and thrive, while respecting others, making for a tight-knit workforce underpinning effective performance.

Elimination of forced and compulsory labour and the effective abolition of child labour

Owing to the nature 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.

3.5 A RESPONSIBLE ENVIRONMENTAL APPROACH

3.5.1 PRINCIPAL RISK FACTORS IDENTIFIED

Controlling the impact of ORPEA's operations on natural habitats is a top priority for the Group, and relevant measures are taken at the building design, construction and operation stage.

Facilities' environmental performance is a major concern for the Group given that its business operates 24/7.

The management of waste generated by facilities is another point monitored closely by the Group. The goal is to curb waste through awareness campaigns aimed at teams and customers (especially food waste) and to make sure that everyone sorts their waste appropriately.

3.5.2 PRESENTATION OF THE POLICIES APPLIED AND RESULTS OBTAINED

3.5.2.1 ORPEA'S GENERAL ENVIRONMENTAL POLICY

The ORPEA Group, which is heavily committed to intergenerational transfers by the very nature of its business activities, has embraced an eco-responsible approach involving its entire staff to reduce energy consumption and waste at its facilities.

A Steering Committee made up of representatives from the purchasing, works-construction, quality and communication departments was set up in 2013 to oversee these goals; it meets every two months and monitors the five main priorities set for the ORPEA Group's environmental protection initiatives in Europe:

- reducing energy use (chiefly gas and electricity) and water consumption;
- managing the clinical waste produced;
- developing eco-responsible purchasing;
- cutting CO_2 emissions caused by travel;
- combating food waste.

The Group also aims to develop ways to prevent environmental damage and raise awareness about environmental protection at its facilities, through initiatives aimed at employees, as well as residents, patients and visitors. The goal is to provide general information about sustainable development and circulate best practices and practical eco-friendly tips and tricks.

Since 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 accommodating environmental imperatives and energy-saving aspects in the specifications for all its new building projects.

Under its integrated environmental policy, the Group aims to strike a balance between energy savings and quality of life at its facilities for residents, patients and staff.

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 prioritises a pleasant visual and acoustic environment, as well as natural light.

The Group is particularly careful and innovative when it comes to designing living spaces geared towards the autonomy and well-being of residents.

Starting at the design stage, ORPEA makes sustainable choices for new buildings that help to protect the environment:

1. **The building and its environment:**
   - paying attention to the building's orientation, particularly with regard to course of the sun;
   - location of the building to fit in with the land's topography;
   - principal façades facing east and west and well-lit;
   - acoustician's support concerning road classifications and treatment of façades;
   - conducting impact studies of future installations on the environment (neighbours, etc.).
2. **Building design:**
   - accessibility of the facility for people with reduced mobility. This criterion is crucial, as the majority of the Group's facilities care for people with long-term care requirements;
   - a design that limits thermal bridges (for example curbing the number of balconies, using special balcony treatments where they exist, and using exterior thermal insulation);
   - separation of technical equipment from the building structure (e.g. anti-vibration mounts, etc.);
   - natural lighting for premises with a workstation;
   - independent storage for everyday waste and special storage arrangements for food waste;
   - passive design features preferred to keep buildings cool in the summer and warm in the winter.
3. **Technical and technological choices:**
   - design offices required to deliver results and performance obligations set for contractors;
   - depending on the context, rainwater treatment (retention tank), solar water heating (if sufficient yield);

- thermal modelling;
- use of energy-efficient technologies (widespread use of LED lighting, motion detectors, etc.);
- use of a mimic panel for hot water production;
- for large rooms, dual flow ventilation with energy recovery.

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 meet the criteria for classification as low-energy consumption buildings;
- in Switzerland, all new facilities meet the requirements for the Minergie label, a seal of quality and energy performance for new and renovated buildings;
- in Belgium, an environmental approach is taken for all new construction (external insulation, dual-flow ventilation, aerators, etc.).

Since ORPEA also expands by acquiring facilities that have already been built, the Group also plans to introduce from 2019 an annual review of the facilities requiring redevelopment and restructuring work to improve the standards of comfort for the individuals being looked after or working there and to underpin the level of the buildings' energy efficiency.

Lastly, before purchasing land, ORPEA ensures that the soil is not contaminated and, if necessary, carries out soil remediation.

The ORPEA Group has not set aside any provisions to cover environmental liabilities.

3.5.2.2 CURBING POLLUTION AND ADDRESSING CLIMATE CHANGE

3.5.2.2.1 Raising the energy performance of sites and curbing energy and water consumption

As part of its multi-year action plan, the ORPEA Group is committed to reducing energy consumption in its facilities by optimising the use of resources.

For example, ORPEA 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-intensive and the most energy efficient facilities, determining best practices, raising employee awareness about eco-friendly behaviour, etc.).

The aim is to teach everyone to respect the environment through simple everyday gestures, and to adopt eco-responsible behaviour.

This procedure entails checking and analysing energy consumption to identify problems (for example leaks, excessively high consumption, and benchmarking of sites) and energy-intensive facilities. Training courses are arranged to give the facilities all the tools they need to make their buildings energy-efficient (centralised technical management, etc.).

ORPEA monitors its meters, and of course its bills, using a consumption-tracking platform. To date, this system is installed in France.

In the other Business Units where the consumption-tracking platform has not yet been installed, weekly readings are taken, and semi-annual reporting is consolidated at Group level.

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.

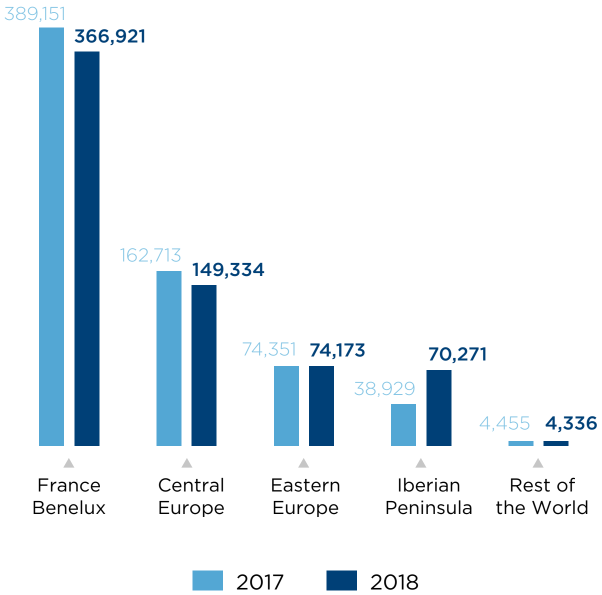
Electricity and heating consumption and management

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
(in MWh)	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Electricity	283,165	267,087	169,747	164,234	51,129	53,510	28,314	27306	31,592	19,669	2,383	2,368
Heating	381,870	402,512	197,175	224,917	98,204	109,203	45,859	47,045	38,679	19,260	1,953	2,087
TOTAL	**665,035**	**669,599**	**366,921**	**389,151**	**149,334**	**162,713**	**74,173**	**74,351**	**70,271**	**38,929**	**4,336**	**4,455**

The types of energy used for heating are town gas, propane, fuel oil, wood and district heating.
N.B. The figures include electric heating where this can be separated from other uses of electricity.

In 2017, energy consumption amounted to 669,599 MWh across ten countries (France, Italy, Spain, Belgium, Germany, Austria, Czech Republic, Poland, China and Switzerland), compared with 665,035 MWh in 2018 across the same ten countries but with an overall greater number of beds and facilities. These figures reflect the growth in the various clusters/business units, especially in the Iberian Peninsula cluster, with the Sanyres facilities being added to the reporting scope in 2018.

Energy consumption remained stable or even declined in other countries where the scope remained almost unchanged (no major acquisitions by the Group), albeit with some increases in the number of facilities and the number of beds occupied.



For example, it is worth noting:

- the decline of close to 6% in energy consumption at the France Benelux cluster between 2017 and 2018, confirming the impact of eco-responsible measures introduced over the past two years and more at this cluster;
- the stable energy consumption at the Eastern Europe cluster between 2017 and 2018 even though the number of facilities in the scope increased by 18%.

Everywhere it operates, ORPEA aims to reduce the energy consumption of its buildings as far as possible, by gradually installing energy-efficient equipment, including:

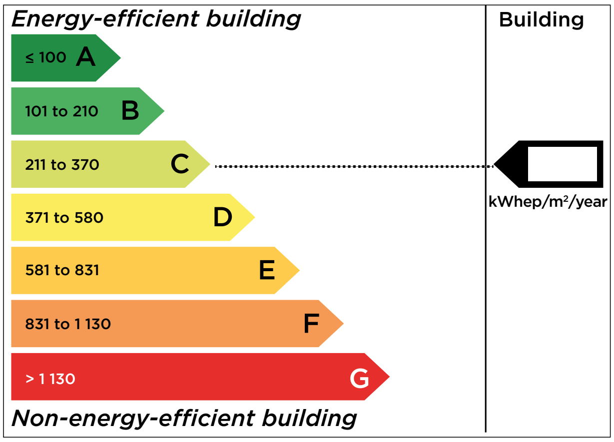
- fitting low-consumption lighting (all new buildings are equipped with LED lighting) as and when existing light bulbs and lamps are replaced;
- optimising procurement contracts with energy suppliers for the entire European network;
- fitting sensors to reduce electricity consumption in all service areas (storage rooms, etc.);
- insulating loft spaces and water networks to help combat energy losses.

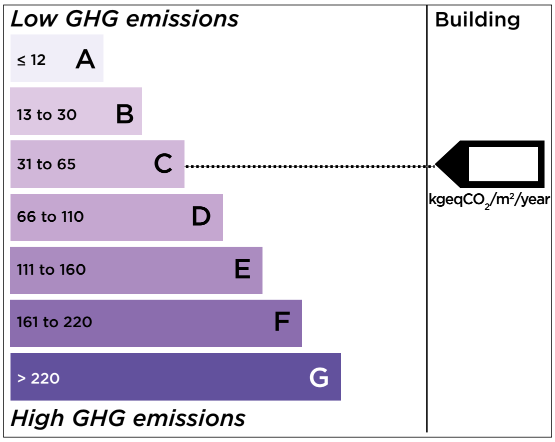
Energy audits are carried out wherever the regulations[1] so require.

As a result of these efforts:

- **France:** pursuant to the regulations (decree No. 2013-1121 of 24 November 2014, enacting into French law European directive 2012/27/EU of 25 October 2012 on energy efficiency), the ORPEA Group conducted in late 2018 an energy footprint of its operations in France. As well as determining the Group's energy performance level, this analysis identified a number of measures that needed to be implemented to enable the Group to continue pushing ahead with its eco-responsible programme.

▶ 2018 ENERGY LABEL IN FRANCE (STANDARD SCALE IN FRANCE FOR MEASURING ENERGY CONSUMPTION)



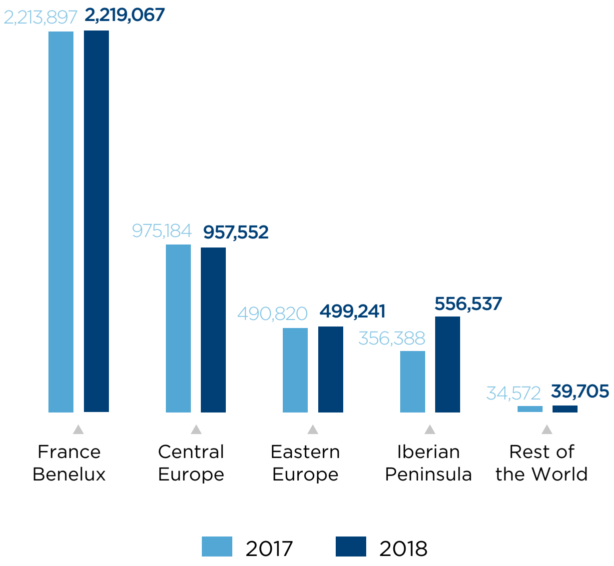


- Energy audits were also carried out by the facilities in **Germany** (in accordance with DIN EN 16247-1, EDL-G). Given the European objective of lowering energy consumption by 20% out to 2020, the nursing homes have been asked to carry out an energy audit every four years. Audits have been carried out in some of the facilities. In 2017, the results of these audits were consolidated and formed the basis for an action programme for the next five years.
- In **Poland,** an energy audit was carried out internally by the purchasing manager, who renegotiated contracts with energy suppliers in 2017.
- 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, 2017 and 2018.
- **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. The norm aims to promote energy efficiency and wider use of renewable sources of energy while ensuring improved quality of life, greater competitiveness and less damage to the environment.

(1) No regulations requiring energy audits to be carried out exist in Italy, the Czech Republic, Spain or Portugal.

Water consumption and management

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Water *(in m³)*	4,272,102	4,070,861	2,219,067	2,213,897	957,552	975,184	499,241	490,820	556,537	356,388	39,705	34,572



In 2017, total water consumption amounted to 4,070,861 cubic metres across ten countries (France, Italy, Spain, Belgium, Germany, Austria, Czech Republic, Poland, China and Switzerland) but with fewer beds and facilities than in 2018.

To reduce its water consumption and having installed aerators in all its French facilities in 2014 and its Belgian facilities in 2015, the ORPEA Group continued to equip its facilities in the other countries from 2017.

The ORPEA Group's works and maintenance department ensures that the hot water systems of all facilities are compliant and present no risk of legionella. It also verifies 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.

3.5.2.2.2 Addressing the challenges posed by climate change and curbing greenhouse gas emissions

ORPEA has set itself the goal of helping to combat climate change and conserving the natural resources it uses in its operations.

The Group leaves no stone unturned in pursuit of this objective. It strives to limit its use of resources and attempts to find eco-responsible purchasing and transportation solutions for the materials and products it requires for its activities.

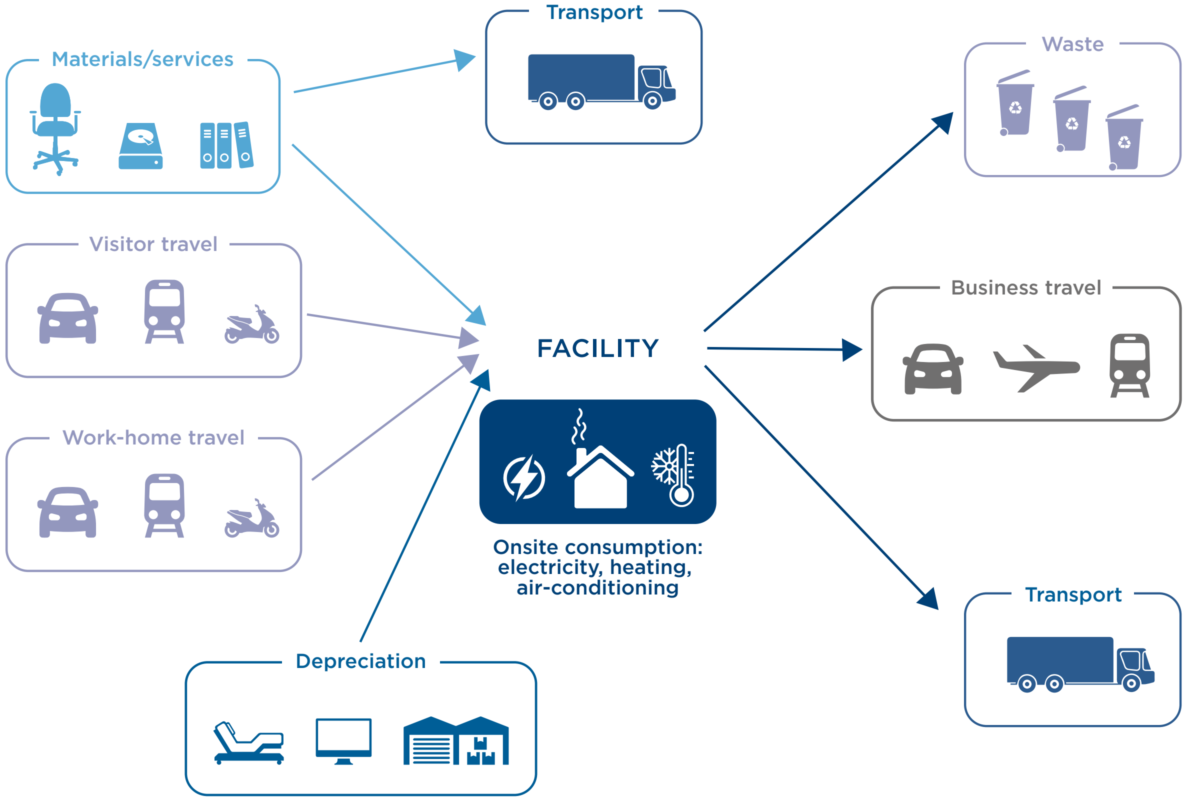
As part of its ambitious drive to cut its CO_2 emissions and to better understand and curb the largest sources of greenhouse gases, the Group publishes every four years an updated version of the carbon footprint of all its operations in France.

The most recent carbon footprint was conducted in late 2017 and published in the first quarter of 2018. The carbon footprint was produced with the assistance of specialist carbon consulting firm which is a member of the APCC (ECO 2 initiative) and presents all the greenhouse gas emissions generated by the activities of the facilities in France.

The assessment covered all facilities controlled by ORPEA in France and 100% of the emissions of the assets and activities over which ORPEA has operational control were thus 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.

▶ OPERATIONAL SCOPE OF A FACILITY



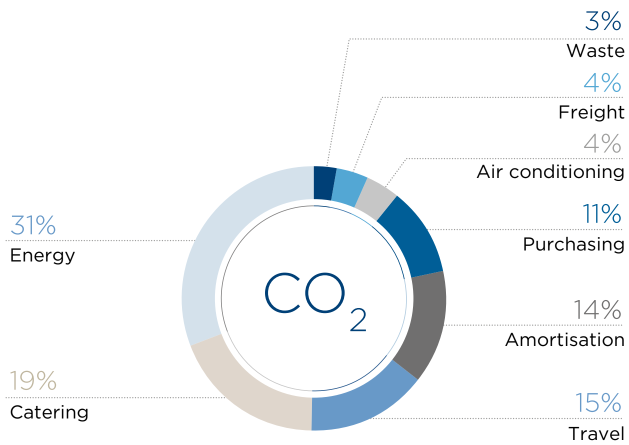
Consolidated carbon footprint, France, 2017

▶ KEY FIGURES FOR 2017

207,712
CO_2-equivalent **tonnes** were emitted, or **580 tonnes** per facility

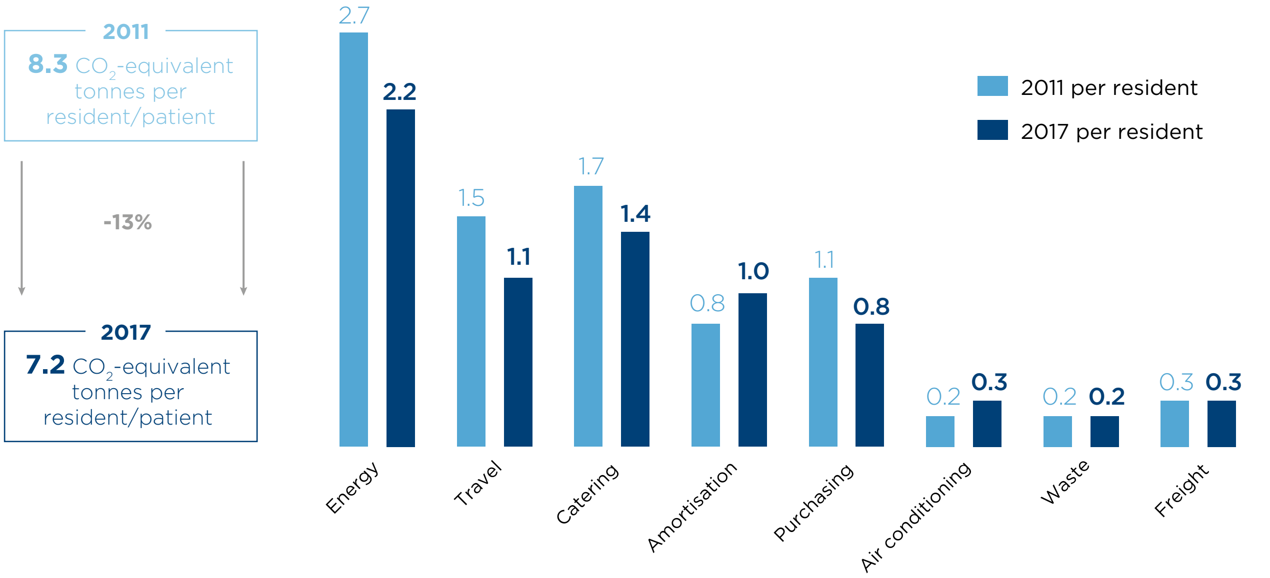
358
facilities covered

7.2
CO_2-equivalent tonnes per resident patient



Comparison of 2011 and 2017 issues (by activity ratio)

▶ **COMPARATIVE TRENDS IN 2011-2017 CARBON FOOTPRINT IN CO_2-EQUIVALENT TONNES PER RESIDENT**



At comparable scope and methodology, greenhouse gas emissions declined by 13% owing to the following combined effects:

- reduction in the energy consumption of buildings, for both electricity and gas;
- steep decline in greenhouse gas emissions for vehicles, owing partly to the improvement in emissions measurements (CO_2 data provided);
- reduction in the relative amount of red meat served at mealtimes and in food waste.

The greenhouse gas footprint presented is representative of France and cannot be extrapolated to its operations in other countries.

CO_2 emissions from electricity consumption vary between countries depending on how electricity is generated (for example *via* hydroelectric, nuclear or thermal power stations), causing differences in the CO_2 emissions attributable to energy consumption. What's more, the report covering France includes movements by employees at the headquarters, which account for a large proportion of emissions in the travel category.

Since 2012, ORPEA has embraced a sustainable development approach extending to partners and suppliers to help reduce its greenhouse gas emissions.

According to the carbon footprint, facilities' energy consumption (electricity and heating) is the largest source of emissions (31%).

Reflecting its service and accommodation business, the next two largest sources are:

- catering (19%), which includes production of the foodstuffs;
- travel (15%), which factors in the movements of employees (commuting), patients and/or visitors.

ORPEA therefore continues to pursue its policy of minimising the impact of its business travel, by travelling only when necessary and only flying when absolutely imperative.

Wherever possible, the Group arranges conference calls instead.

Since 2016, all Business Units have used videoconferencing as much as they can, which has contributed significantly to reducing staff travel. However, given the Group's growth and its business activity, there will always be a certain number of journeys that cannot be avoided (visits to facilities in connection with field audits, development, etc.).

The vehicle fleet was optimised in all countries by preferring models with lower CO_2 emissions and through a policy to promote cleaner and electric vehicles.

In addition, to combat greenhouse gas emissions caused by food production, the Group has introduced a food purchasing policy, continued to take measures reducing the number of deliveries by food suppliers (for example, once a week for groceries) and to encourage the use of dual-temperature trucks that can carry both frozen and fresh produce.

CO_2 emissions from energy consumption in 2018

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).

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
(in tonnes of CO_2)	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Scope 1*	70,288	72,169	42,826	45,038	15,246	18,247	3,501	4,780	8,629	4019	87	85
Scope 2**	63,565	58,422	12,603	13,680	26,448	25,393	13,984	11,577	7,519	4,681	3,011	3091
TOTAL	**133,853**	**130,591**	**55,428**	**58,718**	**41,694**	**43,640**	**17,486**	**16,357**	**16,148**	**8,700**	**3,097**	**3,175**

* *Scope 1: direct emissions (fuels).*

** *Scope 2: indirect emissions (electricity and other energy).*
All the conversion factors used to calculate emissions based on the electricity and heating consumption are shown in the methodological note at the end of this chapter. ADEME (French Environment and Energy Management Agency) provided these conversion factors, which were updated in 2018.

The energy efficiency of buildings is the most important area of focus for the ORPEA Group in its sustainable development programme.

ORPEA is already committed to a strategy of reducing future CO_2 emissions at its facilities, thereby contributing to the fight against climate change. This strategy applies to both new buildings under construction (renewable energy, eco-design and eco-management) and existing facilities with the ongoing measures set out in its multi-year plan.

3.5.2.2.3 Adapting to climate change

The ORPEA Group's facilities, wherever they are located, are equipped to cope with heat or cold fronts that could potentially 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.

All countries comply with the national and regional regulations in force.

All facilities have signed an agreement with a nearby hospital or clinic setting out arrangements for cooperating and in particular for caring for residents who are vulnerable in the event of 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, Portugal 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.

3.5.2.3 OPTIMISING WASTE MANAGEMENT

3.5.2.3.1 Sorting waste

At present, it is not possible to systematically quantify the volume of waste produced as waste is collected primarily by public operators.

Depending on the local policy where a facility is located, waste may be sorted (into separate processing chains for plastic, glass, deposit, cardboard, packaging, food waste methanisation, etc.). Operations in every country comply with the waste sorting regulations in force.

In certain countries (Belgium, Germany, Switzerland, etc.), items can be returned to the supplier under the deposit system in place, which, for example, allows plastic bottles to be recycled (in Germany).

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.

Management of hazardous clinical waste

In 2018, 550 tonnes of hazardous clinical waste was produced in France, compared with 576 tonnes in 2017. The calculation of production is based on quarterly production tables supplied by the service provider in charge of recycling this waste. To calculate the weight of hazardous clinical waste, a volume/weight conversion table is applied.

Belgium produced 7.2 tonnes of hazardous clinical waste, down from 7.9 tonnes in 2017.

Spain produced 2.4 tonnes of hazardous clinical waste in 2018.

As the definition of hazardous clinical waste and the level of medical care required by residents vary from one country to the next, it is not possible to compare data from different countries.

In addition, in other countries where ORPEA operates, the method of collecting hazardous clinical waste is currently different (collected by a local service provider) and so the total volume cannot be computed.

All of the Group's facilities comply with local regulations concerning the management of hazardous clinical waste.

All facilities are equipped with special receptacles for collecting these types of waste: containers for needles and other "sharps", and "cliniboxes" for other infectious waste.

Waste is removed and disposed of 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 disposal records for the period required, which may vary from one country to another, in order to provide full traceability.

These agreements and traceability records are kept available for the relevant authorities.

3.5.2.3.2 Action to combat food waste

Given the nature of ORPEA's business activities and the number of meals served each year at its facilities (50 million meals), the Group attaches great importance to combating food waste.

ORPEA has already taken concrete measures:

- raising the awareness of kitchen employees about eco-tips and tricks through training and posters to combat food waste;
- adapting orders and production on a daily basis to facilities' operations. As part of this process, every Group kitchen is informed of the number of meals it needs to prepare and their type;
- analysing kitchen waste through weighing returned food and/or meal production.

These analyses, which began in late 2018, will enable the Group to pinpoint the products and recipes that are not very popular among residents and patients and take them into account when the next cycles of menus are designed and to work on changing certain production practices in the kitchen and/or in the restaurant service area. Under the food safety procedures, any food that "leaves the kitchen" has to be thrown away if it has not been eaten.

Efforts to combat food waste have been incorporated into efforts by the Group's sustainable development steering committee. Every month, a milestone review is conducted to determine the effectiveness of the measures implemented and to identify outlier facilities.

3.6 A RESPONSIBLE SOCIAL APPROACH

3.6.1 PRINCIPAL RISK FACTORS IDENTIFIED

ORPEA takes its responsibility as a corporate citizen very seriously. It pursues socially responsible policies and engages with the communities in which it operates, as restated in its Code of Conduct.

By the very nature of its core business, ORPEA, a private group, serves the public interest, since it helps to meet communities' demand for long-term care.

The Group's facilities have responsibilities to society; their residents, patients and service users trust them to deliver care and secure, appropriate support, at times when they find themselves temporarily or permanently in a vulnerable condition.

To be worthy of this trust and for the common good, ORPEA upholds its responsibility to society through the values by which all the Group's employees have to abide and through the policies it pursues in several priority areas:

- achieving recognition as a trusted partner by all the Group's stakeholders, by respecting the rights and dignity of residents/patients, by keeping them safe and healthy and by building sustainable relationships;
- playing a role in national healthcare policies and addressing public healthcare needs;
- planning ahead for prospective health and care needs in order to help rise to the challenges facing society in the future, such as population ageing and the increase in chronic illnesses, and devising new treatment approaches to meet these needs;
- supporting the regions by contributing to vibrant economic and social life in local communities;
- implementing a sustainable purchasing policy upholding all the Group's commitments.

3.6.2 ACHIEVING RECOGNITION AS A TRUSTED PARTNER BY RESIDENTS, PATIENTS AND THEIR LOVED ONES

3.6.2.1 RESPECTING THE RIGHTS AND DIGNITY OF PATIENTS AND RESIDENTS

ORPEA's mission is to provide a high quality of life and compassionate care for residents and patients who have chosen to live in one of the Group's facilities and for users of its homecare services. It aims to fulfil its mission in keeping with the basic principles of human rights, and the hospitalised persons' charter and the charter on elderly people living in care homes.

Respecting all individuals and preserving their dignity is one of the Group's key ethical principles laid down ORPEA's Code of Conduct.

A feeling of belonging, a person's culture, traditions and religious identity are strictly respected and staff are required to show an impartial attitude.

Furthermore, the resident/patient has the right to refuse any treatment and may express their end-of-life wishes by providing guidelines in advance. ORPEA's teams are trained in end-of-life care. They can manage pain and discomfort, and provide psychological support, not only for the resident/patient, but also for relatives. Training involves the listening skills, compassion and availability that teams need in order to maintain the resident/patient's dignity so that they do not feel abandoned, and to create a safe space for them.

The Group's facilities naturally abide by the legislation in force. In France, that includes the 1999 law enshrining the right to 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.

As well as respecting the rights of residents and patients, every facility operated by the ORPEA Group is committed to providing positive treatment, which is founded on respect for individuals, their dignity and their uniqueness.

Positive treatment also requires collective analysis of working practices with professionals regularly reflecting on what they do, and rigorously applying the measures decided on to improve practices.

To some extent, it is part of a culture that involves continuous self-reflection and analysis of the latest advances in knowledge and findings in the human, social and medical sciences. Striving to provide positive treatment entails continuous reflection and analysis and cooperation among professionals, users and close relatives, as well as other stakeholders, to identify the best possible way of meeting a given need at any particular time.

Appropriate organisational measures and management systems have been introduced to underpin this continuous reflection, which is crucial for an ambitious positive treatment approach.

Difficulties identified while caring for a resident/patient are discussed at the weekly briefing meetings held in each Group facility. The best solutions for respecting the freedom, rights, individuality and dignity of the resident or patient are identified by participants working as a team. In addition, the Group's organisation facilitates closer monitoring of the quality of care provided, as well as oversight of staff's handling of everyday problems, as facility managers are relieved of the burden of having to perform the majority of support functions.

The ORPEA Group continually educates staff about the values and best practices that are essential to maintain respect for the dignity and individuality of its residents and patients. These values are enshrined in the Group's Code of Conduct and in ORPEA's quality charters and in charters setting out values that matter most to teams.

To reinforce the attention it gives to the ethical aspects of care practices, the Group established an International Scientific and Ethics Council in 2015. Its work helps to nurture the practices of the various teams at ORPEA facilities in France and around the world. Each of the Group's facilities can refer matters to the Committee or raise issues questions concerning a resident's or patient's care, especially where this has implications for positive treatment.

Every year the International Scientific and Ethics Council (ISEC) organises the ORPEA Excellence Awards to promote a responsible professional and pragmatic culture of clinical ethics and to encourage teams to innovate, to question their approach and make constant improvements to the care they provide to residents and patients. The event aims to reward the Group's teams that have devised noteworthy clinical ethics programmes. In the past four years, 21 entries have been submitted in the clinical ethics category.

Lastly, the Group has drawn up a preventive and remedial protocol for mistreatment and abuse covering all of its facilities. Not only is this designed to help prevent such behaviour – through appropriate recruitment, staff integration, support and training – but it also calls for any person suspected of mistreatment or abuse to be suspended in compliance with personnel management rules for as long as it takes to conduct an internal investigation.

Throughout the year, ORPEA's employees receive training on how to detect and prevent mistreatment and abuse. The training includes discussions of personal experiences, role-playing activities, and individual and collective action plans. Mini-refresher courses are also provided regularly in each facility.

3.6.2.2 KEEPING RESIDENTS AND PATIENTS HEALTHY

The health of residents and patients is of paramount importance to ORPEA and represents the overriding priority for all the teams working at the Group's facilities. Their primary mission is to care for and look after people who have become frail with age and lost the ability to lead independent lives.

The ORPEA Group has implemented appropriate preventative measures and curative action plans to address the various health-related risk factors that its facilities may encounter (pandemic risk, infection risk, food safety risk, etc.), while taking into account the regulations in force in the various countries in which it operates:

- **Staff information and training:**

  ORPEA has adopted best practices in hygiene, the prevention and control of infection risks, treatment protocols, medicinal safety mechanisms, a HACCP programme to control food safety in its kitchens. ORPEA has also established two specific working groups, hygiene & infection risks, and medication – responsible for formulating recommendations.

- **Preparation of a crisis management plan:**

  every facility has a business continuity plan covering every situation, with different levels of response. This business continuity plan also includes an inventory and orders for the relevant equipment (masks, protective glasses, alcohol-based solution to cope with an epidemic, plus air conditioners and ventilation equipment for heatwaves, etc.) to help protect residents/patients and Group employees. The facility's crisis cell communicates with the national crisis unit (consisting of the operations department, the medical department, the quality department), which coordinates measures Group-wide and compiles the information provided by local crisis cells.

- **Roll-out of IT tools providing full traceability:**

  the systems track all medical procedures and care, as well as the prescription, dispensing and administration of medication and the food product cycle. Combined with the medical and paramedical monitoring protocols and operating procedures devised by the medical department and Group quality department, these IT systems and this robust traceability help to:

  - enhance the safety of the care provided in all Group facilities (France and international), ensuring compliance with best clinical practice and all health and safety obligations;
  - harmonise the organisation of work with specific materials prepared to facilitate internal control of the care provided in the Group's facilities.

- **Establishment of a dietary plan focused on food safety and nutritional quality:**

50
million meals
served in 2018

Diet and nutrition are crucial factors for the elderly and the frail, and ORPEA, which serves 50 million meals p.a. to its residents and patients, pays special attention to these areas. ORPEA has put in place all the requisite resources **to guarantee food safety and serve healthy, high-quality meals accessible to all with high animal welfare standards:**

- food hygiene and safety: ORPEA's food safety control plan forms one of the main pillars of its chemical, physical and biological risk prevention programme. It covers all the requisite points for ORPEA's facilities to fully honour their responsibilities: best practices in food hygiene, compliance with the HACCP method, management of remedial actions and warnings, introduction of a traceability system. Evaluations and appraisals are conducted on a regular basis, both internally and by independent organisations. An external specialist provides support ORPEA's kitchen staff to ensure that procedures are implemented properly and to control the quality of services and products. The Group catering department works with its suppliers to offer high-quality, healthy and safe products in the restaurants of its facilities and to safeguard the traceability of products and their origins. Every month, teams verify close to 250 compliance and food safety control points;
- nutritional quality: menus are devised with the medical department, with input from dieticians, factoring in recommendations made by ANSES (French food, environmental and occupational health & safety agency), PNNS (French national nutrition and health programme) and GEMRCN (research body monitoring contract catering and nutrition markets) to make sure the meals served meet the appropriate nutritional standards. The catering plan provides variety

and a balanced diet throughout the seasonal menu cycles. In addition, a personalised nutritional programme is drawn up by the care team for each resident/patient taking into account their needs and their tastes. Risks of undernutrition are monitored, and textures and diets can be tailored accordingly. Diet and hydration are monitored on a daily basis at each mealtime;

- food quality: the Group's catering department considers quality as a purchasing criterion in its own right for food products. Accordingly, it prioritises companies with their own quality (ISO-type) quality programmes, products with quality labels (MSC, *Bleu Blanc Cœur, Label Rouge,* AOC, AOP, etc.). It also takes into account the origin of products.

In parallel, the risk arising from the presence of allergens (INCO standard) in preparations and/or products from listed suppliers is identified, and an information sheet is made available to keep consumers fully informed.

- **Implementation of a permanent control plan for the Group's operational activities:**

lastly, for the smooth operation of the arrangements put in place to protect the health of residents, assessments and controls are conducted on a regular basis across all Business Units to make sure the procedures and regulations are followed properly and that training has been taken on board by employees.

ORPEA has devised a stringent quality control process that applies to all its facilities in every BU. More than 400 criteria are tracked and controlled. They cover care and treatment, safety and security, meals, hygiene and monitoring of the quality process. Internally, these criteria are monitored using daily management charts, as well as internal audits and evaluations:

- every quarter, self-assessments are conducted by facility managers 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); and
- every six months, a control audit is performed by regional managers to monitor compliance with all Group procedures (care, food, administrative and hygiene procedures) and as such to ensure the health and safety of residents and patients.

In addition, audits are also carried out by the Business Units' quality departments and by approved external companies (e.g., food product laboratory analyses, building safety external control office). What's more, hospitals also undergo an external certification process conducted by an independent organisation. The goal of this is to provide an independent assessment of the quality of services and safety of the care provided. In France, 72% of Group hospitals obtained an A rating, the highest level, from the French health authority, with all the others awarded a B rating.

In total for France, an average of 37 controls are performed every year at ORPEA facilities spanning the full range of management and resident and patient care activities.

3.6.2.3 KEEPING INDIVIDUALS CARED FOR AT FACILITIES SAFE AND SECURE

Keeping the people it looks after physically safe is a pre-requisite for any medical facility or nursing home. Failure by the Group's facilities to abide by the applicable regulations, which are constantly growing in number and being tightened up, could result in civil and/or criminal action against the ORPEA Group or lead to the withdrawal of operating licences.

ORPEA has identified all the health and safety risks that could occur in its facilities. Over a period of many years, it has introduced appropriate tools and systems (procedures, training, check lists and verifications) to prevent and manage these risks. They principally include 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 (fire safety, asbestos-related risks, radon, etc.).

A group of ORPEA's size, which manages over 900 facilities, has to devote very considerable financial and human resources to rolling out these tools and systems and to ensuring that it maintains them and conforms to the standards at all times.

ORPEA has risen to this challenge by opting to invest heavily each year to ensure that its facilities, in all the territories in which it operates, provide high-quality, safe and comfortable accommodation and to comply with government health, safety and fire directives. This investment also serves to maintain the appeal of the Group's facilities and meet the comfort and safety expectations of residents/patients.

As such, a works budget is allocated each year by the Group works department and executive management to fully comply with regulatory standards. A works department established in each BU is responsible for building safety and maintenance. This involves:

- a prevention policy implemented through training provide to all the facilities' employees (annually or semi-annually depending on the country). This policy is implemented by either an accredited external firm or a specially trained in-house officer in compliance with the legal requirements in each country;
- preventative quarterly, semi-annual or annual maintenance work (fire safety system, smoke extraction system, fire doors, fire extinguishers, etc.);
- remedial measures as part of a system assuring full traceability to identify the issue that has arisen, the action taken to mitigate it, the person responsible, and the date on which the action was completed.

In parallel, ORPEA has established a network of specialist independent contractors that can audit the safety of its installations and buildings to check their compliance with the regulations in force. Fire safety checks are also carried out on the fire safety of installations by the relevant bodies. Legionella analyses are conducted on the basis of a schedule set annually, as are potability analyses (bacteriological and physico-chemical analysis) to check the quality of drinking water in all the countries where ORPEA operates.

With its portfolio of facilities built or redeveloped recently, ORPEA possesses a consistent, homogeneous portfolio of assets that meet the most stringent regulatory standards and provide a level of comfort few in the sector can match.

Keeping people safe and secure in the Group's facilities also means preventing the risk of wandering and suicide among residents and patients.

Teams assess the potential risks when residents and patients are first admitted. For individuals at risk, in addition to the requisite close monitoring, the care team (doctor, nurses, care workers, psychologist) introduces protective measures, devises an appropriate care plan and makes sure the resident's/patient's environment is secure.

These measures are always discussed with the doctor, staff and the resident's legal guardian, safeguarding the resident's and patient's well-being, rights and freedoms. To bolster prevention in ORPEA's facilities, training and awareness-raising initiatives for staff are also carried out (to spot behaviours that may point to a risk of wandering, prevention of suicide risk, recommended actions, etc.).

3.6.2.4 MAINTAINING A TRANSPARENT DIALOGUE WITH RESIDENTS, PATIENTS AND FAMILIES TO SATISFY THEIR EXPECTATIONS

250,000
patients & residents
looked after in 2018

Building a relationship of trust with the 250,000 patients/residents cared for every year in the Group's facilities and their families is essential to deliver high-quality care.

Compassion is one of ORPEA's core values, with listening a crucial element of this, as it represents a way to provide residents and patients with personalised care plans, customised treatments and solutions adapted to their specific needs, which evolve throughout their stay.

The main concern of facility managers is to maintain an ongoing dialogue with and to meet the expectations residents/patients and their families.

This dialogue and transparency give residents/patients a say in shaping their living and care arrangements so that they take the lead in decisions related to their health and maintain their independence as a far as possible. This is a crucial aspect of giving prevention pride of place over the long term and also of respecting the choices made by residents/patients. As part of this approach, ORPEA's teams always take the time to explain the care and treatment they are giving to residents/patients so that they can freely make their own decisions. Their consent is systematically requested for all courses of treatment.

At the same time, various measures have been introduced Group-wide to make sure they are listened to attentively and compassionately:

- facility management teams are always on hand thanks to the Group's centralised organisation. They also make sure their staff are attentive to every individual's needs and expectations;
- special attention is paid to complaints made by patients/residents and their families, to the handling of those complaints, and to their follow-up;
- a constructive dialogue is maintained in all facilities and all BUs through:
  - committees (menus, entertainment, etc.) and residents' councils (known in France as Social Life Committees), which are composed of representatives of the management, residents and families to discuss various themes such as organisation and daily life within the facilities, socio-cultural activities and therapeutic activities, plus construction work and new equipment planned, and maintenance aspects,
  - user representatives in hospitals from accredited healthcare associations, who sit on the Users Committee, and whose role is to ensure the rights of users are respected 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 hospitals, nursing homes and DOMIDOM, ADHAP and Spitex homecare units alike. In hospitals, these surveys are conducted when patients check out; in nursing homes, they are conducted annually, and the results and improvement plans drawn up within each facility are presented to residents and their families.

  In 2018, the satisfaction survey was given out to over 50,000 Group nursing home residents and their families, with more than 58% responding. In all, 92.5% of respondents said they were satisfied or very satisfied, and 93.7% would recommend an ORPEA facility to family or friends.

2018 RESIDENT AND FAMILY SATISFACTION SURVEY

- 50,000 questionnaire sent out
- 93% of customers are satisfied
- 94% of customers recommend ORPEA

3.6.2.5 INNOVATE TO STAY ONE STEP AHEAD OF FUTURE NEEDS

As a responsible and engaged operator, ORPEA draws on the resources it needs to stay one step ahead of prospective needs so it can meet future demand from residents/patients and from the public authorities and so it can keep pace with changes in the marketplace, while pursuing its goal of providing even better support to those placing their trust in it.

By continuously monitoring innovative systems and new treatment approaches, ORPEA aims to find ways to offer increasingly effective solutions.

To foster research and innovation and to support all these projects effectively, the Group has established various steering bodies:

3.6.2.5.1 International Scientific and Ethics Council

In 2018 the Group's International Scientific & Ethics Council (ISEC), founded in 2015, stepped up its activities.

The ISEC's role is to examine issues relating to clinical ethics and relationships, to analyse and to evaluate clinical research and caring innovation opportunities to be developed within the Group, and to monitor the coherence and consistency of education and training initiatives.

Chaired by Professor Alain Franco, its membership has been boosted by 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, namely Professor Jean Petermans, head of the geriatrics department at the Liège teaching hospital (Belgium), Professor José Manuel Ribera Casado from the Spanish Royal Medical Academy and Professor Manuel Teixeira Verissimo (Professor of Medicine, Coimbra, Portugal).

The ISEC addressed several issues, including the sexuality of the elderly, containment, and relations with families. In addition, the ISEC organised the fourth edition of the ORPEA Excellence Awards in 2018. This event provides recognition for the most deserving clinical ethics approach, scientific research project, and caring innovation project put forward by teams within the Group. Eight of the 45 entries received from nine countries (see inset) won awards:

Clinical Ethics category	Caring Innovation category	Research category
The 2018 ORPEA Excellence Award was bestowed on the Xianlin International Care Center (ORPEA China), for its Zheng Nian – Positive Thinking programme. Given the quality of the projects entered, the panel of judges also awarded two commendations to the L'Émeraude nursing home (Granville, ORPEA France) for its multi-resistant/emerging highly resistant bacteria in nursing home programme and to the La Chavannerie psychiatric hospital (Chaponost, CLINEA France) for its programme of suicide prevention in pre-suicidal subjects.	This year, the panel of judges gave top prize to the Madrid-Buenavista nursing home (ORPEA Iberica, Spain) for its new technologies for the elderly programme. It also gave out three commendations to ORPEA Polska (Warsaw, Poland) for its "Let's win a Grammy Award!" entry based on a singing competition for the elderly. The Am Rosentor nursing home (Aurich, Peter Janssen Gruppe, Germany) received a commendation for its intergenerational cooking workshop, and the Sancellemoz post-acute and rehabilitation hospital (Passy, CLINEA France) was also commended for its programme assessing the physical capabilities of patients after knee surgery.	The Lyon-Champvert psychiatric hospital (CLINEA France) won the top prize for its research into connected objects and burn-out.

ORPEA EXCELLENCE AWARDS 2018: 45 ENTRIES FROM 9 COUNTRIES

Clinical Ethics category

1. Strong companies with strong mothers (Seniorenhaus Sophia, Bergkamen, Germany)
2. See You in a Club! (Rezydencja Na Dyrekcyjnej, Wroclaw, Poland)
3. Introduction of an inter-facility ethics group within the South-West France post-acute and rehabilitation group (CLINEA Le Teich/CLINEA Brantôme/CLINEA Pau, France)
4. Zheng Nian Positive Thoughts (ORPEA Nanjing, China)
5. Alzheimer's medical bed for a resident without cognitive deterioration: fall prevention measure or restraining measure? (ORPEA Las Rozas, Spain)
6. Ethical suicide prevention practices: Anti-suicide agreement (CLINEA Chaponost, France)
7. Multiresistant/Emerging highly resistant bacteria in nursing homes (ORPEA Granville, France)
8. Secur'In Co: secure, intimate, comfortable (ORPEA Saint-Maur, France)

Research category

1. Handbags Signposts (Seniorenresidenz Stampfmühle, Schleswig, Germany)
2. Psychotherapy, reflexology, sophrology and integrated pain management in post-acute and rehabilitation hospitals (CLINEA Le Teich, France)
3. The Impact of Solidarity: the Estelar Workshop (ORPEA Zaragoza, Spain)
4. Frequency Therapy Study: Prevention of Falls in the Elderly (ORPEA Italia, Italy)
5. Connected objects and burn-out (CLINEA Lyon-Champvert, France)
6. Study of body mass index and abdominal circumference in adolescents undergoing neuroleptic therapy (CLINEA Saint-Loup Camas, France)

Caring Innovation category

1. SmartVia: Assisting Therapy System (Inoges Holding, Krefeld, Germany)
2. Audio Aqua-Fitness Programm (Algos Fachklinik, Bad-Klosterlausnitz, Germany)
3. Personalised electro-convulsive therapy (CLINEA Durtol, France)
4. Cooking Working Group (Am Rosentor, Aurich, Germany);
5. A Fall Prophylaxis Concept (Hildegard von Bingen, Aurich, Germany)
6. World of Experience Living (Pflegezentrum Arsten, Bremen, Germany)
7. Night Coffee (Allerhop Wedemark, Germany)
8. Let's Win a Grammy! (ORPEA Polska, Poland)
9. Let Alpaca Open You (ORPEA Honorata, Chorzow, Poland)
10. On Stage (ORPEA Mazowia, Warsaw, Poland)
11. Brain in Shape (ORPEA Ostrowia, Gorzno, Poland)
12. Tele4Heart (ORPEA Marianna, Majdan, Poland)
13. Away Day (ORPEA Konstancja, Konstancin Jeziorna, Poland)
14. The Process Communication Model (SENECURA Purkersdorf, Austria)
15. SENECURA Competency Management (SENECURA Academy, Vienna, Austria)
16. Telemedical Wound Consultation (SENECURA Academy, Vienna, Austria)
17. Apitherapy: at the heart of the nursing home (ORPEA Le Cateau-Cambrésis, France)
18. Colours and Rhythm in the Circle of Life (SENECURA Graz Lend, Austria)
19. Newsletter Vlog RAI-NH (SENEVITA Muri bei Bern, Switzerland)
20. Evaluations of the physical capability of individuals to resume sporting activities post-knee surgery (CLINEA Sancellemoz, France)
21. Drug-free treatment of acute anxiety in patients with productive cognitive disorders (CLINEA Vence, France)
22. Mobile nutrition: use of mobile tools in nutritional care for nursing homes (ORPEA Leudeville, France)
23. Companion Dogs in Care Homes (ORPEA Villanueva de la Cañada, Spain)
24. Emotional Stimulation in the Elderly Using Virtual Reality (ORPEA Villanueva de la Cañada, Spain)
25. Virtual Therapy Application for Patients with Cognitive Deterioration (ORPEA Madrid Loreto, Spain)
26. ICT and the Elderly (ORPEA Buenavista Madrid, Spain)
27. Come and listen to us: radio story, sounds and reminiscing (ORPEA Zennehart, Belgium)
28. Pilot telemedicine project (ORPEA Parmain, France)
29. Animal mediation: equine therapy in a nursing home (ORPEA La Résidence d'Or, France)
30. Living better during adolescence with mental health issues (CLINEA Crosne, France)
31. Olfactory recreation! (ORPEA Magagnosc de Grasse, France)

3.6.2.5.2 E-novea, the innovative projects management committee stimulating and evaluating innovation for the benefit of our residents and patients

ORPEA wants to promote evidence-based innovation for the benefit of its stakeholders. That requires a rigorous multi-disciplinary assessment of projects prior to their roll-out across the Group's facilities.

It therefore set up an E-novea committee at corporate level in 2016, which is responsible for cataloguing, analysing, prioritising and steering innovations in order to assist executive management with its choices. The various projects adopted can be rolled out across the various BUs, as needs require.

Drug-free treatment and innovations without containment are given top priority in view of the Group's determination to respect residents' and patients' dignity, rights and freedom to come and go.

In sum, 86 projects have been studied over the past three years, with 16 of these now being trialled at pilot sites across the following areas:

- measures to prevent the risk of falls (optical detection system, special carpet, night-time waking assistant);
- space and time disorientation (anti-wandering system and anti-intrusion handles, both currently being rolled out in France);
- health and hygiene;
- telemedicine (20 facilities hooked up in France in conjunction with French regional health agencies and two applications being trialled in a nursing home and in psychiatric hospitals);
- nutritional monitoring;
- pharmacy and preparation of pill dispensers.

In addition, the Group is pursuing joint initiatives with partners to adapt equipment to fit its patients' needs. For example, it is involved in the development of new universes to enrich therapy by exposure using virtual reality, and physiotherapy equipment.

3.6.2.5.3 The research & publications unit in the international medical department

Apart from several articles published in professional care journals, several articles were published in international scientific journals:

- Al-Salameh A, Bucher S, Bauduceau B, **Benattar-Zibi L,** Berrut G, Bertin P, Corruble E, Danchin N, Derumeaux G, Doucet J, Falissard B, Forette F, Hanon O, Ourabah R, Pasquier F, Pinget M, Becquemont L, Ringa V. *Sex Differences in the Occurrence of Major Clinical Events in Elderly People with Type 2 Diabetes Mellitus Followed up in the General Practice. Exp Clin Endocrinol Diabetes.* 2018 Aug 22. doi: 10.1055/a-0662-5923;
- Al-Salameh A, Bucher S, Bauduceau B, **Benattar-Zibi L,** Berrut G, Bertin P, Corruble E, Danchin N, Derumeaux G, Doucet J, Falissard B, Forette F, Hanon O, Ourabah R, Pasquier F, Pinget M, Ringa V, Becquemont L. *Gender-Related Differences in the Control of Cardiovascular Risk Factors in Primary Care for Elderly Patients With Type 2 Diabetes: A Cohort Study. Can J Diabetes.* 2018 Aug.; 42(4):365-371.e2. doi: 10.1016/j.jcjd.2017.08.248. Epub 2017 Oct 13;
- **Fourques C, Costantino C** (2018). *Les transmissions du psychologue en institutions de soins – Vers une construction collective porteuse de sens dans les soins quotidiens* [Transmissions from the psychologist to the healthcare institution – Prospect of a collective construction of meaning in daily treatments]. Transmissions. 24:165-179.

Charlotte Costantino, head of the ORPEA Group's psychology department, was also the co-lead on two publications:

- **Costantino C,** Fejtö K and Havas R (dir.) (2018), *Le Symptôme,* Paris, PUF, collection "Débats en psychanalyse";
- Léandri ML, Jacques Bouhsira J and **Costantino C** (dir.) (2018), *Penser l'agir,* Paris, PUF, collection "Débats en psychanalyse".

3.6.3 ADDRESSING PUBLIC HEALTH CHALLENGES RELATED TO ORPEA'S CORE BUSINESS

3.6.3.1 PROMOTING HEALTH EDUCATION AND PARTICIPATING IN PREVENTION POLICIES REACHING AS MANY AS POSSIBLE

Acting responsibly vis-à-vis society also means playing a part in promoting health, especially through prevention initiatives, by educating people about the best ways of staying in shape and leading independent lives. The aim of these prevention and information initiatives is to play a part in meeting public health challenges and to reduce social and geographical inequalities in terms of access to healthcare.

In a number of countries, the national health strategies devised by the public authorities have made prevention a top priority since it helps to reduce the factors that puts health at risk, leading to vast public health expenditure (e.g., €20.4 billion for obesity, €15 billion for alcohol, and €26.6 billion for tobacco).

For more than 15 years now, ORPEA has been involved in local information, education and prevention initiatives in its facilities. Its aim is to help as many people as possible to look after their own health and age well without losing their ability to lead an independent life. ORPEA firmly believes that these awareness-raising and prevention programmes contribute to improving the health and quality of life of patients and relatives and their family and friends, and may also be of use for a large number of others.

Open days used as an information channel

With this aim in mind, ORPEA is keen to open up its facilities to the outside world in all the countries in which it operates. It wants to make them genuine meeting places. All the Group's facilities arrange meetings from time to time with the local population in the form of open days. These open days are an opportunity for the local population to obtain information and advice *via* practical seminars and workshops, to meet health professionals, and to share experiences with other families.

Generally, these information days cover the following topics:

- help for carers;
- balance and fall prevention;
- suitable physical activity;
- food and nutrition;
- sleep;

- Alzheimer's disease (in Spain, monthly meetings are even offered covering this topic for professionals, neighbours, families, etc., in all ORPEA Iberica's facilities *via* Alzheimer cafés).

One-off – or even seasonal – talks are also held in a number of countries:

- education about anti-flu vaccination (in France, Spain, Switzerland and Austria);
- how to look after an elderly parent during a heatwave.

In addition, the Group's facilities participate in awareness-raising efforts aimed at the general population during world campaign days, such as:

- World Alzheimer's day (worldwide);
- World Diabetes day (especially in Austria and France);
- Pink October and tobacco-free month (France);
- Mental health weeks (France);
- Patient safety week (France).

In addition, to sustain the benefits of its information days about how to age well and help carers, ORPEA publishes booklets giving advice to carers in order to help them look after a relative at home. Various themes are covered: helping a loved one with Alzheimer's, grants and subsidies, respite stays and home-care solutions, choosing a retirement home, guide for carers. "Ageing well" information sheets about sleep, balance, diet and how to maintain your memory are also made available.

Lastly, these information days frequently present an opportunity to forge or strengthen partnerships with local organisations or authorities. They can also help to get messages across more effectively to the local media about public health issues and the challenges of ageing.

Education and prevention programmes

In certain countries, the Group's teams have developed and introduced novel initiatives:

In Spain, all of ORPEA Iberica's facilities hold a weekend open day event once a year, which includes free seminars. The topics covered include fall prevention, polypharmacy in the elderly, behavioural disorders, and multisensory stimulation areas, and the talks help to provide information and training for a wide audience.

In Poland, as part of the same drive to help carers, ORPEA Polska's staff organised over 20 information and training sessions (five hours of workshops on Saturdays) to provide home carers with advice and practical information about caring for elderly people.

In Austria, the Group also actively promotes health through physical activity. SENECURA has equipped its facilities with fitness centres geared to the needs of its elderly residents in order to improve their muscular strength, stamina, coordination and balance. Under its Fit & Beweglich 77+ (Fit & Flexible 77+) programme, all seniors over the age of 77 in the local area are given free access to its fitness centres and specially trained instructors. The programme has now been extended beyond the initial 15 facilities participating. It had been tested in 2016 with the Paracelse private medical university in Salzburg and was awarded a prize by the Group's Scientific and Ethics Council in the Caring Innovation category at the ORPEA Excellence Awards. Positive effects have been seen on mobility, nutritional condition, physical function, confidence, daily living activities and autonomy since this progressive resistance-based training programme supported by specialised trainers also includes physiotherapy, occupational therapy and nutritional advice.

In Germany, CELENUS KLINIKEN regularly organises seminars 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 general public. CELENUS KLINIKEN is also committed to promoting healthcare education for its employees. Apart from courses on posture, and also handling and lifting, employees are encouraged to take up a sport and can use the clinics' equipment free of charge.

In France, many psychiatric hospitals and also post-acute and rehabilitation hospitals have developed healthcare education programmes designed to help patients live as best they can with their illness and/or to sustain the benefits of hospitalisation once they return home.

Certain hospitals have gained (patient therapeutic education) accreditation from the French regional health authority for their prevention programmes. The La Rochelle and Saint-Raphaël hospitals, for example, have developed a programme for patients with heart failure, teaching them how to live with their condition. In Pau, an anti-fall school has been set up and is now expanding outside the hospital among the local population. The Viry-Châtillon hospital runs a four-week programme on functional spinal rehabilitation to enhance patients' knowledge about their back and explaining how pain arises. In Vence and Colomiers, a therapeutic education programme was set up for people who have suffered physical impairments as a result of strokes. And in Saint-Estève and Osséja, the programme covers patients suffering from chronic obstructive pulmonary disease (COPD).

The Kerfriden psychiatric hospital in Chateaulin proposes a psychoeducation group for patients with bipolar disorder and their families, as do the Haut-Cluzeau, Loos and Montmorency facilities. The Lyon Lumière facility in Meyzieu offers a therapeutic education programme for patients with recurring or persistent depression or similar disorders and the Collines du Revest care centre in Toulon offers a prevention programme to help alcoholics stay sober.

In France, ORPEA has partnered since 2015 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 (Cafés des Aidants®), running health workshops, and providing training on support-related issues. Through its financial support, ORPEA also contributes to the development of projects implemented by the association.

In the same vein, the Aube facilities participate in their capacity as a member of the Sustainable Development Steering Committee in running monthly seminars in conjunction with the REGEMA not-for-profit organisation and various local associations. The aim of these seminars is to educate family carers and the general public about the care and treatment programmes available locally.

Another example of ORPEA's commitment to those caring for their relatives is the initiative taken by the Bois-Bougy hospital in Switzerland. It has joined the programme with two other care facilities to assist carers in the canton of Vaud to establish a Charter for relatives caring at home for a person of any age with a disability or an illness or at the end of their life. Its aim is to lay down 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. In Italy, a similar initiative was set up with a training and family carer support programme in Turin.

In Poland, ORPEA Polska has partnered with Warsaw Senior's Parade, which aims to promote active ageing. Seminars, round tables, and training workshops (Nordic walking, this year) for the over 60s are organised.

3.6.3.2 HELPING TO BUILD CARE NETWORKS

The public authorities expect healthcare providers to cooperate closely with each other to signpost the healthcare available in any given area clearly and make it as accessible as possible. This applies equally to education, prevention, diagnostics and treatment. The increased prevalence of chronic conditions and more complex care arrangements invariably require patients to visit various types of facilities (medical, surgical, in-home hospitalisation, post-acute and rehabilitation, nursing home), while establishing a high level of coordination with ambulatory care.

Today, a treatment pathway has to provide an integrated, structured and continuous care plan for patients, as close as possible to their homes (ambulatory and hospital care, medical and physiotherapy, etc.).

Mindful of these challenges, the ORPEA Group's facilities in all countries establish cooperation agreements and/or work closely with hospitals, clinics, homecare and in-home hospitalisation services. This dynamic approach helps to build effective relationships facilitating resident/patient admissions for medical or geriatric care check-ups, reduce hospitalisation and the use of emergency services and make it easier for patients/residents to return to their nursing home or hospital once their condition has stabilised.

Accordingly, these partnerships help to:

- provide continuity of care for patients/residents, by offering them a whole range of treatment options, with a coordinated life and treatment pathway for every stage in the long-term care process;
- build a care network that is capable of covering the full spectrum of healthcare needs of the population living in the local area.

This trend towards operating as part of a network is also essential for maintaining local relationships with the institutions and facilities recommending and sending patients/residents to the Group.

To this end, the ORPEA Group's nursing homes have begun cooperating closely with in-home hospitalisation services and with mobile palliative care teams (especially in France, Germany and Switzerland). The aim is to support the provision of complex care and to reduce resident hospitalisation. Close links are also established with geriatric psychiatry units to reap the benefit of expertise in caring for behavioural disorders and psychiatric symptoms in the elderly.

In France, for example, ORPEA's post-acute and rehabilitation hospitals partner with the local hospital groups (*Groupements Hospitaliers de Territoire* — GHT) to define and implement a local medical and care strategy within a given territory in order to provide patients with a holistic, coordinated approach to the care they need. For example, the Navenne rehabilitation facility works closely with the GHT in the Haute-Saône department, the Vétraz-Monthoux post-acute and rehabilitation hospital is part of the Léman Mont-Blanc GHT and the Senlis post-acute and rehabilitation hospital belongs to the Sud de l'Oise GHT.

Similarly, in France, all post-acute and rehabilitation hospitals with 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.

Likewise, post-acute and rehabilitation hospitals and psychiatric hospitals specialised in caring for addictions actively participate in their local area's dedicated network. In the Berry region, ORPEA's psychiatric hospital has joined the addiction care network alongside the Centre Hospitalier du Blanc, and the Brosville post-acute and rehabilitation hospital is a key partner to the Eure addiction professionals network.

In addition, post-acute and rehabilitation hospitals with authorisation to treat blood cancer conditions have forged ties with the oncology networks in their region, such as in Revin and Eaubonne.

In Spain, ORPEA Iberica has been working regularly with various university hospitals (Centro de Salud Público de Sant Cugat, Foundation Jimenez Diaz, Hospital Infanta Sofia, Hospital Vithas Nisa Pardo de Aravaca, Hospital Quirón Salud Marbella, Hospital General Villalba, Hospital de Barcelona, etc.) in pursuit of several goals: 1) providing continuity of care, 2) coordinating intervention by specialists within the Group's nursing homes to limit the need for residents to be hospitalised, and 3) facilitating admissions, and 4) providing training for teams.

In Belgium, geriatric liaison agreements have been entered into with the local hospitals and clinics. Under these agreements, meetings are also organised between staff to promote information flows and improve coordination of practices.

3.6.3.3 CONTRIBUTING TO THE GROWING MOMENTUM OF OUTPATIENT CARE

With the funding shortage affecting many countries and the advance in medical techniques, the public authorities have been seeking to develop alternatives to full hospitalisation for three reasons:

- reducing full hospitalisation and switching more to day and night hospitals and external consultations;
- making healthcare more efficient, which requires greater coordination between all the participants in the chain and helps to break down the barriers between ambulatory and hospital care;
- meeting demand in society to facilitate the return of patients to their socioprofessional environment or to enable them to remain in their normal living environment (patients want to lead independent lives wherever possible and get back to ordinary life as rapidly as they can).

Based on the approach of opening up and cooperating with others to a greater extent described above, the ORPEA Group's health facilities are well-placed to benefit from the trend towards more outpatient care sought by the public authorities and over the past few years they have begun to develop day and night hospitalisation services.

In France, many facilities operate a day hospital service, including both post-acute and rehabilitation hospitals and psychiatric hospitals. Several psychiatric hospitals also offer night hospital places and therapeutic apartments.

In Germany, CELENUS has created Salvea, an ambulatory care brand with the promise "Get healthy, stay healthy and work healthy" *via* a medical well-being programme and appropriate physical activities.

In Austria, the Group runs an outpatient rehabilitation centre in Wiener Neustadt and facilities offering outpatient therapy in Kittsee and Wildbad.

3.6.3.4 A COMMITMENT TO ENRICHING AND PASSING ON KNOWLEDGE

Being a responsible corporate citizen also requires ORPEA to pass on and share knowledge and best practices so it can help to provide solutions to public health challenges and contribute to the improvement in care for those who are in a frail condition and losing their ability to lead independent lives.

Research

The Group's research programmes mainly cover the following areas:

- prevention of fall and wandering risks;
- drug-free treatment;
- nutrition and diet in the elderly;
- the quality of life of the resident, patient or elderly person being cared for at home, and compassion;
- employees' quality of work life;
- professionalism, improvement in professional practices and clinical ethics.

To this end, the ORPEA Group supports or promotes research projects aimed at improving the care provided by facilities. ORPEA has undertaken several initiatives in this area, chief among which in 2018:

1/ **supporting academic research projects, funding doctorates and contributing to the training effort through corporate research:** four new PhD theses in France:
   - the first one in the field of neuroscience concerns the development and validation of a system for measuring balance in the elderly and the prediction of the risk of falls (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-XIII 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 psychology department the psychiatry division, two clinical psychology and psychopathological theses are currently being worked on at Paris-Descartes University – one devoted to the use of storytelling as a therapy for adolescents, and the other on the use of projection methods in the study of the relationship between narcissism and object relations in patients with Alzheimer's;

2/ **continuing the development of the Association for the Promotion of Psychiatric Care in Facilities (APSPI),** established in 2014 to promote a better understanding and improved mental health treatment in facilities. The association conducts theoretical and clinical research and may draft and publish journals, cooperate in publications, and provide training. In 2018, it held its fourth scientific symposium open to the public on "fear of institutions". It was again attended by more than 400 professionals, 60% of whom were from outside the Group. They came from a variety of backgrounds (public and private organisations, associations, nursing homes in France and abroad) and represented a broad cross-section of therapeutic approaches.

Teaching

In addition, ORPEA takes part in and designs vocational training programmes in areas related to its core business to spread the knowledge it has gained more widely. Examples include the creation and/or coordination 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, which is now running for the sixth time;
- an induction course and educational programme leading to a university diploma in nursing home management from the University of Nice;
- a university diploma in geriatric rehabilitation in association with the University of Nice;
- a university diploma in psychiatric nursing care in association with the University of Lille.

Moreover, certain hospitals are authorised to host medical interns just like teaching hospitals, including Meyzieu, Argenteuil, Crosne and Andilly for psychiatry, Fréjus and Marseille for medicine, and Saint-Raphaël for cardiology.

Sharing best practices

Lastly, ORPEA has always endeavoured to promote the sharing of best practices Group-wide. Its aim is for its entire network to reap the benefits of original or innovative care and treatment approaches, and also of initiatives successfully implemented at a facility that promote the well-being of residents and patients or improve the quality of life in a facility.

As part of this approach, every BU publishes an internal magazine for its teams to get the message across and share these insights. In France, Ensemble (Together) is published every quarter; in Switzerland, SENEVITA Post; in Belgium, ORPEA Magazine; in Austria, SENECURA Inform; and in Italy Con Noi (With Us).

Naturally, the quality programme and the tools rolled out Group-wide contribute to these efforts. The regional quality officers also help to pass on best practices and interesting initiatives and to adapt them to a greater extent.

Likewise, internal competitions, such as the Quality Award (in France, Belgium and Spain), the ORPEA Excellence Awards for ethics, caring innovation and research, and the Cookery Contest (France and Spain), also contribute to this mutually beneficial exchange, which leads to healthy competition, positive emulation and stimulating creativity.

Moreover, several years ago ORPEA established scientific associations to review best professional practices. These associations enable professionals in different fields to meet, exchange ideas, compare practices, inspire one another and occasionally pool their resources. The ultimate aim of these associations is to improve the care given to residents and patients at facilities within the Group. They also help to create a sense of belonging among professionals:

- **the psychologists association:** over the past 14 years, its practitioners in the fields of psychiatry, post-acute and rehabilitation care, and long-term care, of whom there are over 200, have met several times a year. The association encourages organisation-wide collaboration between the Group's practitioners, supports professionals in their clinical studies and lifelong training, and encourages cooperation with professionals from other horizons in a continuous improvement programme to enhance care for patients and residents. The psychologists association holds two meetings a year around an annual theme related to care practices in facilities, combining

induction days for the Group's new psychologists with study days. For a number of years, the association has been developing novel care tools (Sensimage, self-play, treatment journals for adolescents and patients suffering from addiction, etc.). It coordinates the "Clinics – Words from Facility Practitioners" journal published by Erès twice a year and runs the emergency facility intervention unit;
- **the association of private clinic heads and clinical coordinators:** peer-elected psychiatrists meet three times a year, keep themselves up-to-date with the law, organise continuing professional development, inform their colleagues of news about each of the facilities and oversee the ethical dimension of the division (CLINEA psychiatric charter). The same type of meeting is also held in post-acute and rehabilitation hospitals and in nursing homes. 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 play scenarios;
- **the association of long-term care physiotherapists:** the association arranges meetings of specialist psychomotor and occupational therapists to pool best practices, enhance physiotherapy programmes, and discover new therapeutic approaches.

More broadly, as part of its drive to open up and to cooperate with other local healthcare providers, ORPEA also encourages the sharing of knowledge and best practices with health professionals from all horizons for the common good.

To this end, the Group's facilities have regularly held seminars, conferences and symposiums.

A variety of topics are covered every year. In 2018, the areas addressed related to well-being (shiatsu, dysphagia, "muscles, emotions and breathing", etc.), as well as medical and scientific topics ("Mental health education: key pillar of the treatment of bipolar disorder", "Are we all addicts?", "Think and act", and "Iatrogenesis in elderly patients", "Interaction between the care plan, home and nursing homes", and "Pneumological meetings", etc.).

In Italy, these meetings take place regularly at the Group's facilities.

In Spain, this forms part of the lifelong training initiative provided for ORPEA Iberica's teams. For the second year in a row, the Cátedra ORPEA project has arranged seminars led by doctors from the Madrid hospitals (HM Hospitales Group) concerning conditions that may affect the elderly and best practices for treating them appropriately.

What's more, ORPEA Group professionals also take part in local, national and international medical and scientific conferences, presenting projects and initiatives in talks and with posters. Noteworthy presentations in 2018 included:
- the international medical department's participation at the first international forum held by the French Academy of Medicine Foundation on the theme of "Reverse innovation: an opportunity for global healthcare", which was held at the Unesco building. As part of the event, the Group held a symposium: "Innovating to prevent: win/win for patients/carers";
- teams from the Valmante cardiovascular centre (CLINEA Marseille) were involved in organising the twenty-second national day of the exercise, rehabilitation, sport and prevention group;
- the international medical department took part at the Nursing Home Research International Working Group – Long-Term Care Research conference in Rome;
- teams from the Sancellemoz hospital coordinated the knee forum in Geneva in collaboration with orthopaedic surgeons and sports specialists from the Swiss Olympic Medical Center at the La Colline hospital (Geneva).

3.6.4 CONTRIBUTING TO THE DEVELOPMENT OF LOCAL COMMUNITIES

3.6.4.1 CONTRIBUTING TO VIBRANT LOCAL ECONOMIES

ORPEA is committed to supporting the regional economies:
- employment: to support its development and continuous organisational improvements, ORPEA creates sustainable jobs across its entire geographical footprint and the full range of its professional activities. What's more, these jobs cannot be transferred abroad. In 2019, ORPEA plans to create over 2,500 jobs worldwide;
- regional development: ORPEA is playing its part, since it has over 17,000 beds under construction and redevelopment in Europe and in Brazil. Through its development projects, ORPEA makes a contribution by creating new and redeveloping existing neighbourhoods;
- sustainable relationships with local businesses, for certain types of purchases, such as from bakeries, flower shops and pharmacies, providing a real boost to the local economy.

3.6.4.2 FOSTERING COMMUNITY LIFE AND BUILDING INTERGENERATIONAL TIES IN LOCAL AREAS

ORPEA believes that building tight-knit communities starts with the fight against isolation and loneliness.

The Group's facilities contribute to the development of social ties within their community through their outward-looking approach and efforts to promote a busy social life within the facility. Whether through open days, on public holidays or in the form of neighbourhood parties, many facilities regularly welcome their neighbours, associations and residents of the community for fun, relaxation and good conversations.

In addition, the Group's facilities organise or take part in local outreach events to help the more isolated members of the community, those who are in ill health or experiencing social and/or financial issues, irrespective of their age.

More specifically, outreach programmes have been set up, including solely within facilities, to promote more vibrant communities and build closer intergenerational ties:

- in the summer, during any heatwaves, the Group's nursing homes welcome free of charge elderly people living on their own in the local area, for an afternoon, as a gesture of neighbourly solidarity and a preventative measure (care teams may also give out tips on how to stay healthy during a heatwave);
- over the Christmas period in France and Spain, ORPEA's nursing homes offer those elderly people living on their own in the local area a festive meal with the residents. In 2018, over such 200 outreach events were held in France;
- in Spain, ORPEA Iberica's facilities developed the *"Adopta un abuelo"* programme to foster closer intergenerational exchanges within Spanish society. Volunteers aged between 18 and 35 visited the residents once a week at around 20 facilities;
- in Switzerland, SENEVITA supports the annual "New Orleans Meets in Zofingen" festival, the proceeds from which all go to help children and young people in need find a place for themselves in society;
- in Spain, residents and teams work alongside the *Estelar, Viste la vida* not-for-profit association to make decorations and clothes for premature babies looked after in intensive care units of hospitals. In France, a facility in the Var department has set up a similar project for new born babies at the Sainte-Musse hospital in Toulon, while in Brittany, patients at the day hospital of a geriatric psychiatric facility made 1,292 hats for the *Les Petits Frères des Pauvres* not-for-profit association as part of the Mets ton bonnet campaign led by Innocent drinks.

Generally speaking, the Group's nursing homes seek to foster intergenerational ties by forging special relationships with childcare centres, leisure facilities and nearby schools to create regular meet-ups between young and old. In Austria, several facilities have gone so far as to open up a crèche on the premises, as has one facility in Spain and three more in France.

3.6.4.3 WORKING WITH COMMUNITY ORGANISATIONS AND SUPPORTING PROJECTS FOR THE COMMON GOOD

ORPEA plays an active role in the life of community organisations.

First of all, the Group's facilities may invite local cultural or musical associations and local artists, for example, to perform and run therapeutic workshops on site. That provides indirect support for these associations.

In addition, 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 become part of the fabric of its local area. ORPEA believes that its teams will be motivated to a far greater extent by local projects, and as such that their support for them will be more committed and creative, helping foster genuine solidarity in their city or region.

A variety of corporate patronage and fund-raising activities are carried out in all the countries in which ORPEA operates in order to support local community organisations:

For organisations focused on health, disabilities and medical research

ORPEA supports associations active in medical research:

- **neurodegenerative diseases and dementia:** in Austria, for example, where SENECURA supports Care Camp Demenz, an annual congress focused on dementia research; in France, where the Group's nursing homes support local branches of the Association France Alzheimer *via* various events, with the Group providing its backing to the national association; in China, where ORPEA China organises fund-raising in partnership with the China Population Welfare Foundation, to raise the population's awareness about the needs of sufferers and the importance of getting a diagnosis and advancing research;
- **cancer:** through various community events organised by the Group's facilities to raise funds to help finance therapeutic programmes: in Italy for the *Associazione Italiana per la Ricerca sul Cancro* (AIRC); in France for the Imagine for Margo association, which covers the cost of new therapies for paediatric cancers (the Group's facilities raised more than €160,000 in 2018) and for the *Ligue contre le cancer,* including for the *Octobre rose* campaign, and through staff participation in various local sporting events such as the *Ruban rose* fun run in the Bordeaux;
- **disability and neurological diseases:** through various fund-raising campaigns and corporate patronage; in France, ORPEA is an active patron of the AFM Téléthon charity fund-raiser: community walks and sporting challenges, sales, themed meals, exhibitions, shows and raffles have been organised at facilities to raise money; in addition, facilities in the Loire-Auvergne regions supported ELA, a not-for-profit organisation that helps and assists families affected by leukodystrophy; in Austria, SENECURA's teams and Optimamed took part in the Wings for Life World Run, which aims to finance cutting-edge scientific research and clinical trials to find a treatment for spinal cord lesions;
- **sight impairments:** in Belgium, ORPEA supports the *Ligue Braille* and in France, the facilities in the Centre region support the Anjou guide dogs for the blind association.

What's more, in Austria, SENECURA has partnered with *Herzkinder Österreich,* an organisation that supports children with heart disease.

In France, the Group also supports *Hôpital 2000,* which campaigns for better pain management.

For organisations protecting the environment and local heritage

ORPEA's nursing homes in the Provence region have continued to organise a number of events benefiting *Voies navigables de France* (VNF), an organisation that helps to protect and maintain the waterways of the *Canal du Midi,* which is very popular with tourists. Events included garage sales, raffles, flower markets and themed meals, raising a total of €2,800 for VNF, as well as many awareness-raising campaigns organised by the Group's facilities.

3.6.5 BUILDING A SUSTAINABLE AND RESPONSIBLE PURCHASING POLICY

PURCHASING POLICY AND SUPPLIER RELATIONS

ORPEA also intends to extend its social, societal and environmental commitments to its dealings with its suppliers. It regards them first and foremost as partners, with whom it is vital to build a trust-based relationship and to share common values, goals and objectives.

The Group strives to forge a balanced relationship with its suppliers and subcontractors based on the observance of reciprocal commitments. ORPEA thus intends to build a shared vision with each of its partners covering its projects and priorities. The goal is to plan ahead more effectively for risks and to innovate to meet needs.

Dialogue and face-to-face meetings lie at the cornerstone of supplier relationships, but tools and systems, such as management charts, also need to be established in advance to provide traceability and track progress towards the objectives set.

Reporting and regular discussions are thus important elements of the management of supplier relationships. In addition, always keen to improve its practices for the benefit of residents and patients, the Group purchasing department regularly assesses its strategic suppliers – once a year on average, but more often if an incident occurs. Should issues be encountered with a product, a report is drafted by the relevant facility and sent to the purchasing department. That helps to keep track of any issues arising, and remedial action can be implemented if necessary.

This policy and these guidelines prepared by the Group purchasing department are naturally adapted and applied by the BUs' purchasing units in each of the territories where ORPEA has a presence.

CODE OF CONDUCT

The purchasing department (at Group level and for the various clusters) has been identified as a key department in view of its duties. As a result, employees have been given training in business ethics and the Code of Conduct by the audit, risk and internal control department. The main topics covered were:

- good business conduct;
- management of supplier relations;
- controls on the acceptance of gifts and hospitality.

ECO-RESPONSIBLE CRITERIA INCORPORATED IN CALLS FOR TENDERS

Suppliers should be selected on the basis of objective criteria (quality, cost, fit with the Group's ethical principles, etc.) through a process of open and fair competition.

Aside from purely business and financial aspects, a number of other criteria are required in the competitive tenders held by the Group and are taken into account when selecting the Group's partners:

- qualitative aspects: product quality is taken into account, as is the quality of follow-up and services offered (e.g., support with roll-out, training provided to the Group's teams in how a product is used, relationship tracking, etc.);
- the partner's social and environmental credentials may also be taken into account.

In its national and international listings, the Group gives preference to companies with an environment charter or which are developing environmentally friendly procedures or solutions.

Fair trade is also a priority for the ORPEA Group, and so it prefers to work with suppliers and subcontractors abiding by ethical and social rules.

Because the ORPEA Group wants to involve its partners and suppliers in its environmental strategy, it further tightened up its eco-responsible purchasing policy in 2017 by adding an ORPEA Environmental Responsibility Charter, which now supplements the environmental criteria in its tender documentation and thus ensures that listed products are environmentally responsible.

As part of this approach, the ORPEA Group continued its relamping drive at its facilities in 2018, switching over to LED bulbs. It also replaced certain vehicles in its fleet (service vehicles, utility vehicles, vehicles with low annual mileages) with electric vehicles. In parallel, fuel consumption monitoring was introduced to develop responsible driving behaviour, as this brings benefits for both employee safety and for the environment. The Group also decided to switch over to biogas at certain of its facilities.

Starting in 2019, an "e-purchasing" application will centralise all calls for tenders, Group contracts, listed products and suppliers, orders and deliveries for all facilities in France and abroad. This centralised system will serve the entire Group and provide accurate, harmonised monitoring of the purchasing policy (through reporting tools) in all countries where the Group operates, while ensuring it abides by its social and environmental commitments.

3.7 METHODOLOGY USED FOR DATA REPORTING

SCOPE OF CONSOLIDATION

Unless otherwise stated (see section below):

- the data is consolidated by cluster based on the same clusters as are used for financial reporting:
  - France Benelux: France, Belgium and the Netherlands,
  - Central Europe: Germany, Italy and Switzerland,
  - Eastern Europe: Austria, Czech Republic and Poland,
  - Iberian Peninsula: Spain and Portugal,
  - Rest of the World: China;
- employee data is consolidated for all fully consolidated entities regardless of their activity;
- the environmental scope covers 90.5% of open beds. The Netherlands, facilities in Belgium operating under the Altea banner and Portugal are not included in the scope. The environmental impact of the administrative headquarters is not included in the scope of consolidation except for the Group's main headquarters in Puteaux (France);
- social data is consolidated for all the Group's entities.

REPORTING GUIDELINES

To ensure the indicators used in all its entities are consistent and reliable, the Group uses common 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 the requisite information to their country correspondents.

METHODOLOGICAL DETAILS AND LIMITATIONS

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

Accordingly, the methodologies used for certain indicators or, failing that, the related margins of uncertainty are specified, wherever possible.

SOCIAL INDICATORS

Social reporting is produced by the payroll and human resources departments' dedicated systems. Data is collected mainly *via* the payroll software used in each country.

Data is recorded by each facility before being reported to the country headquarters and then to the ORPEA Group's administrative headquarters. After being compiled by the human resources department, the data is consolidated and processed in accordance with procedures and criteria set in advance.

WORKFORCE

- The workforce is calculated for all countries on the basis of the total workforce on the payroll at 31 December 2018.
- A person with several permanent contracts in x facilities will be counted x times. For calculation purposes, the number of contracts is used.
- In Poland, freelancers and those on civil law contracts are excluded from the scope.
- Interns, apprentices and those on other professional training courses are included in the workforce when they are listed on the payroll. The number counted represents a minimum figure because while all countries have interns, there is not necessarily an obligation to prepare a payslip for them, and so not all of them appear on the payroll or are thus counted in the workforce.

AGE

- The age of each person is calculated at 31 December of the relevant year.

TYPE OF CONTRACT

- Permanent contracts are employment agreements with no end date.
- Fixed-term contracts are employment agreements that have a definite or indefinite end date.
- 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). For Austria, the applicable legislation and collective bargaining agreement do not distinguish between permanent and temporary contracts, and so all contracts are deemed to be permanent. In China, all contracts are long-term fixed-term contracts, other than at the headquarters, which is the local norm.

WORKING HOURS

- For all countries, employees whose contractual working hours are equivalent to the statutory working hours applicable locally are considered full-time; the number of theoretical hours under the contract is counted. Statutory working hours obviously differ from one country to another and sometimes from one region or one function to another.
- Statutory working hours obviously differ from one country to another and sometimes from one region or one function to another.

GENDER BALANCE

As a percentage, the gender-neutral category in Switzerland is non-material.

RECRUITMENTS

- 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.

DEPARTURES

- Departures of staff on permanent contracts between 31 December of the previous year and 30 December of the reporting year are counted. Reorganisational measures, fixed-term contracts, and departures during the trial period are excluded.
- Employees leaving on 31 December of the reporting year are included in the workforce. They are not included in the reporting year as leavers but in the subsequent year.

ABSENCES AND ABSENTEEISM RATE

- Absences (in hours or in days) counted solely reflect occupational illness and workplace accidents (whether or not the employee continues to receive pay).
- To calculate the absenteeism rate, the days of absence are converted into hours using the following method:
  - number of calendar days of listed absence/7 (days per week) x 5 (day weeks) x local statutory number of daily work hours on a full-time basis (i.e. x 8 when the work week is 40 hours);
  - number of work days of listed absence x local statutory number of daily work hours on a full-time basis (i.e. x 8 when the work week is 40 hours).
- The formula used for the absenteeism rate is then as follows:

  number of hours of absence for occupational illness or workplace accident/number of paid hours (or /number of hours worked where the number of paid hours could not be obtained from the payroll software).

TOTAL PAYROLL

This figure reflects the total amount of gross fixed and bonus remuneration charged (i.e., including employee and employer social security contributions).

Local currency figures were converted into euros at the exchange rates applicable on 15 March 2019 as follows:

- China: 7.599840;
- Poland: 4.303150;
- Czech Republic: 25.665100;
- Switzerland: 1.13649.

TRAINING

- The overall figure listed reflects the number of hours of training provided to employees during the relevant year, including mini-training sessions. When the data is provided in days, it is converted into hours using the same formula as for absenteeism.
- In France, "open" training hours provided after 31 December are also counted when they involve:
  - training leading to a recognised qualification;
  - training that began during the current year.
- The formula adopted then incorporates the average number of hours per employee trained, excluding mini-training sessions listed as such and, by analogy, excluding training for an hour or less. In addition, only sessions are counted, i.e. an employee who received three training sessions in the year is counted three times.

WORKPLACE ACCIDENTS

Frequency and severity rates were calculated for the international BUs using the following definitions:

Frequency rate: Number of workplace accidents (+ commuting accidents) leading to at least one day of lost time/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 of lost-time;
- the number of hours lost is the number of hours paid across the entire scope from 1 January to 31 December.

Severity rate: Number of days lost/Number of hours paid * 1,000

- the number of days lost is the number stated on the accident report (in calendar days);
- in France, the formula used is still the same as in previous years – based on hours worked and not hours paid.

ENVIRONMENTAL INDICATORS

The scope of environmental reporting excludes operations in countries and/or facilities recently acquired, namely: Belgium (facilities operating under the Altea banner), the Netherlands and Portugal.

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 by each facility before being reported to the country headquarters and then consolidated by the ORPEA Group headquarters.

CO_2 EMISSIONS GENERATED BY ENERGY CONSUMPTION

Annual energy consumption was calculated in kWh in all countries. ADEME (French Environment and Energy Management Agency) provided the conversion factors used in these calculations, and they were updated in 2018.

For electricity consumption, the following conversion factors were applied:

- Switzerland: 0.0273 kg CO_2/kWh;
- France: 0.0571 kg CO_2/kWh;
- Belgium: 0.220 kg CO_2/kWh;
- Spain: 0.238 kg CO_2/kWh;
- Italy: 0.406 kg CO_2/kWh;
- Germany: 0.461 kg CO_2/kWh;
- China: 0.766 kg CO_2/kWh;
- Poland: 0.781 kg CO_2/kWh;
- Czech Republic: 0.589 kg CO_2/kWh;
- Austria: 0.188 kg CO_2/kWh.

For heating:

- for fuel oil, a conversion factor of 0.324 kg CO_2/kWh was applied for all subsidiaries;
- for natural gas, a conversion factor of 0.214 kg CO_2/kWh was applied for all subsidiaries;
- for propane gas, a conversion factor of 0.257 kg CO_2/kWh was applied for all subsidiaries;
- for timber, a conversion factor of 0.0295 kg CO_2/kWh was applied for all subsidiaries;
- for district heating, the electricity conversion factor specific to each country was applied.

HEATING, ELECTRICITY AND WATER CONSUMPTION AND MANAGEMENT

The following sites were excluded from the reporting scope owing to a lack of data on water and/or energy consumption:

- France: Clinique de l'Ill – Clinique du Mont Valérien – Résidence Les Jardins de Charlotte – Résidence Chaillot – Clinique de Livry-Gargan – Clinique de Château de Bon Attrait – Résidence de Rognac;
- Belgium: Knokke Heist – WZC Belfait – Dilbeek Wivina – D'Arconati – Gooik Kesterberg – Brugge Ventoux – Gent Home Claire – Hulshout – Flandre Aldea – Mont-Saint-Roch, Bressous Paradis, Warneton Sérénité, Waterloo Argenteuil, Bruxelles Palace, Liège Clos sur Fontaine, Deurne Koala, Ostende, Bruxelles Prince Royal;
- Germany: Delmenhorst am Par – Neustad – Dortmund Josefa – Krannenburg – Ahlersted Auetal – Krefeld Bismarckvi – Norden Medicenter – Bremen – Dortmund Wickede – Grebenstein – Iserlohn – Hessisch Oldendorf – Oldendorf – Betzebdorf – Neustadt a. RBGE Leinebogen – Enger Mathilde – Schleswig – Bad Friedrichshall – Verden am Burgberg – Südbrookmerland – Bad Salzufflen – Hambergen Eichhof – Syke Deutsche Eich – Groß Scwülper an den Meerwiesen – Eschershausen Wilh – Norden Norddeich – Zetel – Kirchlengern Klost – Wiesmor – Emden – Karlsruhe Grötzingen;
- Italy: Segrate San Felice – Vila Cenacolo – San Francesco – Mater Dei – Vilamar;
- Poland: Warsaw Mazovia – Warsaw Ken;
- Austria: St Veit – Wolsberg – Krems – Gratkorn – Eben am Achensee – Achenkirch – Langenfeld – Schwarz – Dornbirn – Knittefeld – Kittsee Rehab – Frauenkirchen Dialyse – Kurhotel Salzerbad Gmbh.

CARBON FOOTPRINT

It is worth noting with regard to the carbon footprint conducted in France in 2017 that:

- the scope adopted covers all the facilities belonging to the ORPEA Group at 31 December 2017 in France, including nursing homes, hospitals and the headquarters. In all, it encompasses 358 facilities operated across the length and breadth of France. The homecare services business was not incorporated (an estimate suggested that it accounts for less than 1% of the Group's total footprint). For the purpose of calculating the carbon footprint, a sampling plan was produced in accordance with the regulations. It is equal to the square root of the number of sites rounded up to the nearest integer number (i.e. 10 nursing homes and 10 hospitals);
- greenhouse gas emissions were calculated by extrapolating the figures for the 20 sites audited. The statistical uncertainty interval stands at 20% concerning these figures (this uncertainty was reported on the footprint). What's more, the carbon footprint is stated in terms of a CO_2-equivalent, which includes other gases, such as methane, nitrous oxide, hydrofluorocarbons (HFCs), perfluorocarbons and sulphur hexafluoride.

CLINICAL WASTE MANAGEMENT

In 2018, only data for France, Belgium and Spain was 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 (16 facilities or 4.9% 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 hospital, psychiatric hospital).

It is worth noting that boxes of needles used in France are excluded because they are not material.

CONSOLIDATION AND INTERNAL CONTROLS

All the data submitted by the various countries is consolidated by the corporate human resources, construction and maintenance 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 variances deemed material are analysed in detail.

EXTERNAL CONTROLS

Pursuant to the legislative and regulatory provisions of Article L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code, ORPEA has appointed one of its Statutory Auditors as the independent verifier responsible for verifying the fair presentation of the qualitative and quantitative environmental, social and societal information published.

The work performed, comments and conclusions of the independent verifier are set out in the attestation of presentation and independent verifier's assurance report in section 8.

3.8 REPORT BY ONE OF THE STATUTORY AUDITORS DESIGNATED AS AN INDEPENDENT VERIFIER ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

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.

Financial year ended 31 December 2018

To the Shareholders,

In our capacity as Statutory Auditors of ORPEA designated as an independent verifier, accredited by COFRAC under number 3-1048 (scope of accreditation available on the www.cofrac.fr website), we hereby report to you on the consolidated statement of non-financial performance for the year ended 31 December 2018, presented in the management report (hereinafter the "Statement"), pursuant to the provisions of L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

RESPONSIBILITY OF THE COMPANY

It is the responsibility of the Board of Directors to prepare a Statement in line with the legislative and regulatory provisions, incorporating a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies to address those risks and the results obtained from the policies, including key performance indicators. The Statement was prepared by applying the Company's procedures (hereinafter the "Guidelines"), the material aspects of which are presented in the Statement and are available upon request from the Company's registered office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the requirements of Article L. 822-11-3 of the French Commercial Code and the Code of Ethics of our profession *(Code de déontologie)*. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

RESPONSIBILITY OF THE STATUTORY AUDITOR APPOINTED AS INDEPENDENT VERIFIER

It is our responsibility, on the basis of our work, to express a limited assurance conclusion on:

- whether the Statement complies with the provisions laid down in Article R. 225-105 of the French Commercial Code;
- the fair presentation of the information provided in accordance with 3° of I and II of Article R. 225-105 of the French Commercial Code, that is on the results of the policies, including key performance indicators, and actions taken with respect to the principal risks, hereinafter the "CSR Information".

Conversely, it is not our role to express an opinion on:

- whether the Company complies with other statutory and regulatory requirements, including its duty of vigilance, and efforts to combat corruption and tax law;
- whether its products and services comply with the applicable regulations.

NATURE AND SCOPE OF THE WORK

We conducted our work as described below in accordance with the provisions of Articles A. 2251 *et seq.* of the French Commercial Code on the conditions under which the independent verifier performs 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 (Assurance engagements other than audits or reviews of historical financial information).

We performed work to assess the conformity of the Statement with the regulatory provisions and the fair presentation of the CSR Information:

- We familiarised ourselves with all the businesses included in the scope of consolidation, the presentation of the principal social and environmental risks arising in the business activities, and their effects on respect for human rights and the fight against corruption and tax evasion, as well as the policies implemented to mitigate them and their results.
- We assessed the appropriateness of the Guidelines with respect to their relevance, completeness, reliability, impartiality and clarity, taking into consideration, where relevant, industry best practice.
- We verified that the Statement covers each information category provided for in III of Article L. 225-102-1 with regard to social and environmental responsibility and with regard to respect for human rights and the fight against corruption and tax evasion.
- We verified that the Statement presents the business model and the principal risks related to the business activities of all entities included in the scope of consolidation, including where appropriate and proportionate, the risk factors arising from its business relationships, its products and its services, as well as policies, measures and results, including key performance indicators.
- We verified, where pertinent with regard to the principal risks or policies presented, that the Statement presents the information required in II of Article R. 225-105.
- We assessed the process used to select and validate the principal risks.
- We enquired as to whether the Company had implemented any internal control and risk management procedures.
- We assessed the coherence of the results and key performance indicators used with regard to the principal risks and policies presented.
- We verified that the Statement encompasses the whole consolidated scope, that is all the businesses included in the scope of consolidation pursuant to Article L. 233-16, with the restrictions stipulated in the Statement.
- We assessed the data compilation process implemented by the entity to ensure the completeness and fair presentation of the CSR Information.
- For the key performance indicators and other quantitative results[1], which we considered to be the most important, we implemented:
  - analytical procedures to verify that the data compiled was consolidated correctly and that the changes are coherent;
  - tests of detail based on sampling, which consisted in verifying the calculations made and reconciling the data with the supporting documents These procedures were conducted on a selection of contributory entities[2] accounting for 47% of the workforce and encompassing between 26% and 99% of the consolidated environmental data for the key performance indicators and results selected for these tests.
- We consulted documentary sources and conducted interviews to corroborate the qualitative information (actions and outcomes) we considered to be the most important[3].
- We assessed the overall consistency and coherence of the Statement based on our knowledge of the Company.

We believe that the work we performed by exercising our professional judgement allows us to express a limited assurance conclusion; a higher level of assurance would have required a more extensive review.

(1) Quantitative information: registered workforce, 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 remuneration 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 2018 energy consumption, volumes of hazardous clinical waste.

(2) ORPEA France, ORPEA Spain.

(3) Carbon footprint, 2018 resident and family satisfaction survey.

RESOURCES

Five people worked on this assignment between February 2019 and May 2019.

To assist us in conducting our work, we referred to sustainable development and societal responsibility specialists in our firm. We conducted around ten interviews with the persons responsible for preparing the Statement.

CONCLUSION

Based on our work, we have not identified any material misstatements that cause us to believe that the Statement of non-financial performance does not meet the regulatory provisions applicable and that the CSR Information, taken together, is presented fairly, in accordance with the Guidelines.

Paris-La Défense, 3 May 2019

One of the Statutory Auditors

Deloitte & Associés

Jean-Marie LE GUINER

Partner

4 Corporate governance report

"To the Shareholders,

Pursuant to Article L. 225-37 of the French Commercial Code, the Board of Directors presents the Annual General Meeting with a corporate governance report included with the management report.

This report contains the information provided for in Article L. 225-37-2 et seq. *of the French Commercial Code.*

The Company has also taken into consideration AMF recommendation No. 2012-02 on corporate governance and executive compensation at companies and refers to the AFEP-MEDEF Code."

This report was approved by the Board of Directors at its meeting on 25 April 2019.

The AFEP-MEDEF corporate governance code of listed corporations as revised in June 2018 (hereinafter referred to as the **"AFEP-MEDEF Code"**) is the code to which ORPEA refers.

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 26 March 2019. These Internal Rules of Procedure can be viewed at the Company's website (www.orpea-corp.com).

ORPEA believes that its practices comply with the AFEP-MEDEF Code's recommendations, except where the contrary is expressly stated in the table in Appendix 1 to this report in line with the "Comply or Explain" rule provided for in Article L. 225-37-4 of the French Commercial Code and recommendation 27.1 of the AFEP-MEDEF Code. The table presents the reasons why said recommendations were set aside.

4.1 COMPOSITION AND OPERATING PROCEDURES OF THE BOARD OF DIRECTORS

Article 15 of ORPEA's Articles of Association lays down and sets out the composition and operating procedures of the Board of Directors.

The following tables show the principal key indicators applicable to the Board of Directors and the individual attendance rates for directors at Board meetings.

Principal key indicators	FY 2018	FY 2017
Number of meetings of the Board of Directors	8	9
Attendance rate at Board of Directors(1) meetings	96.59%	91.35%
Number of directors(1)	11(5)	11
Proportion of independent directors(2)	90.00%(6)	90.00%
Percentage of directors who are women(3)	40.00%(6)	40.00%
Number of nationalities represented on the Board of Directors	4(7)	4
Average length of service of directors(4)	3.8 years(8)	2.8 years
Average age of directors(4)	54.8 years(9)	53.8 years

(1) The director representing employees was included in the calculations.
(2) This percentage was calculated using the composition of the Board of Directors at 31 December of the relevant year and in accordance with recommendation No. 8.3 of the AFEP-MEDEF Code, without including the director representing employees.
(3) This percentage was calculated using the Board's composition at 31 December of the relevant year and pursuant to the provisions of the law of 27 January 2011 on gender balance, without including the director representing employees.
(4) The director representing employees was not included in the calculations.
(5) The number of directors remains unchanged at the date of this report.
(6) This percentage remains unchanged at the date of this report.
(7) This number remains unchanged at the date of this report.
(8) At the date of this report, directors' average length of service stands at 3.6 years.
(9) At the date of this report, directors' average age is 54.2 years.

Directors' individual attendance rates	FY 2018	FY 2017
Philippe Charrier	100%	100%
Yves Le Masne	100%	100%
Laure Baume	100%	66.67%(1)
Xavier Coirbay	100%	100%
Bernadette Danet-Chevallier	75%	100%
FFP Invest (represented by Thierry de Poncheville)	100%	100%
Jean-Patrick Fortlacroix	87.50%	88.89%
Christian Hensley	100%	100%
Brigitte Lantz	100%	100%
Joy Verlé	100%	100%
Sophie Kalaidjian	100%	66.67%(2)

(1) Laure Baume attended six out of nine meetings, having made commitments to be elsewhere prior to her appointment on 14 December 2016 and the determination of the schedule of meetings.
(2) Sophie Kalaidjian attended six meetings out of nine owing to maternity leave.

Changes in the composition of the Board of Directors and of the Board Committees since 1 January 2018	Departure	Appointment	Reappointment
Board of Directors	Christian Hensley (director)(1)	Moritz Krautkrämer (director)(1)	Jean-Patrick Fortlacroix
Audit Committee			Jean-Patrick Fortlacroix (Chairman)
Appointments and Remuneration Committee	Christian Hensley (member)(3)	Sophie Kalaidjian (member)(2) Joy Verlé (member)(3)	

(1) Moritz Krautkrämer was co-opted as a director by the Board of Directors on 26 March 2019 to replace Christian Hensley.
(2) Sophie Kalaidjian, the director representing the employees, has been a member of the Appointments and Remuneration Committee since 20 November 2018. She attended as a guest all the meetings held between 1 January 2018 and the date of her appointment.
(3) Following the resignation of Christian Hensley as a director, Joy Verlé was appointed to the Appointments and Remuneration Committee by the Board of Directors on 26 March 2019.

4.1.1 COMPOSITION OF THE BOARD OF DIRECTORS

INFORMATION ABOUT DIRECTORS' IDENTITY AND THEIR TERMS OF OFFICE

The Company's Articles of Association provide that the Board of Directors should have at least three and no more than 18 members, subject to the exceptions provided for in law. The directors may be individuals or legal entities.

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 Remuneration Committee. They may be removed from office at any time by a vote of the General Meeting of the Shareholders.

Pursuant to the AFEP-MEDEF Code, directors serve for a term of four years, after which they may be reappointed (except for the director representing employees, who has a term in office of three years). To prevent all the terms in office from expiring at the same time, directors' appointments are staggered. This helps to ensure that the reappointment of directors is a smooth process.

An employee representative attends Board meetings in an advisory capacity.

At 31 December 2018, the Board of Directors had 11 members, including one director representing employees.

The Board of Directors of 26 March 2019 co-opted Moritz Krautkrämer as a director to replace Christian Hensley for the remainder of the latter's term in office, that is until the close of the Annual General Meeting to be held to approve the 2019 financial statements.

The following table summarises the personal details and professional experience of Christian Hensley and of the directors in office at the date of this report, together with information about their (previous, as applicable) term in office as a director of ORPEA.

		Personal details			Experience	
Name	Office	Age[1]	Gender	Nationality	International experience	Support function experience
Philippe Charrier	Director (and Chairman of the Board of Directors)	64	M	French	Africa, North America, South America, Asia, Europe, Middle East	Senior management, finance, governance, marketing, medical
Yves Le Masne	Director (and Chief Executive Officer)	56	M	French	Europe	Development, finance, management
Laure Baume	Director	43	F	French	Africa, United States, Europe	Communication, Digital, Marketing, CSR
Xavier Coirbay[2]	Director	53	M	Belgian	Asia, United States, Western Europe	Development, finance
Bernadette Danet-Chevallier	Director	60	F	French		Sales, management, marketing, human resources
FFP Invest (represented by Thierry de Poncheville)	Director	63	M	French	United States, Europe	Governance, Legal, CSR
Jean-Patrick Fortlacroix	Director	61	M	French		Finance
Christian Hensley[3][4]	Director	44	M	US	North America	Development, finance, management
Moritz Krautkrämer[3][4]	Director	38	M	German	North America, Europe	Development, finance
Brigitte Lantz	Director	65	F	French		Medical
Joy Verlé[3]	Director	39	F	Dual French/ British national	Europe, United Kingdom, Latin America	Development, finance
Sophie Kalaidjian	Director representing the employees	41	F	French		Legal

(1) Age of directors at 31 December 2018.
(2) Director proposed by Sofina Group.
(3) Directors proposed by CPPIB.
(4) Moritz Krautkrämer was co-opted as a director by the Board of Directors on 26 March 2019 to replace Christian Hensley.
(5) AGM called to approve the financial statements for the previous financial year.

The diverse background and complementary international, functional and industry 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.

Biographical details of the Board of Directors' members from 1 January 2018 through until the date of this report, including their career, terms in office and offices they hold or have held outside the Company over the past five years, together with the number of shares they own, are presented in Appendix 2 of this report.

Experience		Position on the Board of Directors			
Industry experience	Independence	Date of most recent appointment/ co-option	End date of term in office	Length of service on the Board of Directors	Member of Board Committees
Retail, building materials, pharmaceuticals, consumer goods, health	Yes	28 March 2017	2019 AGM(5)	28 March 2017	
Real estate, health	No	23 June 2015	2019 AGM(5)	29 June 2006	
Airports, agrifood, hotels, spirits, tourism	Yes	14 December 2016	2020 AGM(5)	14 December 2016	Audit Committee (member)
Alternative funds, investment companies	Yes	22 June 2017	2021 AGM(5)	22 June 2017	Appointments and Remuneration Committee (member)
Hotels, tourism	Yes	22 June 2017	2021 AGM(5)	16 September 2014	Appointments and Remuneration Committee (member)
Automotive, household appliances, real estate, health, investment companies, transportation	Yes	23 June 2015	2019 AGM(5)	15 February 2012	Audit Committee (member) Appointments and Remuneration Committee (Chairman)
Real estate, health	Yes	25 June 2014	2022 AGM(5)	30 June 2011	Audit Committee (Chairman)
Private equity, communications, education, health	Yes	23 June 2016	2020 AGM(5)	23 June 2016	Appointments and Remuneration Committee (member)
Insurance, hotels, health, media and technologies, business services, telecommunications	Yes	26 March 2019	2020 AGM(5)	26 March 2019	
Health	Yes	14 December 2016	2020 AGM(5)	14 December 2016	
Education, renewable energies, health, business services	Yes	27 April 2017	2019 AGM(5)	27 April 2017	Audit Committee (member) Appointments and Remuneration Committee (member)
Health	No	15 January 2015	2021 AGM(5)	15 January 2015	Appointments and Remuneration Committee (member)

Changes in the composition of the Board of Directors since 1 January 2018

At the Annual General Meeting on 28 June 2018, shareholders reappointed Jean-Patrick Fortlacroix as a director for a term in office of four years ending at the close of the Annual General Meeting to be held to approve the 2021 financial statements.

Pursuant to law No. 2013-504 of 14 June 2013 on job security, the Works Committee of the ORPEA economic and social unit decided at its meeting on 27 March 2018 to reappoint Sophie Kalaidjian as the director representing employees for a term in office as a director of three years ending at the close of the Annual General Meeting to be held to approve the 2020 financial statements.

The Board of Directors of 26 March 2019 co-opted Moritz Krautkrämer as a director to replace Christian Hensley for the remainder of the latter's term in office, that is until the close of the Annual General Meeting to be held to approve the 2019 financial statements. At the Annual General Meeting due to be held on 27 June 2019, shareholders will be asked to ratify this co-option.

Independence of directors

The Company believes that having independent directors on its Board of Directors improves the quality and objectivity of discussions. It considers that a director is independent if they have no relationship of any kind whatsoever with the Company, its Group or its management liable to compromise their independence of judgement.

Pursuant to the AFEP-MEDEF Code's recommendations, the Board of Directors reviews every year, following on from discussions held by the Appointments and Remuneration Committee, whether each of its members qualifies as independent. It also reviews the status of any new directors following their appointment. In this review, it applies the criteria for independence laid down in the AFEP-MEDEF Code:

- not to be and not to have been during the course of the previous five years an employee or executive officer of the Company, an employee, executive officer or non-executive officer of a company that the Company consolidates, or an employee, executive officer or non-executive officer of the Company's parent company or of a company consolidated by the parent company;
- not to be an executive officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive 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 (criterion of material business relationship);
- not to be related by close family ties to a corporate officer;
- not to have been a Statutory Auditor of the Company within the previous five years;
- not to have been a director of the Company for more than 12 years.

A non-executive officer cannot be considered as independent if he or she receives variable remuneration in cash or in the form of shares or any remuneration linked to the performance of the corporation or group.

Where a director holds 10% or more of the Company's share capital or voting rights, the Board of Directors issues an opinion on the director's independence taking into account ownership of the Company's share capital and whether any conflicts of interest exist.

The material business relationship criterion is assessed as part of a two-step process. Firstly, the Board of Directors checks to see whether there is a business relationship. If so, a more thorough examination is then carried out to assess whether or not the relationship is material. The Board of Directors has not laid down any criteria for determining whether a business relationship is material since none of its members maintains business relationships with the Group.

On 26 March 2019, the Board of Directors found on the basis of a recommendation by the Appointments and Remuneration Committee that the following directors are independent according to the criteria presented above: Philippe Charrier, Laure Baume, Xavier Coirbay, Bernadette Danet-Chevallier, FFP Invest (represented by Thierry de Poncheville), Jean-Patrick Fortlacroix, Christian Hensley, Moritz Krautkrämer, Brigitte Lantz and Joy Verlé, putting the proportion of independent directors at 90% at 31 December 2018 and at the date of this report. Pursuant to recommendation 8.7 of the AFEP-MEDEF Code, the Board paid particular attention to the status of Christian Hensley, Moritz Krautkrämer and Joy Verlé, directors whose appointment was proposed by CPPIB, ORPEA's largest shareholder with 14.51% of its share capital and 21.89% of its voting rights at 31 December 2018. The Board came to the opinion that these directors qualify as independent in the light of (i) the criteria for independence stated above, which all of them meet, (ii) ORPEA's ownership structure, (iii) the absence of any potential conflicts of interest between these directors and ORPEA, and (iv) the non-material nature of the ORPEA shareholding in the portfolio of assets managed by CPPIB.

The table below provides an overview of the status of each director referred to above with regard to the criteria of independence contained in recommendation 8.5 of the AFEP-MEDEF Code and stated above.

Performance criteria	Philippe Charrier	Yves Le Masne	Laure Baume	Xavier Coirbay	Bernadette Danet-Chevallier	FFP Invest (represented by Thierry de Poncheville)	Jean-Patrick Fortlacroix	Christian Hensley(1)	Moritz Krautkrämer(1)	Brigitte Lantz	Joy Verlé
Criterion 1: Employee or executive officer during the five previous years	√		√	√	√	√	√	√	√	√	√
Criterion 2: Appointments at related companies	√		√	√	√	√	√	√	√	√	√
Criterion 3: Material business relationships	√	√	√	√	√	√	√	√	√	√	√
Criterion 4: Close family ties	√	√	√	√	√	√	√	√	√	√	√
Criterion 5: Statutory Auditor	√	√	√	√	√	√	√	√	√	√	√
Criterion 6: Term in office of over 12 years	√		√	√	√	√	√	√	√	√	√
Criterion 7: Non-executive officer	√	√	√	√	√	√	√	√	√	√	√
Criterion 8: Major shareholder	√	√	√	√	√	√	√	√	√	√	√

(1) Moritz Krautkrämer was co-opted as a director by the Board of Directors on 26 March 2019 to replace Christian Hensley.

Recommendation 8.3 of the AFEP-MEDEF Code that independent directors should account for at least half the Board in non-controlled companies was thus satisfied at 31 December 2018 and at the date of this report.

Conflicts of interest and statements concerning corporate officers

Nature of any family relationship between the corporate officers

To the best of the Company's knowledge, there are no family relationships between the Company's directors.

Conflicts of interest

As far as the Company is aware, there are no potential or actual 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. 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 to the Board of Directors any conflict of interest, or even a potential conflict of interest, directly or indirectly affecting them. In such circumstances, they must then refrain from taking part in 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 any official public sanction from the statutory or regulatory authorities (including designated professional bodies) or been issued with any 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.

DIVERSITY, EQUALITY AND COMPLEMENTARY NATURE OF DIRECTORS' SKILLS AND EXPERTISE

Pursuant to Article L. 225-37-4 of the French Commercial Code, this section outlines the diversity policy applied to Board of Directors' members (based on criteria such as age, gender, and qualifications, plus professional experience), its objectives, arrangements for its implementation and the results it has achieved over the financial year now ended.

ORPEA's goal is for its Board of Directors' composition to mirror its profile as one of the global leaders in long-term care, generating around half its revenue outside France as a result of its rapid growth momentum, its real estate portfolio worth over €5 billion, its major emphasis on the quality of the services it provides (both health- and accommodation-related) and its employees' working conditions. As a result, as well as an international outlook, the Board of Directors aims for its members to possess:

- support function experience in finance, business development and/or management/human resources, medicine;
- sectoral experience in hotels, real estate or health.

In addition, experience in governance, CSR and digitalisation/marketing/communication would also be of interest for potential Board members.

Lastly, the Board of Directors wants at least one director to be a senior executive or have had C-suite experience so that they are able to act as a sparring partner for the Chief Executive Officer.

At the date of this report, as outlined in greater detail at the beginning of section 4.1.1, all these skills and areas of expertise were covered by the make-up of the Board of Directors since[(1)]:

- 30% of the members of the Board of Directors are non-French nationals and 70% have had one or more international appointments;
- 60% of the members of the Board of Directors have experience in finance, 40% in business development, 20% (30% at 31 December 2018) in management and 20% in medicine;
- 30% (20% at 31 December 2018) of the members of the Board of Directors have experience in hotels, 20% in real estate and 60% in healthcare;
- 20% of the members of the Board of Directors have significant experience in governance, 20% in CSR and 30% (20% at 31 December 2018) in digitalisation/marketing/communication;
- the Chairman of the Board of Directors has been a CEO for several years.

As well as reaping the benefits of having a varied range of complementary experience, the Board of Directors makes certain that its make-up is diverse from an age and gender perspective. The average age of the directors is 54.2, and none of the directors are aged over 70. In addition, 40% of the members of the Board of Directors are women (45.45% including the director representing employees).

Looking ahead, it would be desirable when new directors are appointed or existing directors reappointed to maintain the mix of skills listed above, which are regarded as essential at this stage in the Group's development, while increasing the Board's international outlook.

It's worth underlining that the Board of Directors ensures that executive officers enhance the non-discrimination and diversity policy at all times, both organisation-wide and across the 10% of jobs with the greatest level of responsibility.

This gender balance is evident across all the management bodies, with women accounting for 29% of our Executive Committee members and more than 40% of our top 100 managers. Reflecting this, the Diversity in Senior Management Award in the SBF 80 category was bestowed on ORPEA at the 15th edition of AGEFI's Corporate Governance Awards.

(1) The director representing employees was not included in the calculations shown below.

REAPPOINTMENT OF MEMBERS OF THE BOARD OF DIRECTORS

The reappointment of the members of the Board of Directors is staggered as follows:

Term in office expiring at the close of the Annual General Meeting to be held to approve the 2018 financial statements	Term in office expiring at the close of the Annual General Meeting to be held to approve the 2019 financial statements	Term in office expiring at the close of the Annual General Meeting to be held to approve the 2020 financial statements	Term in office expiring at the close of the Annual General Meeting to be held to approve the 2021 financial statements
Philippe Charrier	Laure Baume	Xavier Coirbay	Jean-Patrick Fortlacroix
Yves Le Masne	Moritz Krautkrämer(1)	Bernadette Danet-Chevallier	
FFP Invest (represented by Thierry de Poncheville)	Brigitte Lantz	Sophie Kalaidjian (representing employees)	
Joy Verlé			

(1) Moritz Krautkrämer was co-opted as a director by the Board of Directors on 26 March 2019 to replace Christian Hensley.

In connection with the diversity policy applicable to members of the Board of Directors, shareholders will be asked at the Annual General Meeting on 27 June 2019 to reappoint Philippe Charrier, Yves Le Masne, FFP Invest (represented by Thierry de Poncheville) and Joy Verlé as directors for a term in office of four years ending at the close of the Annual General Meeting to be held to approve the 2022 financial statements.

Aside from their attendance record, each director possesses significant skills that are useful for the Board: Philippe Charrier boasts considerable experience as a senior executive of international healthcare and consumer goods groups, Yves Le Masne has in-depth knowledge of the Group's activities and its organisation through his lengthy career with ORPEA and his position as Chief Executive Officer, FFP Invest is a company well-known for its long-term support for market-leading companies, and Joy Verlé has served as a M&A consultant, notably in the healthcare sector. The personal details and experience of these Board members, as well as the information about their term in office as a director with the Company, are presented in greater detail in the table at the beginning of the section entitled "Information about directors' identity and their terms of office". Their biographical details, including their career, terms in office and offices they hold or have held outside the Company over the past five years, together with the number of shares they own, are presented in Appendix 2 of this report.

In addition, all the directors are independent, except for Yves Le Masne.

Furthermore, shareholders will be asked at the Annual General Meeting due to be held on 27 June 2019 to approve the co-option of Moritz Krautkrämer as a director to replace Christian Hensley for the remainder of the latter's term in office, that is until the close of the Annual General Meeting to be held to approve the 2019 financial statements.

Moritz Krautkrämer's profile fits perfectly with the diversity policy applied to members of the Board of Directors, which is outlined above. Moritz Krautkrämer is a German national with extensive international experience (Canada, United States, Europe). He also possesses skills and expertise in finance and business development in sectors including healthcare, hotels, media and telecommunications, and business services. He qualifies as an independent director.

EMPLOYEE REPRESENTATION

In accordance with the French law of 14 June 2013 on job security and Article 15-1 of ORPEA's Articles of Association, a director representing the employees has served on the Board of Directors since 15 January 2015. The Works Committee of the ORPEA economic and social unit decided at its meeting on 27 March 2018 to reappoint Sophie Kalaidjian as the director representing employees for three years ending at the close of the Annual General Meeting to be held to approve the 2020 financial statements.

The director representing employees has been a member of the Appointments and Remuneration Committee, which has concerned itself with matters related to remuneration, since 20 November 2018, pursuant to recommendation 17.1 of the AFEP-MEDEF Code. She attended as a guest all the meetings held between 1 January and 20 November 2018.

An employee representative also attends Board meetings in an advisory capacity.

4.1.2 OPERATING PROCEDURES OF THE BOARD OF DIRECTORS

OPERATING PROCEDURES AND MAIN WORK UNDERTAKEN BY THE BOARD OF DIRECTORS

The operating procedures of the Board of Directors are governed by statutory and regulatory requirements, 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 the Company and its shareholders. The 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 were updated most recently on 26 March 2019. The Internal Rules of Procedure can be downloaded from the Company's website (**www.orpea-corp.com**).

A digital platform is used to manage the work of the Board of Directors and of the Board Committees. As well as safeguarding the security of information exchanges, the platform can be used to enhance the performance and governance of the Board of Directors and of the Board Committees. The papers presented at meetings of the Board and Board Committees and at strategy seminars are made available on the digital platform, together with published investment research and other documents (directors' guide, Internal Rules of the Audit Committee, etc.) that may help directors perform their duties.

Arrangements for meetings of the Board of Directors

The Board of Directors meets whenever ORPEA's 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 in advance. It should be accompanied by the agenda and the minutes of the previous 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 quorum requirement for the Board of Directors to transact business validly is met when at least half the Board members are present. A director may represent another director if granted special powers to do so.

Directors may participate in meetings by means of videoconferencing or telecommunications technology where they can be identified and their effective participation in the meeting is guaranteed, subject to the requirements of the regulations in force. Even so, directors may not attend meetings remotely using technology when the Board of Directors is considering approval of either the Company's annual and consolidated financial statements, the corporate governance report or the management report.

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 by directors is required.

The Chairman has a casting vote.

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

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 results of the Group's 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 senior executives and corporate officers upon the recommendation of the Appointments and Remuneration 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 Group's management report;
- preparing and approving the Board of Directors' report on corporate governance.

Pursuant to the Internal Rules of Procedure, the Chief Executive Officer must seek the prior authorisation of the Board of Directors before carrying out certain transactions (see section 4.2.2 below).

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

Role and powers of the Chairman

The Chairman of the Board of Directors represents the Board of Directors. The Chairman shall organise and lead the Board's work and report 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.

In addition to his statutory duties, the Chairman's remit is as follows:

- he is consulted by and meets with the Chief Executive Officer concerning certain events and projects of significant and/or strategic importance to the Group;
- he attends certain internal meetings with the Company's senior managers and teams, as well as every meeting of the Board Committees;
- he seeks to maintain the equilibrium and effectiveness of the Board.

During 2018, the second year of his appointment to the office, Philippe Charrier continued to visit Group facilities in and outside France, and met with management and operational teams to round out his knowledge of the Group. In addition, he met with the Chief Executive Officer on average twice a month. The topics they discussed included the Group's ESG (environment, social, governance) and digitisation strategy, its development in countries where ORPEA already has a presence and its prospecting activities in new territories. They also covered building up the Group's structures for the future and implementing the recommendations arising from the evaluation of the effectiveness of the Board of Directors. He also maintains regular dialogue with the other directors. Lastly, he attended all the meetings of the Board Committees.

Board's activities in 2018

The provisional schedule of Board meetings for the coming year is drawn up in consultation with the directors at the end of the previous year.

Based on this schedule, the agenda for the meeting is made available online on the Board of Directors' digital platform in the week preceding the meeting together, wherever possible, with documents that have to be reviewed for effective decision-making by the directors.

The minutes of each meeting are expressly approved at the following Board of Directors' meeting.

The Board of Directors met eight times during FY 2018 (nine times during the previous financial year). Directors' attendance rate stood at 96.59% (vs. 91.35% in the previous financial year). Directors' individual attendance rates at the various meetings of the Board of Directors are stated at the beginning of section 4.1 of this report.

During these meetings, the Board of Directors discussed topics that included the following matters, with each Board meeting beginning with a report by the Chief Executive Officer on the latest news and follow-up on recent developments.

Group's business and financial strategy

During FY 2018, the Board continued its in-depth review of the Group's strategy and in particular of its international expansion, its funding arrangements and various aspects of its HR policy.

In line with the strategy it has approved, the Board of Directors authorised various deals and transactions during FY 2018, including:

- various opportunities to make acquisitions, including Dutch groups Dagelijks Leven and September Allerzorg, two of the leading players in the nursing homes sector in the Netherlands, German group Axion to strengthen its position in the premium nursing homes sector in Germany, the top-end facility in Uruguay located in Montevideo, and the Senior Suites group, Chile's number one private nursing homes group;
- the issue of an inaugural €400 million *Schuldschein* public bond placement.

In addition, the Board of Directors approved the FY 2018 budget and analysed the Group's performance in the previous year.

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 2017, the consolidated interim financial statements at 30 June 2018 and the related management reports. The Board of Directors also reviewed the draft press releases and earnings presentations for the investor community prior to their publication and considered the Group's financial position, including trends in its cash and debt.

The review of the parent company and consolidated financial statements at 31 December 2017 was supported by a presentation outlining the Company's risk exposure and material off-balance sheet commitments, as well as the accounting options adopted.

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

Governance

Based on the work of the Appointments and Remuneration Committee, the Board of Directors reviewed matters related to the reappointment as a director of Jean-Patrick Fortlacroix and the terms in office due to expire at the close of the 2019 Annual General Meeting.

Based on a proposal from the Appointments and Remuneration Committee, the Board of Directors also determined:

- the bonuses to be paid in respect of FY 2017 to Yves Le Masne and Jean-Claude Brdenk based on the targets set for them for the financial year, by applying the calculation method set previously by the Board of Directors;
- the remuneration policy for the executive officers for FY 2018;
- directors' independence.

Lastly, the Board of Directors:

- debated its own composition, organisation and modus operandi, as well as that of the Board Committees, based on the evaluation conducted by an internationally renowned independent external firm;
- reviewed the succession planning for the corporate officers prepared in 2017 to cover unforeseen vacancies and the study conducted by an external firm in 2018 to identify potential successors to the principal members of the Executive management team, including the Chief Executive Officer and the Chief Operating Officer, classifying them into five different criteria (strategic talent, adaptable expert, highly regarded talent, up-and-coming talent, high-potential young candidate) according to their performance and potential, and was also given a presentation covering the HR development policy.

Other matters

For reference purposes, the Board of Directors also:

- reviewed the 2017 share price performance and the full-year 2017 and interim 2018 quality reports;
- approved a bonus share allotment plan for Yves Le Masne and Jean-Claude Brdenk, in line with the executive remuneration policy for FY 2018, and other plans for certain Group employees;
- approved the resolutions and documents required by law for the Annual General Meeting of the shareholders;
- extended the aggregate authorisation given to the Chief Executive Officer to grant guarantees, security deposits and endorsements on behalf of the Company;
- examined the information provided to it by the Audit Committee about the internal control and risk management systems.

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

Board seminars

The Board of Directors arranges at least two seminars every year – a strategic seminar and an international seminar.

The one-day strategic seminar held in June 2018 provided directors with an opportunity to meet with other members of the Executive management team and to continue the process of broadening the issues they cover with presentations covering the five-year business plan, the medical and innovation policy, international roll-out of the nursing home management model, and the purchasing and catering policy.

The two-day international seminar held in November 2018 enabled the directors to meet with the Executive management team of the Eastern Europe cluster during a visit to two facilities and a more in-depth presentation of the cluster.

MEETINGS OF THE BOARD OF DIRECTORS NOT ATTENDED BY EXECUTIVE OFFICERS

Twice a year the Board of Directors holds an executive session during which the directors discuss the performance of the executive officers. In addition, the Audit Committee and the Appointments and Remuneration Committee meet on a regular basis with no executive officers in attendance.

Informal dialogue takes place continually between the directors without the executive officers being involved. The Chief Executive Officer is not present during discussions concerning him.

DIRECTORS’ INDUCTION

An induction programme including visits to facilities and a presentation of the Group are arranged for every new director.

BOARD EVALUATION

Pursuant to the recommendations of the AFEP-MEDEF Code, the Internal Rules of Procedure of ORPEA’s Board of Directors state that the Board should conduct an evaluation from time to time of its composition, organisation and effectiveness and also of those of its Committees. This evaluation is conducted simultaneously for both the Board of Directors and the Board Committees.

A formal evaluation was conducted in early 2018 by Spencer Stuart. The directors were sent a questionnaire in preparation for individual meetings that were held with two consultants from the firm. The conclusions of the evaluation, in which directors’ overall assessment was positive, were presented to the Appointments and Remuneration Committee and to the Board of Directors.

Most of the action points identified during the exercise have since been implemented, including: beginning each meeting with a report by the Chief Executive Officer on the latest news and follow-up on recent developments; enhancing the information provided to the Board by arranging a strategic seminar as a matter of course and making published investment research available online on the digital platform; continuing to broaden the range of issues included on the Board’s agenda and of participants; creating more opportunities for the directors to meet each other informally; giving members of the Appointments and Remuneration Committee the opportunity to meet and to get to know better the managers one or two tiers below the top level in the management hierarchy; addressing on a more regular basis matters related to Human Resources, CSR and ethical conduct; arranging an annual strategic seminar in addition to the international seminar.

Aside from this formal evaluation, the make-up, organisation and modus operandi of the Board of Directors and of its Board Committees is discussed on an annual basis. Ahead of this debate, a briefing presenting the topics for consideration intended to serve as a basis for discussions and reviewing implementation of the areas for improvement identified in the previous evaluation is given to directors at the preceding Board meeting. A debate of this kind took place in early 2019, with directors issuing a positive assessment, praising the improvements made.

The Appointments and Remuneration Committee will follow up on the areas for improvement identified during the process, and the next Board evaluation will be held in early 2020.

Given the average length of service of the directors (2.8 years at 31 December 2017 and 3.8 at 31 December 2018, i.e., less than one full term), a decision was made in early 2018 and early 2019 not to evaluate the individual contribution made by the directors. The Board members expressed a desire for feedback about their individual contribution and use of their skills and expertise by the Board of Directors and the Executive management team during a future evaluation.

DELEGATIONS OF POWERS CURRENTLY VALID AND DELEGATIONS OF POWERS USED

The table below summarises the currently valid delegations of powers granted by the General Meeting of 28 June 2018, and the use made thereof during FY 2018.

Type of authority/Maximum aggregate nominal amount/Other information	Period of validity	Use during the year
14th resolution – Share buyback programme: ■ up to a cap of 10% of the share capital; ■ maximum purchase price of ≤ €150 per share.	18 months	None
15th resolution – Reduction in the share capital through the cancellation of treasury shares: ■ maximum amount: 10% of the share capital.	18 months	None
16th resolution – Issue of ordinary shares and/or negotiable securities conferring rights to the share capital and/or negotiable securities carrying rights to the allotment of debt securities with pre-emption rights for shareholders: ■ maximum nominal amount of capital increases: €40,000,000; ■ maximum nominal amount of debt securities: €750,000,000.	26 months	None
17th resolution – Issue by means of a public offering of ordinary shares and/or negotiable securities conferring rights to the share capital and/or negotiable securities carrying rights to the allotment of debt securities with the disapplication of shareholders' pre-emption rights: ■ maximum nominal amount of capital increases: €8,073,290; ■ maximum nominal amount of debt securities: €750,000,000.	26 months	None
18th resolution – Issue by means of a private placement referred to in Article L. 411-2-II of the French Monetary and Financial Code of the Company's ordinary shares and/or negotiable securities conferring rights to the share capital and/or negotiable securities carrying rights to the allotment of debt securities with the disapplication of shareholders' pre-emption rights: ■ maximum nominal amount of capital increases: 10% of the share capital; ■ maximum nominal amount of debt securities: €500,000,000.	26 months	None
19th resolution – Increase in the number of shares to be issued in the event of a capital increase with or without pre-emption rights for shareholders: ■ up to the cap of 15% of the initial size of the issue; ■ amount counting against each of the issues made pursuant to the 16th and 17th resolutions.	26 months	None
21st resolution – Capital increase in consideration for contributions in kind made to the Company in the form of equity or other negotiable securities conferring rights to the share capital, without pre-emption rights for shareholders: ■ up to a cap of 10% of the share capital.	26 months	None
22nd resolution – Capital increase through the capitalisation of premiums, reserves, earnings or other: ■ maximum nominal amount of capital increases: €30,000,000.	26 months	None
23rd resolution – Bonus allotment of existing or new shares to corporate officers and/or employees with the disapplication of shareholders' pre-emption rights: ■ up to a cap of 1% of the share capital, with a sub-cap of 0.2% of the share capital for executive officers; ■ requirement of continued presence at the Group for all allottees; ■ performance conditions assessed over a period of three years for executive officers; ■ three-year vesting period.	38 months	44,701 shares (0.07% of the share capital) allotted to two grantees subject to performance conditions – Board of Directors' meeting on 28 June 2018
24th resolution – Capital increases for members of a corporate savings plan with the disapplication of shareholders' pre-emption rights: ■ maximum nominal amount: €400,000.	26 months	None
Overall cap on capital increases to be effected pursuant to the 16th to 19th, 21st and 23rd resolutions: ■ maximum nominal amount of capital increases: €40,000,000 / €8,073,290; ■ maximum nominal amount of debt securities: €750,000,000.		

The full text of the resolutions approved at that meeting can be found on the website of the French Legal Announcements Bulletin (*Bulletin des annonces légales obligatoires* – BALO) as well as on the Company's website (www.orpea-corp.com, Shareholders/ Shareholder meeting section).

It is essential for the Board of Directors to have shareholder authorisations in place enabling it to raise the financial resources it needs in a rapid and flexible manner to further ORPEA's development *via* various types of issues in accordance with the regulations in force.

4.1.3 OPERATION AND MAIN WORK UNDERTAKEN BY THE BOARD COMMITTEES

The Board of Directors has established two Committees, namely the Audit Committee and the Appointments and Remuneration Committee, and has given each specific terms of reference to prepare for and enrich its work.

These Board Committees act strictly within the terms of reference given to them by the Board of Directors and pursuant to law. 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 members of these Board Committees, their terms of reference and their activities during 2018 are stated below.

AUDIT COMMITTEE

The following tables show the principal key indicators applicable to the Audit Committee and the individual attendance rates for directors at its meetings.

Principal key indicators	FY 2018	FY 2017
Number of meetings of the Audit Committee	3	4
Attendance rate at Audit Committee meetings	83.33%	85.71%
Number of Audit Committee members[(1)]	4	4
Proportion of independent directors[(1)]	100%	100%
Percentage of Audit Committee members who are women[(1)]	50%	50%
Average length of service of Audit Committee members	4 years	3 years
Average age of Audit Committee members	51.5 years	50.5 years

(1) Composition of the Audit Committee at 31 December of the relevant year.

Directors' individual attendance rates	FY 2018	FY 2017
Jean-Patrick Fortlacroix	100%	100%
Laure Baume	33.33%[(1)]	100%
FFP Invest (represented by Thierry de Poncheville)	100%	75%
Joy Verlé	100%	100%

(1) Laure Baume attended one out of three meetings, owing to business commitments abroad.

The operation, composition and remit of the Audit Committee are governed by internal rules of procedure, which were updated most recently on 6 December 2017 to reflect the entry into force of the European audit reform and incorporate the approval procedure for permitted non-audit services.

Audit Committee members

At 31 December 2018, the Audit Committee had the following four members: Jean-Patrick Fortlacroix (Chairman of the Audit Committee), Laure Baume, FFP Invest (represented by Thierry de Poncheville) and Joy Verlé. No changes had occurred by the date of publication of this report.

Philippe Charrier, Chairman of the Board of Directors, attends its meetings on an advisory basis.

Only independent directors are members of the Audit Committee, and most of them were selected based on their specific financial, accounting and/or legal expertise, as a result of their training or professional experience, as shown in the table presenting the main information about directors at the beginning of section 4.1.1 above and in their biographical details included in Appendix 2 to this report.

The Audit Committee's composition complies with the AFEP-MEDEF Code recommendations that (i) at least two-thirds of the Audit Committee's members should be independent directors, and that (ii) no executive officers should serve on the Audit Committee.

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 powers of the Board of Directors and executive management, the Committee is responsible for:

a) monitoring the process by which financial information is prepared;

b) examining the risks, levels of risk and procedures for guarding against them and also material off-balance sheet commitments;

c) verifying the effectiveness of internal control, internal audit and risk management systems, and of the statutory audit of the annual and consolidated financial statements by the Statutory Auditors, and, considering any observations made by the H3C (High Council for Statutory Audit);

d) ensuring the rules on the rotation of audit firms and principal partners who sign audit reports are implemented in accordance with the law, including by piloting the selection procedure for the Company's Statutory Auditors and by submitting the results of the selection process to the Board of Directors.

Having conducted an analysis of the risks to their independence and the protective measures they apply, the Audit Committee is responsible for authorising in advance ORPEA's Statutory Auditors to provide the Group with Non-Audit Services (the **"Non-Audit Services"**) that do not appear on the list of prohibited Non-Audit Services (Article 5 of Regulation (EU) No. 537/2014 and Article 10 of the Code of Ethics) (the **"Permitted Non-Audit Services"**). The procedure introduced for the approval of Permitted Non-Audit Services varies according to their nature (those required by law and the regulations, those customarily provided by the Statutory Auditors and those not affecting their independence, the other Permitted Non-Audit Services).

The Audit 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 reports on its work to the Board of Directors, 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, it is informed of the results of the Statutory Auditors' investigations of internal control and of those undertaken by the department in charge of internal control, internal audit and risk management.

Audit Committee's operating procedures

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

The agenda for meetings is set by the Audit Committee's Chairman in conjunction with the Board, where the Board has called the meeting. It is made available online on the Board of Directors' digital platform in the week preceding the meeting together, wherever possible, with any documents facilitating their discussions.

To carry out its duties effectively, the Audit Committee may, should it deem necessary, ask the Statutory Auditors, the Chief Executive Officer and/or Company's managers responsible for preparation of the financial statements, internal control, internal audit and risk management to appear before it, alone or together with representatives of the Company.

To perform the duties with which it is entrusted, the Audit Committee may commission external technical studies.

Audit Committee's activities in 2018

The Audit Committee met three times during FY 2018 (four times during the previous financial year).

During these meetings, the Audit Committee:

- reviewed the annual and consolidated financial statements at 31 December 2017 and the consolidated interim financial statements at 30 June 2018;
- apprised itself of the work performed by the Statutory Auditors concerning the annual and consolidated financial statements at 31 December 2017, the consolidated interim financial statements at 30 June 2018 and the effectiveness of ORPEA's internal control;
- monitored the progress made by compliance projects arising from the entry into force of law No. 2016-1691 of 9 December 2016 on transparency, the fight against corruption and the modernisation of business life ("Sapin II law") and Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("GDPR").

The Audit Committee also reviewed the risk management section of the management report.

APPOINTMENTS AND REMUNERATION COMMITTEE

The following tables show the principal key indicators applicable to the Appointments and Remuneration Committee and the individual attendance rates for directors at its meetings.

Principal key indicators	FY 2018	FY 2017
Number of Appointments and Remuneration Committee meetings	3	6
Attendance rate at Appointments and Remuneration Committee meetings	91.67%	100%
Number of Appointments and Remuneration Committee members(1)	5(5)	4
Proportion of independent directors(2)	100%(6)	100%
Percentage of Appointments and Remuneration Committee members who are women(3)	25%(7)	25%
Average length of service of Appointments and Remuneration Committee members(4)	2.6 years(8)	2.25 years
Average age of Appointments and Remuneration Committee members(4)	52.2 years(9)	54 years

(1) Composition of the Appointments and Remuneration Committee at 31 December of the relevant year.
(2) Composition of the Appointments and Remuneration Committee at 31 December of the relevant year. The director representing employees was not included in the calculation of the proportion of independent directors.
(3) Composition of the Appointments and Remuneration Committee at 31 December of the relevant year. The director representing employees was not included in the calculation of the percentage of Appointments and Remuneration Committee members who are women.
(4) The director representing employees was included in the calculations.
(5) This number remains unchanged at the date of this report.
(6) This percentage remains unchanged at the date of this report.
(7) At the date of this report, the percentage of Appointments and Remuneration Committee members who are women stood at 50% following the appointment of Joy Verlé as a member by the Board of Directors on 26 March 2019 (after Christian Hensley resigned from his duties as a director).
(8) At the date of this report, the average length of service of Appointments and Remuneration Committee members stands at 2.4 years.
(9) At the date of this report, the average age of Appointments and Remuneration Committee members stands at 51.2 years.

Directors' individual attendance rates	FY 2018	FY 2017
FFP Invest (represented by Thierry de Poncheville)	100%	100%
Xavier Coirbay[(1)]	66.67%	100%
Bernadette Danet-Chevallier	100%	100%
Christian Hensley	100%	100%
Sophie Kalaidjian[(2)]	N/A	N/A

(1) Xavier Coirbay attended two out of three meetings, for personal reasons.
(2) Sophie Kalaidjian has been a member of the Committee since 20 November 2018. She attended as a guest all the meetings held between 1 January and 20 November 2018.

Members of the Appointments and Remuneration Committee

At 31 December 2018, the Appointments and Remuneration Committee had the following five members: FFP Invest (represented by Thierry de Poncheville, Chairman of the Appointments and Remuneration Committee), Xavier Coirbay, Bernadette Danet-Chevallier, Christian Hensley and Sophie Kalaidjian, the director representing the employees[(1)].

Following Christian Hensley's resignation, the Board of Directors decided at its meeting on 26 March 2019 to appoint Joy Verlé as a member of the Committee. At the date of this report, the Appointments and Remuneration Committee had the following five members: FFP Invest (represented by Thierry de Poncheville, Chairman of the Appointments and Remuneration Committee), Xavier Coirbay, Bernadette Danet-Chevallier, Joy Verlé and Sophie Kalaidjian, the director representing the employees.

Philippe Charrier, Chairman of the Board of Directors, attends its meetings on an advisory basis.

Yves Le Masne, a director and Chief Executive Officer, participates in the work of the Appointments and Remuneration Committee related to appointments.

All of its members are independent given that, in accordance with Article 8.3 of the AFEP-MEDEF Code, the director representing employees was not included in the calculation of the proportion of independent directors.

The Appointments and Remuneration Committee's composition complies with the AFEP-MEDEF Code recommendations that no executive officers should serve on it and that a majority of its members should be independent directors.

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

Terms of reference of the Appointments and Remuneration Committee

The Appointments and Remuneration Committee monitors governance and remuneration issues.

Without prejudice to the powers of the Board of Directors and executive management, the Committee is responsible for:

- providing insight for decisions by the Board of Directors on whether the roles of Chairman and Chief Executive Officer should be combined or split and on the status of executive officers;
- making proposals to the Board concerning the selection of directors;
- making proposals to the Board of Directors concerning the establishment and composition of Board Committees;
- making judgements from time to time about the structure, size and composition of the Board of Directors and submitting recommendations to it with regard to potential changes;
- discussing the independence of directors during the Board of Directors' annual review thereof prior to publication of the annual report and when director candidates are selected;
- 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 officers 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 salary 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, such as awards of stock options or allotments of bonus shares, including to executive officers.

(1) Sophie Kalaidjian has been a member of the Appointments and Remuneration Committee since 20 November 2018. She attended as a guest all the meetings held between 1 January 2018 and the date of her appointment.

Operating procedures of the Appointments and Remuneration Committee

The Appointments and Remuneration Committee is convened by its Chairman whenever he or the Board of Directors deems appropriate.

The agenda for meetings is set by the Appointments and Remuneration Committee's Chairman in conjunction with the Board of Directors, where the Board has called the meeting. It is made available online on the Board of Directors' digital platform in the week preceding the meeting together, wherever possible, with any documents facilitating their discussions.

To fulfil its duties, the Appointments and Remuneration Committee involves the Chief Executive Officer in preparations for the appointment of executive officers and the remuneration policy concerning the main senior executives who are not corporate officers.

The Appointments and Remuneration Committee may commission external technical studies to perform the duties with which it is entrusted.

Activities of the Appointments and Remuneration Committee in 2018

The Appointments and Remuneration Committee met three times during FY 2018 (six times during the previous financial year).

During these meetings, the Appointments and Remuneration Committee:

- issued recommendations concerning the reappointment of Jean-Patrick Fortlacroix as a director in view of the applicable gender balance provisions and considered its position with regard to the terms in office set to expire at the close of the 2019 Annual General Meeting;
- conducted a review in early 2018 of the results of the evaluation of the Board of Directors and the Board Committees by an independent external firm of international standing and prepared for the annual evaluation planned in early 2019 of their composition, organisation and operation;
- issued recommendations concerning the size of the bonuses payable in respect of FY 2017 and the remuneration policy for the executive officers in FY 2018;
- discussed the independence of the directors and issued recommendations to the Board of Directors;
- reviewed the succession planning for the corporate officers prepared in 2017 to cover unforeseen vacancies and the study conducted by an external firm in 2018 to identify potential successors to the principal members of the Executive management team, including the Chief Executive Officer and the Chief Operating Officer, classifying them into five different criteria (strategic talent, adaptable expert, highly regarded talent, up-and-coming talent, high-potential young candidate) according to their performance and potential, and was also given a presentation covering the HR development policy;
- issued recommendations concerning the bonus share allotment plan for Yves Le Masne and Jean-Claude Brdenk, in line with the executive remuneration policy for FY 2018, and other plans for certain Group employees;
- reviewed the overall amount of and allocation of the directors' fees and issued recommendations to the Board of Directors concerning the increase and allocation of the amount set aside;
- reviewed the semi-annual and annual quality reviews.

4.2 EXECUTIVE MANAGEMENT

4.2.1 SEPARATION OF THE DUTIES OF CHAIRMAN FROM THOSE OF CHIEF EXECUTIVE OFFICER

At its meeting of 15 February 2011, the Board of Directors decided to separate the duties of Chairman from those of Chief Executive Officer given the Group's growth and development. This framework has been retained to date.

Yves Le Masne has acted since then as Chief Executive Officer.

Based on a recommendation from the Appointments and Remuneration Committee, the Board of Directors at its meeting on 28 March 2017:

- appointed Philippe Charrier as Chairman of the Board of Directors for the remaining term in office of Jean-Claude Marian, who resigned and in whose place he was co-opted as a director, that is until the close of the Annual General Meeting to be held to approve the 2018 financial statements;
- reappointed, prior to the expiry of his previous term in office, Yves Le Masne as Chief Executive Officer for a term of four years ending at the close of the Board of Directors' meeting following the Annual General Meeting to be held to approve the 2020 financial statements;
- reappointed, prior to the expiry of his previous term in office, Jean-Claude Brdenk as Chief Operating Officer for a term of four years ending at the close of the Board of Directors' meeting following the Annual General Meeting to be held to approve the 2020 financial statements.

4.2.2 RESTRICTIONS ON THE POWERS OF EXECUTIVE MANAGEMENT

RESTRICTIONS ON THE POWERS OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer runs the Company and holds the broadest of powers to act on its behalf in all circumstances. He exercises these powers within the limits of the corporate objects and without prejudice to those that the law expressly allocates to General Meetings and to the Board of Directors.

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;
- 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;
- 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;
- 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 €150 million or a change in the terms and conditions of any borrowing or financing in a unit amount exceeding €150 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 excess of €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 any deposit, pledge or other guarantee 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, demergers, 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.

RESTRICTIONS ON THE 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 of Directors or of the Chief Executive 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.

4.3 REMUNERATION AND BENEFITS GRANTED TO SENIOR EXECUTIVES AND CORPORATE OFFICERS

4.3.1 REMUNERATION AND BENEFITS IN KIND GRANTED TO DIRECTORS

Pursuant to the recommendations of the AFEP-MEDEF Code, the aggregate amount of the directors' fees is set by the Annual General Meeting and the allocation thereof is determined by the Board of Directors. The allocation of the directors' fees reflects directors' actual attendance at meetings of the Board of Directors and the Board Committees and thus includes a variable attendance-based component, which outweighs the fixed component. The amount of the directors' fees is tailored to the level of responsibility of each director and the time required to perform their duties.

The Combined General Meeting of 28 June 2018 set the aggregate amount of fees to be paid to directors at €550,000 p.a. until shareholders decide otherwise at a General Meeting. The latest aggregate amount was proposed by the Board of Directors, acting in turn on a proposal by the Appointments and Remuneration Committee, after apprising itself of a benchmarking study of the remuneration of similar positions by Spencer Stuart. The sample used for benchmarking purposes was made up of 46 companies in the SBF 120 index with market capitalisation at 13 March 2018 ranging between €651.9 million and €82.1 billion.

This larger allocation resulted in an increase in:

- the variable portion of directors' fees linked to attendance at Board of Directors' meetings to €25,000;
- the fee payable for attendance at meetings of the Board Committees to €3,000 per meeting;
- the fee payable to the director representing employees to €1,500 per meeting.

Until the end of the Combined General Meeting of 28 June 2018, the aggregate amount of fees to be paid to directors was set at an annual amount €500,000 p.a., with the fees allocated as follows:

- for their attendance at meetings of the Board of Directors (only directors who are not employees), 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 Remuneration Committee), they receive a fixed sum of €2,000 per meeting, or double this amount for the Committee Chairmen;
- the director representing employees receives a sum of €1,000 per meeting.

Pursuant to these rules, a gross total amount of €444,616.40 was paid to directors for their attendance at meetings of the Board of Directors and its Committees in 2018 (€451,376.71 in respect of the previous year).

The amount of directors' fees and other remuneration received by each of the directors in respect of FY 2017 and FY 2018 is presented in the table in section 4.3.3 below.

4.3.2 REMUNERATION AND BENEFITS IN KIND GRANTED TO EXECUTIVE OFFICERS IN RESPECT OF 2018

In accordance with the recommendations of the AFEP-MEDEF Code, the executive remuneration policy is determined by the Board of Directors based on a proposal submitted by the Appointments and Remuneration Committee, with consideration given to the Group's interests, strategy and performance.

The Chairman of the Board of Directors receives only fixed remuneration. However, the remuneration package of the Chief Executive Officer and Chief Operating Officer consists of a fixed salary, bonus payment and a long-term incentive plan linked to the Company's share capital (in the form of bonus shares).

The remuneration policy for executive officers is determined every year in accordance with the provisions of Article L. 225-37-2 of the French Commercial Code.

The principles and criteria for the determination, award and allotment of the fixed salary, bonuses and exceptional remuneration making up the remuneration and benefits of any kind awarded in respect of the year ended 31 December 2018 to Philippe Charrier, Yves Le Masne and Jean-Claude Brdenk, with regard to their respective appointments as Chairman of the Board of Directors, Chief Executive Officer and Chief Operating Officer, presented in ORPEA's 2017 Registration Document were approved at the Ordinary General Meeting of 27 June 2018. Shareholder approval at the Annual General Meeting due to be held on 27 June 2019 is required for payment of the annual bonus for 2018.

REMUNERATION OF PHILIPPE CHARRIER, CHAIRMAN OF THE BOARD OF DIRECTORS IN RESPECT OF FY 2018

Fixed remuneration

On 26 April 2018, based on a proposal submitted by the Appointments and Remuneration Committee and having studied a benchmark remuneration study for similar positions by Spencer Stuart (the sample of comparatives consisted of 38 constituents from the SBF 120 index, with market capitalisation at 13 March 2018 ranging between €651.9 million and €82.1 billion) and to reflect his experience and the nature of the duties entrusted to him (as presented in section 4.1.2 above), the Board of Directors decided to increase Philippe Charrier's gross fixed remuneration as Chairman of the Board of Directors to €260,000. Accordingly, Philippe Charrier received gross fixed remuneration of €260,000 for his duties as Chairman of the Board of Directors in respect of the year ended 31 December 2018.

Directors' fees

Pursuant to the allocation arrangements for the directors' fees referred to in section 4.3.1 above, Philippe Charrier received €37,561.64 in directors' fees for his duties as a director in respect of the year ended 31 December 2018.

Annual bonus payment and other remuneration

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

Remuneration paid or awarded in respect of FY 2018 to Philippe Charrier, Chairman of the Board of Directors, subject to shareholders' retrospective say on pay at the Annual General Meeting on 27 June 2019

Pursuant to Article L. 225-100 of the French Commercial Code, the Company will seek shareholder approval at the General Meeting due to be held on 27 June 2019 of the fixed salary or remuneration, annual bonus and exceptional remuneration and the benefits of any kind paid or awarded in respect of FY 2018 to Philippe Charrier, Chairman of the Board of Directors (no annual bonus or exceptional remuneration). The remuneration received by Philippe Charrier, Chairman of the Board of Directors, in respect of FY 2018 is in line with the policy for his remuneration approved at the Annual General Meeting on 28 June 2018.

Remuneration	Amounts or accounting value	Comments
Fixed remuneration	€260,000	On 26 April 2018, based on a proposal submitted by the Appointments and Remuneration Committee and having studied a benchmark remuneration study for similar positions by Spencer Stuart and to reflect his experience and the nature of the duties entrusted to him, the Board of Directors decided to increase his gross fixed remuneration for FY 2018 to €260,000.
Annual bonus payment	N/A	Philippe Charrier did not receive any annual bonus payments.
Exceptional remuneration	N/A	Philippe Charrier did not receive any exceptional remuneration.
Directors' fees	€37,561.64	Philippe Charrier received €37,561.64 in directors' fees in respect of his duties as a director in FY 2018.
Long-term incentive plan	N/A	Philippe Charrier did not benefit from any long-term incentive plan.
Sign-on or severance payments	N/A	No commitment of this kind has been made.
Benefits of any kind	N/A	Philippe Charrier received no benefits in kind.

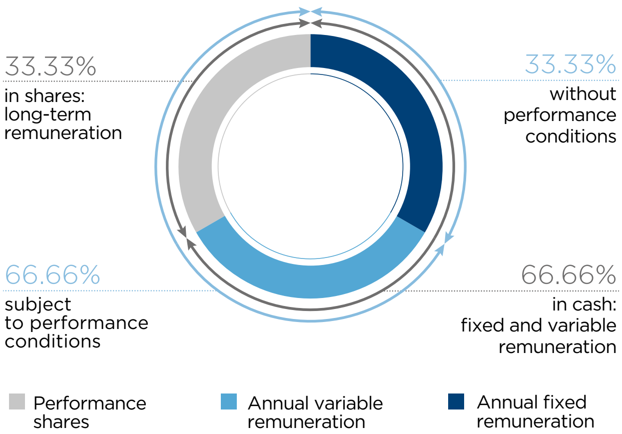
REMUNERATION OF YVES LE MASNE AND JEAN-CLAUDE BRDENK, RESPECTIVELY CHIEF EXECUTIVE OFFICER AND CHIEF OPERATING OFFICER, IN RESPECT OF FY 2018

Key principles

On 26 April 2018, based on a proposal submitted by the Appointments and Remuneration Committee and having studied an update of the benchmark remuneration study for similar positions conducted in 2017 by Willis Towers Watson (the sample of comparatives consisted of 19 constituents from the SBF 80 index, with market capitalisation at 7 March 2018 ranging between €2.2 billion and €10.7 billion and FY 2017 revenue ranging between €1.2 billion and €6.5 billion), the Board of Directors decided to retain for FY 2018 the same remuneration structure for Yves Le Masne and Jean-Claude Brdenk, respectively Chief Executive Officer and Chief Operating Officer, pursuant to the remuneration policy for FY 2017, which consisted of:

- fixed salary accounting for one-third;
- an 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.

▶ GRAPHICAL ILLUSTRATION OF THE BALANCE BETWEEN THE VARIOUS COMPONENTS OF YVES LE MASNE'S AND JEAN-CLAUDE BRDENK'S REMUNERATION



Based on this proposal, the FY 2018 remuneration package for Yves Le Masne, Chief Executive Officer, and for Jean-Claude Brdenk, the Chief Operating Officer, had the following components:

- Yves Le Masne, Chief Executive Officer:
  - fixed salary: €760,000 (€29,689.02 in net fixed monthly salary after tax), which represents an increase of 5.55% based on the 2017 update of the benchmark report referred to above, lifting it from the first quartile to the median level, given that Yves Le Masne's fixed annual salary had remained unchanged since 1 June 2013,
  - annual bonus: target bonus of 100% of fixed annual salary with a maximum of 150% of the target bonus in the event of outperformance, or a maximum total bonus of 150% (i.e. 150% x 100%) of fixed salary,
  - a long-term incentive plan covering a period of three years in the form of a bonus share allotment subject to performance conditions or similar plan, capped at an upper limit of 100% of fixed salary, based on IFRS measurements, as calculated by an independent firm;
- Jean-Claude Brdenk, Chief Operating Officer:
  - fixed salary: €640,000 (unchanged for the second year in a row),
  - annual bonus: target bonus of 100% of fixed annual salary with a maximum of 150% of the target bonus in the event of outperformance, or a maximum total bonus of 150% (i.e. 150% x 100%) of fixed salary,
  - a long-term incentive plan covering a period of three years in the form of a bonus share allotment subject to performance conditions or similar plan, capped at an upper limit of 100% of fixed salary, based on IFRS measurements, as calculated by an independent firm.

In addition, Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, will receive the following benefits in kind:

- a company car;
- application of group personal protection and healthcare cost reimbursement plans in force at the Company on the same basis as those applicable to the employee grade in which they have been classified.

Lastly, Yves Le Masne, Chief Executive Officer, receives directors' fees in respect of his duties as a director, which are calculated as set out in section 4.3.1 above.

The annual bonus payments and any exceptional remuneration awarded in respect of the financial year ended on 31 December 2018 to the Chief Executive Officer and to the Chief Operating Officer can be paid only after their approval by shareholders at the General Meeting due to be held on 27 June 2019, as provided for under Articles L. 225-37-2 and L. 225-100 of the French Commercial Code.

Performance criteria

The annual bonus payment has the following components:

- a component linked to attainment of quantifiable objectives, representing a target proportion of 70%(1) of the total annual bonus; and
- a component linked to attainment of qualitative objectives, representing a target proportion of 30%(2) of the total annual bonus.

(1) vs. 80% last year.

(2) vs. 20% last year. This change in the weighting of the quantifiable and qualitative criteria is intended to strengthen the importance of objectives that, though non-financial, are still critical for the Group's long-term development.

The following table shows how the annual bonus payments to the Chief Executive Officer and the Chief Operating Officer in respect of the financial year ended 31 December 2018 were calculated, together with the objectives set for their payment and the extent to which the objectives were achieved.

Yves Le Masne

	Objectives		**Percentage achievement in 2018**	**Target bonus**			
	Target	**Performance above target level**		**Target** *(as a %)*	**Target** *(in euros)*	**Percentage achievement in 2018**	**2018 amount** *(in euros)*
QUANTIFIABLE OBJECTIVES (70% OF TOTAL BONUS PAYMENTS)							
Revenue growth	8.00%	12.00%	9.00%	7.78%	59,111	Achieved	59,111
Organic growth in revenue	4.00%	6.00%	5.00%	7.78%	59,111	Achieved	59,111
Organic growth in EBITDA	Confidential figure	Confidential figure	Confidential figure	7.78%	59,111	Achieved	59,111
Growth in EBITDA	8.00%	12.00%	10.20%	7.78%	59,111	Achieved	59,111
Improvement in the EBITDA margin	= or > 2017 EBITDA margin		+20bp	7.78%	59,111	Achieved	59,111
Increase in free cash flow per share	Confidential figure		Confidential figure	7.78%	59,111	Achieved	59,111
Increase in adjusted consolidated net profit	7.00%	10.00%	11.30%	7.78%	59,111	Achieved	59,111
Trend in restated financial leverage	≤ 2.2		2.3	7.78%	59,111	Not achieved	0
Gearing	≤ 1.4		1.5	7.78%	59,111	Not achieved	0
Total quantifiable objectives				**70.00%**	**532,000**		**413,778**
QUALITATIVE OBJECTIVES (30% OF TOTAL BONUS PAYMENTS)							
Implementation of the recommendations arising from the evaluation of the Board of Directors' effectiveness in 2017				10.00%	76,000	85.00%	64,600
Build-out of the Group for its future development				10.00%	76,000	85.00%	64,600
Quality review				10.00%	76,000	100.00%	76,000
Total qualitative objectives				**30.00%**	**228,000**		**205,200**
TOTAL BONUS PAYMENT				**100.00%**	**760,000**		**618,978**

The principal terms and conditions governing the bonus share allotment plan are as follows:

- amount equal to fixed salary based on the IFRS measurement of shares as calculated by an independent firm, with a reference date of 26 April 2018, the date of the Board of Directors' meeting;
- requirement of continued presence at the Group;
- performance condition: performance of ORPEA's shares dividends included (TSR, total shareholder return) 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 FY 2018, FY 2019 and FY 2020:
  - maximum LTIP if ORPEA's total shareholder return (increase in share price + dividends) exceeds the average increase in both indices over the reference periods by at least 10 percentage points,
  - minimum LTIP (i.e. zero) if ORPEA's total shareholder return (increase in share price + dividends) is the same as or less than the average increase in both indices over the reference periods,
  - pro-rated LTIP if ORPEA's total shareholder return (increase in share price + dividends) lies between 0 and 10 percentage points above the average increase in both indices over the reference periods;
- reference periods: average of ORPEA's share price performance over the period from 1 January 2021 to 30 April 2021, plus the dividend in respect of FY 2020, compared with the same average over the period from 1 January 2018 to 30 April 2018, plus the dividend paid in respect of FY 2017;
- shares vest based on the performance condition after a three-year vesting period;
- 25% of the vested shares must be held until the allottee's term in office comes to an end.

Periods during which the shares may not be sold are stated in the regulations of the relevant plan.

Executive officers are not granted stock options.

Yves Le Masne				Jean-Claude Brdenk							
Bonus for outperformance				Target bonus				Bonus for outperformance			
Outper-formance *(as a %)*	**Outper-formance** *(in euros)*	**Percentage achievement in 2018**	**2018 amount** *(in euros)*	**Target** *(as a %)*	**Target** *(in euros)*	**Percentage achievement in 2018**	**2018 amount** *(in euros)*	**Outper-formance** *(as a %)*	**Outper-formance** *(in euros)*	**Percentage achievement in 2018**	**2018 amount** *(in euros)*
10.00%	76,000	25%	19,000	7.78%	49,778	Achieved	49,778	10.00%	64,000	25%	16,000
10.00%	76,000	50%	38,000	7.78%	49,778	Achieved	49,778	10.00%	64,000	50%	32,000
10.00%	76,000	205%	76,000	7.78%	49,778	Achieved	49,778	10.00%	64,000	205%	64,000
10.00%	76,000	55%	41,800	7.78%	49,778	Achieved	49,778	10.00%	64,000	55%	35,200
				7.78%	49,778	Achieved	49,778				
				7.78%	49,778	Achieved	49,778				
10.00%	76,000	143%	76,000	7.78%	49,778	Achieved	49,778	10.00%	64,000	143%	64,000
				7.78%	49,778	Not achieved	0				
				7.78%	49,778	Not achieved	0				
50.00%	**380,000.00**		**250,800**	**70.00%**	**448,000**		**348,444**	**50.00%**	**320,000**		**211,200**
				10.00%	64,000	85.00%	54,400				
				10.00%	64,000	85.00%	54,400				
				10.00%	64,000	100.00%	64,000				
				30.00%	**192,000**		**172,800**				
50.00%	**380,000.00**		**250,800**	**100.00%**	**640,000**		**521,244**	**50.00%**	**320,000**		**211,200**
			TOTAL								**TOTAL**
			€869,777.78								**€732,444.44**
			114%								**114%**

Commitments to Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, on the basis of Article L. 225-90-1 of the French Commercial Code

Severance payment

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 on 25 March 2013 and 25 April 2013 and approved by shareholders at the General Meeting on 20 June 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 past repudiation of their employment contracts, these arrangements give them the right to receive a severance payment corresponding to 24 months' gross fixed salary 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 officers 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 or in the Company's strategy, instigated by the Board of Directors or the relevant corporate officer.

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.

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 exceptional 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 exceptional remuneration and no benefit being paid below a level of 50%.

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

Unemployment insurance

Yves Le Masne and Jean-Claude Brdenk are covered by an unemployment insurance policy, with the corresponding premiums paid by the Company and its subsidiaries.

Remuneration of Yves Le Masne, Chief Executive Officer (in respect of FY 2018)

Fixed salary

In accordance with the remuneration policy approved by shareholders at the General Meeting of 28 June 2018 pursuant to Article L. 225-37-2 of the French Commercial Code and reiterated above, Yves Le Masne received a gross fixed annual salary of €760,000 (€29,689.02 net fixed monthly salary after tax) in respect of FY 2018.

Annual bonus payment

Based on the quantifiable and qualitative criteria laid down in the remuneration policy approved by shareholders at the General Meeting of 28 June 2018 pursuant to Article L. 225-37 of the French Commercial Code and reiterated above, the Board of Directors set at its meetings on 26 March and 25 April 2019 his gross annual bonus payment in respect of FY 2018 at €869,777.78 based on a proposal submitted by the Appointments and Remuneration Committee given that performance exceeded the targets as presented in detail in the above table. Shareholder approval at the General Meeting due to be held on 27 June 2019 is required for payment of this remuneration.

Long-term incentive plan

In accordance with the remuneration policy approved by shareholders at the General Meeting of 28 June 2018 pursuant to Article L. 225-37-2 of the French Commercial Code and reiterated above, Yves Le Masne was allotted 24,266 bonus shares subject to the attainment of performance conditions (representing 0.04% of the Company's share capital) at an IFRS cost of €760,011.12, based on the terms and conditions set out above.

Directors' fees

Yves Le Masne received €37,561.64 in directors' fees in respect of his duties as a director in 2018.

Severance payments

No severance payments were made to Yves Le Masne in the financial year ended 31 December 2018.

Other remuneration and benefits

In addition to the aforementioned items, Yves Le Masne benefits from:

- unemployment insurance paid for by the Company and its subsidiaries, the premiums for which amounted to €63,293.08 in respect of the financial year ended 31 December 2018;
- a company car, representing a benefit in kind worth €3,546.48 in respect of the financial year ended 31 December 2018;
- group personal protection and healthcare cost reimbursement plans in force at the Company on the same basis as those applicable to the employee grade in which he has been classified.

He does not receive any other remuneration (including stock subscription or purchase options) or benefit (including any specific additional pension contributions).

Remuneration paid or awarded in respect of FY 2018 to Yves Le Masne, Chief Executive Officer, subject to shareholders' retrospective say on pay at the Annual General Meeting on 27 June 2019

Pursuant to Article L. 225-100 of the French Commercial Code, the Company will seek shareholder approval at the Annual General Meeting due to be held on 27 June 2019 of the fixed salary, annual bonus and exceptional remuneration and the benefits of any kind paid or awarded in respect of FY 2018 to Yves Le Masne, Chief Executive Officer (no exceptional remuneration). Pursuant to Article L. 225-100 of the French Commercial Code, annual bonus payments can only be made with the approval by the Annual General Meeting of the relevant individual's remuneration.

Remuneration	Amounts or accounting value	Comments
Fixed salary	€760,000	On 26 April 2018, based on a proposal submitted by the Appointments and Remuneration Committee and having studied an updated benchmark remuneration study for similar positions by Willis Towers Watson in 2017, the Board of Directors decided to increase his gross fixed remuneration to €760,000 (€29,689.02 in net fixed monthly salary after tax) for FY 2018 (which represents an increase of 5.55% compared with FY 2017, given that Yves Le Masne's fixed annual salary had remained unchanged since 1 June 2013).
Annual bonus payment[(1)]	€869,777.78	The objectives to be met for payment of the Chief Executive Officer's annual bonus for 2018 were set as follows: ■ component linked to attainment of quantifiable objectives (70%): ● 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, ● trends in ORPEA's gearing; ■ component linked to attainment of qualitative objectives (30%): ● implementation of the recommendations arising from the evaluation of the effectiveness of the Board of Directors, ● efforts to lay the foundations for the Group's future development, ● the quality review. The Board of Directors set his gross annual bonus payment at €869,777.78 given performance measured in relation to the target criteria.
Exceptional remuneration	N/A	Yves Le Masne did not receive any exceptional remuneration.
Directors' fees	€37,561.64	Yves Le Masne received €37,561.64 in directors' fees in respect of his duties as a director in 2018.
Long-term incentive plan	Allotment of 24,266 bonus shares (0.04% of the Company's share capital) Accounting value: €760,011.12	Requirement of continued presence at the Group Performance condition: performance of ORPEA's shares dividends included (TSR, total shareholder return) 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 FY 2018, FY 2019 and FY 2020: ■ maximum LTIP if ORPEA's total shareholder return (increase in share price + dividends) exceeds the average increase in both indices over the reference periods by at least 10 percentage points; ■ minimum LTIP (i.e. zero) if ORPEA's total shareholder return (increase in share price + dividends) is the same as or less than the average increase in both indices over the reference periods; ■ pro-rated LTIP if ORPEA's total shareholder return (increase in share price + dividends) lies between 0 and 10 percentage points above the average increase in both indices over the reference periods. Reference periods: average of ORPEA's share price performance over the period from 1 January 2021 to 30 April 2021, plus the dividend in respect of FY 2020, compared with the same average over the period from 1 January 2018 to 30 April 2018, plus the dividend paid in respect of FY 2017 Vesting period: 3 years No holding period 25% of the vested shares must be held until his term in office comes to an end

(1) Shareholder approval at the Annual General Meeting due to be held on 27 June 2019 is required for payment of this remuneration.

Remuneration	Amounts or accounting value	Comments
Sign-on or severance payments	No payment	At the Board of Directors' meeting on 28 March 2017 during which Yves Le Masne's term as Chief Executive Officer was extended, the Board of Directors confirmed he would continue to benefit from the severance payment should this appointment come to an end. These arrangements were determined and decided at the Board of Directors' meetings on 25 April 2013 and 25 March 2013. In recognition of the Chief Executive Officer's major contribution to the Group's development over several years, and given his prior repudiation of his employment contract, these arrangements give him the right to a severance payment corresponding to twenty-four (24) months' gross fixed salary 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 officer come to an end. This severance payment would be paid in the following circumstances: ■ 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 his dismissal for gross misconduct); or ■ in the event of a change in control or in the Company's strategy, instigated by the Board of Directors or the relevant corporate officer. 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. 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 exceptional 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 exceptional remuneration and no benefit being paid below a level of 50%. If Yves Le Masne is entitled to claim a full basic pension within six months of the termination of his duties, this payment may not be made.
Benefits of any kind	€66,839.56	Unemployment insurance paid for by the Company and its subsidiaries, the premiums for which amounted to €63,293.08 in respect of FY 2018. A company car, representing a benefit in kind worth €3,546.48 in respect of FY 2018. Application of Group personal protection and healthcare cost reimbursement plans in force at the Company on the same basis as those applicable to the employee grade in which he has been classified.

The remuneration received by Yves Le Masne, Chief Executive Officer, in respect of FY 2018 is in line with the policy for his remuneration approved at the Annual General Meeting on 28 June 2018.

Remuneration of Jean-Claude Brdenk, Chief Operating Officer (in respect of FY 2018)

Fixed salary

In accordance with the remuneration policy approved by shareholders at the General Meeting of 28 June 2018 pursuant to Article L. 225-37-2 of the French Commercial Code and reiterated above, Jean-Claude Brdenk received a gross fixed annual salary of €640,000 in respect of the financial year ended 31 December 2018.

Annual bonus payment

Based on the quantifiable and qualitative criteria laid down in the remuneration policy approved by shareholders at the General Meeting of 28 June 2018 pursuant to Article L. 225-37-2 of the French Commercial Code and reiterated above, the Board of Directors set at its meetings on 26 March and 25 April 2019 his gross annual bonus payment in respect of FY 2018 at €732,444.44 based on a proposal submitted by the Appointments and Remuneration Committee given that performance exceeded the targets as presented in detail in the above table. Shareholder approval at the Annual General Meeting due to be held on 27 June 2019 is required for payment of this remuneration.

Long-term incentive plan

In accordance with the remuneration policy approved by shareholders at the General Meeting of 28 June 2018 pursuant to Article L. 225-37-2 of the French Commercial Code and reiterated above, Jean-Claude Brdenk was allotted 20,435 bonus shares subject to the attainment of performance conditions (representing 0.03% of the Company's share capital) at an IFRS cost of €640,024.20, based on the terms and conditions set out above.

Severance payments

No severance payments were made to Jean-Claude Brdenk in the financial year ended 31 December 2018.

Other remuneration and benefits

In addition to the aforementioned items, Jean-Claude Brdenk benefits from:

- unemployment insurance paid for by the Company and its subsidiaries, the premiums for which amounted to €63,293.08 in respect of the financial year ended 31 December 2018;
- a company car, representing a benefit in kind worth €4,450.68 in respect of the financial year ended 31 December 2018;
- group personal protection and healthcare cost reimbursement plans in force at the Company on the same basis as those applicable to the employee grade in which he has been classified.

He does not receive any other remuneration (including directors' fees or stock options) or benefit (including any specific additional pension contributions).

Remuneration paid or awarded in respect of FY 2018 to Jean-Claude Brdenk, Chief Operating Officer, subject to shareholders' retrospective say on pay at the Annual General Meeting on 27 June 2019

Pursuant to Article L. 225-100 of the French Commercial Code, the Company will seek shareholder approval at the Annual General Meeting due to be held on 27 June 2019 of the fixed salary, annual bonus and exceptional remuneration and the benefits of any kind paid or awarded in respect of FY 2018 to Jean-Claude Brdenk, Chief Operating Officer (no exceptional remuneration). Pursuant to Article L. 225-100 of the French Commercial Code, annual bonus payments can only be made with the approval by the Annual General Meeting of the relevant individual's remuneration.

Remuneration	Amounts or accounting value	Comments
Fixed salary	€640,000	Fixed annual salary unchanged for the second year in a row
Annual bonus payment[1]	€732,444.44	The objectives to be met for payment of the Chief Operating Officer's annual bonus for 2018 were set as follows: ■ component linked to attainment of quantifiable objectives (70%): • 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, • trends in ORPEA's gearing; ■ component linked to attainment of qualitative objectives (30%): • implementation of the recommendations arising from the evaluation of the effectiveness of the Board of Directors, • efforts to lay the foundations for the Group's future development, • the quality review. The Board of Directors thus set his gross annual bonus payment at €732,444.44 given performance measured in relation to the target criteria.
Exceptional remuneration	N/A	Jean-Claude Brdenk did not receive any exceptional remuneration.
Directors' fees	N/A	Since Jean-Claude Brdenk is not a director, he does not receive directors' fees.

(1) Shareholder approval at the Annual General Meeting due to be held on 27 June 2019 is required for payment of this remuneration.

Remuneration	Amounts or accounting value	Comments
Long-term incentive plan	Allotment of 20,435 bonus shares (0.03% of the Company's share capital) Accounting value: €640,024.20	Requirement of continued presence at the Group Performance condition: performance of ORPEA's shares dividends included (TSR, total shareholder return) 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 FY 2018, FY 2019 and FY 2020: ■ maximum LTIP if ORPEA's total shareholder return (increase in share price + dividends) exceeds the average increase in both indices over the reference periods by at least 10 percentage points; ■ minimum LTIP (i.e. zero) if ORPEA's total shareholder return (increase in share price + dividends) is the same as or less than the average increase in both indices over the reference periods; ■ pro-rated LTIP if ORPEA's total shareholder return (increase in share price + dividends) lies between 0 and 10 percentage points above the average increase in both indices over the reference periods. Reference periods: average of ORPEA's share price performance over the period from 1 January 2021 to 30 April 2021, plus the dividend in respect of FY 2020, compared with the same average over the period from 1 January 2018 to 30 April 2018, plus the dividend paid in respect of FY 2017 Vesting period: 3 years No holding period 25% of the vested shares must be held until his term in office comes to an end
Sign-on or severance payments	No payment	At the Board of Directors' meeting on 28 March 2017 during which Jean-Claude Brdenk's term as Chief Operating Officer was extended, the Board of Directors confirmed he would continue to benefit from the severance payment should this appointment come to an end. These arrangements were determined and decided at the Board of Directors' meetings on 25 April 2013 and 25 March 2013. In recognition of the Chief Operating Officer's major contribution to the Group's development over several years, and given his prior repudiation of his employment contract, these arrangements give him the right to a severance payment corresponding to twenty-four (24) months' gross fixed salary 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 officer come to an end. This severance payment would be paid in the following circumstances: ■ 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 his dismissal for gross misconduct); or ■ in the event of a change in control or in the Company's strategy, instigated by the Board of Directors or the relevant corporate officer. 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. 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 exceptional 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 exceptional remuneration and no benefit being paid below a level of 50%. If Jean-Claude Brdenk is entitled to claim a full basic pension within six months of the termination of his duties, this payment may not be made.
Benefits of any kind	€67,743.76	Unemployment insurance paid for by the Company and its subsidiaries, the premiums for which amounted to €63,293.08 in respect of FY 2018. A company car, representing a benefit in kind worth €4,450.68 in respect of FY 2018. Application of Group personal protection and healthcare cost reimbursement plans in force at the Company on the same basis as those applicable to the employee grade in which he has been classified.

The remuneration received by Jean-Claude Brdenk, Chief Operating Officer, in respect of FY 2018 is in line with the policy for his remuneration approved at the Annual General Meeting on 28 June 2018.

4.3.3 TABLE SUMMARISING THE REMUNERATION AND BENEFITS IN KIND AWARDED TO EXECUTIVE OFFICERS IN RESPECT OF FY 2018

Table summarising the remuneration, options and shares awarded to executive officers (Table 1 in the Appendix to the AFEP-MEDEF Code)

(in euros)	FY 2018	FY 2017
PHILIPPE CHARRIER, CHAIRMAN OF THE BOARD OF DIRECTORS		
Remuneration payable in respect of the FY (details provided in Table 2)	297,561.64	146,753.42
Valuation of the stock options awarded during the FY	-	-
Valuation of the performance shares awarded during the FY	-	-
TOTAL	**297,561.64**	**146,753.42**
YVES LE MASNE, CHIEF EXECUTIVE OFFICER		
Remuneration payable in respect of the FY (details provided in Table 2)	1,670,885.90	1,478,546.48
Valuation of the stock options awarded during the FY	-	-
Valuation of the performance shares awarded during the FY	760,011.12	720,000.00
TOTAL	**2,430,897.02**	**2,198,546.48**
JEAN-CLAUDE BRDENK, CHIEF OPERATING OFFICER		
Remuneration payable in respect of the FY (details provided in Table 2)	1,376,895.12	1,284,450.68
Valuation of the stock options awarded during the FY	-	-
Valuation of the performance shares awarded during the FY	640,024.20	640,005.12
TOTAL	**2,016,919.32**	**1,924,455.80**

Table summarising the remuneration of executive officers (Table 2 in the Appendix to the AFEP-MEDEF Code)

(in euros)	FY 2018 Amounts due	FY 2018 Amounts paid	FY 2017 Amounts due	FY 2017 Amounts paid
PHILIPPE CHARRIER, CHAIRMAN OF THE BOARD OF DIRECTORS				
Fixed salary	260,000.00	260,000.00	120,000.00	120,000.00
Annual bonus payment	-	-	-	-
Exceptional remuneration	-	-	-	-
Directors' fees	37,561.64	64,315.06	26,753.42	-
Benefits in kind	-	-	-	-
TOTAL	**297,561.64**	**324,315.06**	**146,753.42**	**120,000.00**
YVES LE MASNE, CHIEF EXECUTIVE OFFICER				
Fixed salary	760,000.00	760,000.00	720,000.00	720,000.00
Annual bonus payment	869,777.78	720,000.00	720,000.00	399,600.00
Exceptional remuneration	-	-	-	99,900.00
Directors' fees	37,561.64	72,561.64	35,000.00	35,000.00
Benefits in kind	3,546.48	3,546.48	3,546.48	3,546.48
TOTAL	**1,670,885.90**	**1,556,108.12**	**1,478,546.48**	**1,258,046.48**
JEAN-CLAUDE BRDENK, CHIEF OPERATING OFFICER				
Fixed salary	640,000.00	640,000.00	640,000.00	640,000.00
Annual bonus payment	732,444.44	640,000.00	640,000.00	355,200.00
Exceptional remuneration	-	-	-	88,800.00
Directors' fees	-	-	-	-
Benefits in kind	4,450.68	4,450.68	4,450.68	4,450.68
TOTAL	**1,376,895.12**	**1,284,450.68**	**1,284,450.68**	**1,088,450.68**

Table presenting directors' fees and other remuneration paid to corporate officers (Table 3 in the Appendix to the AFEP-MEDEF Code)

Directors *(in euros)*	**Directors' fees paid in respect of FY 2018**	**Directors' fees paid in respect of FY 2017**
Philippe Charrier(1)	37,561.64	26,753.42
Jean-Claude Marian(2)	N/A	8,342.47
Yves Le Masne	37,561.64	35,000
Laure Baume	39,561.64	32,000
Xavier Coirbay(3)	41,561.64	20,506.85
Bernadette Danet-Chevallier	42,061.64	47,000
FFP Invest (represented by Thierry de Poncheville)	58,561.64	65,000
Jean-Patrick Fortlacroix	51,561.64	51,000
Christian Hensley	44,561.64	37,000
Brigitte Lantz	37,561.64	35,000
Joy Verlé(4)	44,561.64	25,876.71
Alain Carrier(5)	N/A	16,719.18
Sophie Malarme-Lecloux(6)	N/A	24,589.04
Alexandre Malbasa(6)	N/A	20,589.04
Sophie Kalaidjian (director representing employees)	9,500.00	6,000
TOTAL	**444,616.40**	**451,376.71**

(1) Director and Chairman of the Board of Directors since 28 March 2017.
(2) Director and Chairman of the Board of Directors until 28 March 2017.
(3) Director since 22 June 2017.
(4) Director since 27 April 2017.
(5) Director until 27 April 2017.
(6) Director until 22 June 2017.

Corporate officers with no executive responsibilities did not receive any remuneration or benefits of any kind other than their directors' fees.

Since no stock subscription or purchase options were awarded during the financial year ended 31 December 2018 to executive officers, Table 4 in the Appendix to the AFEP-MEDEF Code is not shown here.

Since no stock subscription or purchase options were exercised during the financial year ended 31 December 2018 by executive officers, Table 5 in the Appendix to the AFEP-MEDEF Code is not shown here.

Table summarising the performance shares awarded during the financial year to executive officers (Table 6 – AFEP-MEDEF terminology)

	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 NO. 6 – 28 JUNE 2018					
Yves Le Masne, Chief Executive Officer	24,266	€760,011.12	28 June 2021	28 June 2021	Performance of ORPEA's shares dividends included (TSR, total shareholder return) 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 FY 2018, FY 2019 and FY 2020
Jean-Claude Brdenk, Chief Operating Officer	20,435	€640,024.20	28 June 2021	28 June 2021	

Since no performance shares became available during the financial year ended 31 December 2018 for executive officers, Table 7 in the Appendix to the AFEP-MEDEF Code is not shown here. Details of the (bonus) shares that vested on 4 May 2019 with Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, are provided in Table 9 in the Appendix to the AFEP-MEDEF Code.

Since no stock subscription or purchase option plans were introduced recently, Table 8 in the Appendix to the AFEP-MEDEF Code is not shown here.

Table showing previous allotments of performance shares (Table 9 in the Appendix to the AFEP-MEDEF Code)

Information about performance shares	Plan No. 1	Plan No. 3	Plan No. 6
Date of General Meeting	6 November 2015	23 June 2016	28 June 2018
Date of Board meeting	10 February 2016	4 May 2017	28 June 2018
Maximum total number of bonus shares that may be allotted	82,250	29,514	44,701
o/w number of bonus shares that may be allotted to Yves Le Masne, Chief Executive Officer	*13,000*	*15,625*	*24,266*
o/w number of bonus shares that may be allotted to Jean-Claude Brdenk, Chief Operating Officer	*13,000*	*13,889*	*20,435*
Vesting date of the shares	10 April 2017	4 May 2019	28 June 2021
End date of holding period	10 April 2019	4 May 2021	28 June 2021
Performance conditions	Revenue and EBITDA(1)	Total shareholder return (increase in share price + dividend)(2)	Total shareholder return (increase in share price + dividend)(3)
Number of shares vested at 31 December 2018	82,250	N/A	N/A
Total number of shares cancelled or voided	0	N/A	N/A
Bonus shares allotted not yet vested at 31 December 2018	0	29,514(4)	44,701

(1) Revenue and EBITDA targets set in the 2015 and 2016 budgets as presented to ORPEA's Board of Directors.

(2) Should ORPEA's total shareholder return (increase in share price plus dividends) exceed the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, by 10% or more during FY 2017 and FY 2018, all the bonus ORPEA shares will be allotted definitively.
Should ORPEA's total shareholder return (increase in share price plus dividends) be equal to or below the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, during FY 2017 and FY 2018, no bonus ORPEA shares will be allotted.
Should ORPEA's total shareholder return (increase in share price plus dividends) exceed the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, by between 0% and 10% during FY 2017 and FY 2018, the number of bonus ORPEA shares to be allotted to each allottee will be calculated proportionally on a straight-line basis between those two points. Where a full number of ORPEA shares is not produced by this calculation, the number will be rounded down.
The reference period used to assess when this condition is met is the 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.

(3) Should ORPEA's total shareholder return (increase in share price plus dividends) exceed the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, by 10% or more during FY 2018, FY 2019 and FY 2020, all the bonus ORPEA shares will be allotted definitively.
Should ORPEA's total shareholder return (increase in share price plus dividends) be equal to or below the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, during FY 2018, FY 2019 and FY 2020, no bonus ORPEA shares will be allotted.
Should ORPEA's total shareholder return (increase in share price plus dividends) exceed the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, by between 0% and 10% during FY 2018, FY 2019 and FY 2020, the number of bonus ORPEA shares to be allotted to each allottee will be calculated proportionally on a straight-line basis between those two points. Where a full number of ORPEA shares is not produced by this calculation, the number will be rounded down.
The reference period used to assess when this condition is met is the average of ORPEA's share price performance over the period from 1 January 2021 to 30 April 2021, plus the dividend in respect of FY 2020, compared with the same average over the period from 1 January 2018 to 30 April 2018, plus the dividend paid in respect of FY 2017.

(4) The (bonus) shares vested with allottees on 4 May 2019, i.e., 15,625 (bonus) shares with Yves Le Masne, Chief Executive Officer, and 13,889 (bonus) shares with Jean-Claude Brdenk, Chief Operating Officer.

Since no executive officer has been granted multi-year variable remuneration, Table 10 in the Appendix to the AFEP-MEDEF Code is not shown here.

Summary of the status of executive officers in respect of FY 2018 (Table 11 in the Appendix to the AFEP-MEDEF Code)

Executive officers' remuneration	Employment contract		Supplementary pension scheme		Payments or benefits due or likely to become due as a result of termination or change of position		Payments under a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Philippe Charrier *Chairman of the Board of Directors* Date appointed: 28 March 2017 End date of term in office: 2019 AGM		X		X		X		X
Yves Le Masne *Chief Executive Officer* Date appointed: 28 March 2017 End date of term in office: 2021 AGM		X		X	X			X
Jean-Claude Brdenk *Chief Operating Officer* Date appointed: 28 March 2017 End date of term in office: 2021 AGM		X		X	X			X

4.3.4 REMUNERATION POLICY IN RESPECT OF FY 2019 FOR EXECUTIVE OFFICERS SUBJECT TO SHAREHOLDERS' FORWARD-LOOKING SAY ON PAY AT THE ANNUAL GENERAL MEETING ON 27 JUNE 2019

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 determine, award and allot the fixed salary, bonus payments and exceptional remuneration making up the overall remuneration and benefits of any kind that may be awarded in respect of FY 2019 to executive officers.

Shareholder approval is being sought for the executive remuneration policy for FY 2019 at the General Meeting due to be held on 27 June 2019 based on this report. To this end, three 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 executive officers.

In accordance with these recommendations and based on a proposal submitted by the Appointments and Remuneration Committee, the Board of Directors makes sure that the executive remuneration policy complies with the principles of comprehensiveness, balance, comparability, consistency, transparency and proportionality and also reflects market practice.

REMUNERATION OF PHILIPPE CHARRIER, CHAIRMAN OF THE BOARD OF DIRECTORS PROPOSED FOR FY 2019

Fixed remuneration

On 25 April 2019, based on a proposal submitted by the Appointments and Remuneration Committee and to reflect his experience and the nature of the duties entrusted to him (as presented in section 4.1.2 above), the Board of Directors decided to leave Philippe Charrier's gross fixed remuneration in respect of FY 2019 as Chairman of the Board of Directors unchanged at €260,000.

Directors' fees

Philippe Charrier receives directors' fees in respect of his duties as a director, which are calculated as set out in section 4.3.1 above.

Annual bonus payment and other remuneration

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

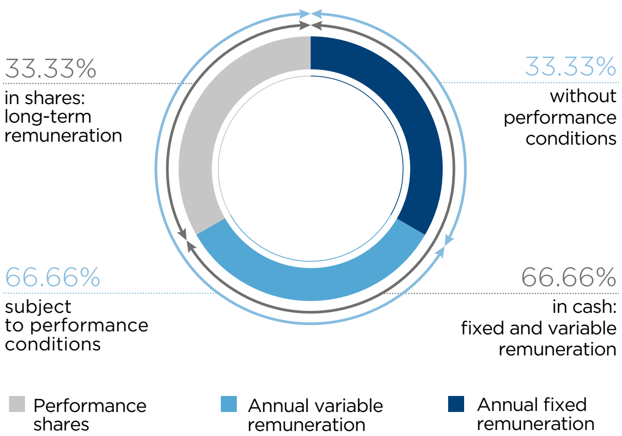
REMUNERATION OF YVES LE MASNE, CHIEF EXECUTIVE OFFICER, AND JEAN-CLAUDE BRDENK, CHIEF OPERATING OFFICER

Key principles

At its meeting on 25 April 2019, based on a proposal submitted by the Appointments and Remuneration Committee, the Board of Directors decided to leave unchanged in respect of FY 2019 (for the third consecutive year) the structure of Yves Le Masne's and Jean-Claude Brdenk's remuneration, respectively Chief Executive Officer and Chief Operating Officer, as follows:

- fixed salary accounting for one-third;
- an 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.

GRAPHICAL ILLUSTRATION OF THE BALANCE BETWEEN THE VARIOUS COMPONENTS OF YVES LE MASNE'S AND JEAN-CLAUDE BRDENK'S REMUNERATION



Based on this proposal, the FY 2019 remuneration package for Yves Le Masne, Chief Executive Officer, and for Jean-Claude Brdenk, the Chief Operating Officer, will have the following components:

- Yves Le Masne, Chief Executive Officer:
  - fixed salary: €760,000 (€29,549.89 in net fixed monthly salary after tax) (unchanged for the second year in a row),
  - annual bonus: target bonus of 100% of fixed annual salary with a maximum of 150% of the target bonus in the event of outperformance, or a maximum total bonus of 150% (i.e. 150% x 100%) of fixed salary,
  - a long-term incentive plan covering a period of three years in the form of a bonus share allotment subject to performance conditions or similar plan, capped at an upper limit of 100% of fixed salary, based on IFRS measurements, as calculated by an independent firm;
- Jean-Claude Brdenk, Chief Operating Officer:
  - fixed salary: €640,000 (unchanged for the third year in a row),
  - annual bonus: target bonus of 100% of fixed annual salary with a maximum of 150% of the target bonus in the event of outperformance, or a maximum total bonus of 150% (i.e. 150% x 100%) of fixed salary,
  - a long-term incentive plan covering a period of three years in the form of a bonus share allotment subject to performance conditions or similar plan, capped at an upper limit of 100% of fixed salary, based on IFRS measurements, as calculated by an independent firm.

In addition, Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, will receive the following benefits in kind:

- a company car;
- application of group personal protection and healthcare cost reimbursement plans in force at the Company on the same basis as those applicable to the employee grade in which they have been classified.

Lastly, Yves Le Masne, Chief Executive Officer, receives directors' fees in respect of his duties as a director, which are calculated as set out in section 4.3.1 above.

The annual bonus payments and any exceptional remuneration awarded in respect of the financial year now ended to the Chief Executive Officer and to the Chief Operating Officer can be paid only after their approval by shareholders at the General Meeting due to be held on 27 June 2019, as provided for under Articles L. 225-37-2 and L. 225-100 of the French Commercial Code.

Performance criteria

The annual bonus payment has the following components:

- a component linked to attainment of quantifiable objectives, representing a target proportion of 70% (as in the previous year) of the total annual bonus; and
- a component linked to attainment of qualitative objectives, representing a target proportion of 30% (as in the previous year) of the total annual bonus.

The targets for the FY 2019 annual bonus payable to Yves Le Masne, the Chief Executive Officer, and Jean-Claude Brdenk, the Chief Operating Officer, have been set so as to differentiate between the CEO's responsibilities (more financial than operational) and the COO's responsibilities (more operational than financial). The target quantifiable and outperformance objectives have been set precisely, but have not been made public for confidentiality reasons.

Objectives for Yves Le Masne, Chief Executive Officer

	Target bonus		Bonus for outperformance	
	Target *(as a %)*	Target *(in euros)*	Performance above target level *(as a %)*	Performance above target level *(in euros)*
QUANTIFIABLE OBJECTIVES (70% OF TOTAL BONUS PAYMENTS)				
Revenue growth	7.78%	€59,128.00	8.00%	€60,800.00
Organic growth in revenue	7.78%	€59,128.00	8.00%	€60,800.00
Growth in EBITDA	7.78%	€59,128.00	8.00%	€60,800.00
Organic growth in EBITDA	7.78%	€59,128.00	10.00%	€76,000.00
Improvement in the EBITDA margin	7.78%	€59,128.00	8.00%	€60,800.00
Increase in free cash flow per share	7.78%	€59,128.00		
Increase in adjusted consolidated net profit	7.78%	€59,128.00	8.00%	€60,800.00
Change in restated financial leverage	7.78%	€59,128.00		
Gearing	7.76%	€58,976.00		
Total quantifiable objectives	**70.00%**	**€532,000.00**	**50.00%**	**€380,000.00**
QUALITATIVE OBJECTIVES (30% OF TOTAL BONUS PAYMENTS)				
Financing plan for growth	8.00%	€60,800.00		
Succession planning	8.00%	€60,800.00		
Management chart*	8.00%	€60,800.00		
Non-financial reporting*	6.00%	€45,600.00		
Total qualitative objectives	**30.00%**	**€228,000.00**		
Total bonus payment	**100.00%**	**€760,000.00**	**50.00%**	**€380,000.00**
TOTAL				**€1,140,000.00**

* *ESG criteria.*

Objectives for Jean-Claude Brdenk, Chief Operating Officer

	Target bonus		Bonus for outperformance	
	Target *(as a %)*	Target *(in euros)*	Performance above target level *(as a %)*	Performance above target level *(in euros)*
QUANTIFIABLE OBJECTIVES (70% OF TOTAL BONUS PAYMENTS)				
Revenue growth	10.00%	€64,000.00	10.00%	€64,000.00
Organic growth in revenue	10.00%	€64,000.00	10.00%	€64,000.00
Growth in EBITDAR	10.00%	€64,000.00	10.00%	€64,000.00
Organic growth in EBITDAR	10.00%	€64,000.00	20.00%	€128,000.00
Change in facility manager turnover*	10.00%	€64,000.00		
Change in turnover among all employees*	10.00%	€64,000.00		
Internal promotion to manager level*	10.00%	€64,000.00		
Total quantifiable objectives	**70.00%**	**€448,000.00**	**50.00%**	**€320,000.00**
QUALITATIVE OBJECTIVES (30% OF TOTAL BONUS PAYMENTS)				
Human resources policy/CSR*	8.00%	€51,200.00		
Quality metric/USP*	8.00%	€51,200.00		
Non-financial reporting*	8.00%	€51,200.00		
Innovation*	6.00%	€38,400.00		
Total qualitative objectives	**30.00%**	**€192,000.00**		
Total bonus payment	**100.00%**	**€640,000.00**	**50.00%**	**€320,000.00**
TOTAL				**€960,000.00**

* *ESG criteria.*

Share-based LTIP

- amount equal to fixed salary based on the IFRS measurement of shares as calculated by an independent firm, with a reference date of 25 April 2019, the date of the Board of Directors' meeting;
- requirement of continued presence at the Group;
- performance condition: performance of ORPEA's shares dividends included (TSR, total shareholder return) 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 FY 2019, FY 2020 and FY 2021:
  - maximum LTIP if ORPEA's total shareholder return (increase in share price + dividends) exceeds the average increase in both indices over the reference periods by at least 10 percentage points,
  - minimum LTIP (i.e. zero) if ORPEA's total shareholder return (increase in share price + dividends) is the same as or less than the average increase in both indices over the reference periods,
  - pro-rated LTIP if ORPEA's total shareholder return (increase in share price + dividends) lies between 0 and 10 percentage points above the average increase in both indices over the reference periods;
- reference periods: average of ORPEA's share price performance over the period from 1 January 2022 to 30 April 2022, plus the dividend in respect of FY 2019, FY 2020, and FY 2021, compared with the same average over the period from 1 January 2019 to 30 April 2019, plus the dividend paid in respect of FY 2018. These reference periods will also be used to calculate the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, during FY 2019, FY 2020 and FY 2021;
- shares vest based on the performance condition after a three-year vesting period;
- 25% of the vested shares must be held until the allottee's term in office comes to an end.

Periods during which the shares may not be sold are stated in the regulations of the relevant plan. The plan also includes a commitment not to engage in hedging risks arising from performance shares until the end of the holding period for the shares set by the Board of Directors.

Commitments to Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, on the basis of Article L. 225-90-1 of the French Commercial Code

Severance payment

At the meetings of the Board of Directors on 25 March 2013 and 25 April 2013, the Board of Directors decided on severance payment arrangements covering Yves Le Masne, the Chief Executive Officer, and Jean-Claude Brdenk, the Chief Operating Officer, should their appointments be terminated. These arrangements, which were approved by shareholders at the Annual General Meeting on 20 June 2013, were confirmed 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, were extended.

On 25 April 2019, the Board of Directors approved the continuation of these arrangements, in line with the Company's corporate interest and market practices, adjusted the base used to calculate the severance payment to exclude any exceptional and/or long-term remuneration, in keeping with the provisions of the AFEP-MEDEF Code. Shareholder approval at the Annual General Meeting due to be held on 27 June 2019 is required for this amended commitment.

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 past repudiation of their employment contracts, these arrangements give them the right to receive a severance payment corresponding to 24 months' gross fixed salary and annual bonus (multiple of a monthly average of the remuneration due and paid in respect of the previous two financial years), excluding any exceptional and/or long-term remuneration, should their duties as executive officers come to an end.

This severance payment would be paid in the following circumstances:

- 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 his dismissal for gross misconduct); or
- in the event of a change in control or in the Company's strategy, instigated by the Board of Directors or the relevant corporate officer.

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.

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 exceptional 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 exceptional remuneration and no benefit being paid below a level of 50%.

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

Unemployment insurance

Yves Le Masne and Jean-Claude Brdenk are covered by an unemployment insurance policy, with the corresponding premiums paid by the Company and its subsidiaries.

DRAFT RESOLUTIONS SUBMITTED FOR SHAREHOLDERS' APPROVAL

Fifteenth resolution

Approval of the principles and criteria used to determine, award and allot the total remuneration and benefits of any kind that may be awarded in respect of FY 2019 to Philippe Charrier, Chairman of the Board of Directors

The General Meeting, deliberating in accordance with the quorum and majority voting requirements for ordinary general meetings, apprised of the Board of Directors' report prepared in accordance with the provisions of Article L. 225-37 of the French Commercial Code, approves all the principles and criteria used to determine, award and allot the fixed remuneration, bonus payments and exceptional remuneration making up the overall remuneration and benefits of any kind that may be awarded in respect of FY 2019 to Philippe Charrier, Chairman of the Board of Directors, as shown in section 4.3.4 of the 2018 Registration Document and in the documentation for the meeting.

Sixteenth resolution

Approval of the principles and criteria used to determine, award and allot the total remuneration and benefits of any kind that may be awarded in respect of FY 2019 to Yves Le Masne, Chief Executive Officer

The General Meeting, deliberating in accordance with the quorum and majority voting requirements for ordinary general meetings, apprised of the Board of Directors' report prepared in accordance with the provisions of Article L. 225-37 of the French Commercial Code, approves all the principles and criteria used to determine, award and allot the fixed salary, bonus payments and exceptional remuneration making up the overall remuneration and benefits of any kind that may be awarded in respect of FY 2019 to Yves Le Masne, Chief Executive Officer, as shown in section 4.3.4 of the 2018 Registration Document and in the documentation for the meeting.

Seventeenth resolution

Approval of the principles and criteria used to determine, award and allot the total remuneration and benefits of any kind that may be awarded in respect of FY 2019 to Jean-Claude Brdenk, Chief Operating Officer

The General Meeting, deliberating in accordance with the quorum and majority voting requirements for ordinary general meetings, apprised of the Board of Directors' report prepared in accordance with the provisions of Article L. 225-37 of the French Commercial Code, approves all the principles and criteria used to determine, award and allot the fixed salary, bonus payments and exceptional remuneration making up the overall remuneration and benefits of any kind that may be awarded in respect of FY 2019 to Jean-Claude Brdenk, Chief Operating Officer, as shown in section 4.3.4 of the 2018 Registration Document and in the documentation for the meeting.

4.4 SPECIAL ARRANGEMENTS FOR SHAREHOLDERS TO PARTICIPATE AT GENERAL MEETINGS

Pursuant to Article L. 225-37-4-9° of the French Commercial Code, the special arrangements for shareholders to participate at General Meetings are contained in Article 24 to 28 of the Company's Articles of Association (see section 7.1.4 of this Registration Document).

4.5 AGREEMENTS ENTERED INTO BETWEEN A CORPORATE OFFICER AND A SUBSIDIARY

Pursuant to Article L. 225-38 of the French Commercial Code, the agreements entered into, directly or *via* a third party, between one of the corporate officers or one of the shareholders holding more than 10% of the Company's voting rights, and a company in which the Company owns directly or indirectly more than half of the share capital, other than agreements covering recurring transactions entered into at arm's length, are shown in Appendix 3 of the corporate governance report.

4.6 FACTORS LIABLE TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFERING

Pursuant to Article L. 225-37-5 of the French Commercial Code, ORPEA makes the following disclosures concerning factors liable to have an impact in the event of a public offering:

- the ownership structure is presented in Chapter 7 of this Registration Document;
- direct and indirect shareholdings of which the Company is aware are presented in Chapter 5 of this Registration Document;
- the Articles of Association contain no restrictions on voting rights, apart from the disqualification of voting rights where the statutory requirements on notifiable interests are not met;
- there are no restrictions in the Articles of Association on transfers of shares, to the Company's knowledge;
- there are no agreements between the shareholders, to the Company's knowledge;
- there are no securities conferring special control rights, apart from shares with double voting rights;
- the applicable 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;
- certain bonds issued contain an early redemption clause at the holders' option in the event of a change in 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 2018 and shown in the consolidated financial statements at that date was €3,309 million;
- the Board of Directors may implement the Company's share buyback programme during a public offer for the Company's shares.

4.7 SUMMARY OF CORPORATE OFFICERS' DEALINGS IN ORPEA SHARES IN 2018

To the best of the Company's knowledge, only the following corporate officers effected transactions in ORPEA shares in 2018.

	Acquisitions		Sales	
Corporate officers	Number of shares	Average price per share	Number of shares	Average price per share
FFP Invest			500,000	€116.0000
Yves Le Masne(1)			4,179	€116.8126
Philippe Charrier(2)	100	€103.0365		

(1) Since 1 January 2019, 15,625 (bonus) shares have vested with Yves Le Masne under the bonus share allotment plan dated 4 May 2017 (plan No. 3 presented in section 7.2.2 of this Registration Document).
(2) Since 1 January 2019, Philippe Charrier has acquired 100 shares at an average price of €86.34 per share.

4.8 APPENDICES

4.8.1 APPENDIX 1: COMPLY OR EXPLAIN TABLE

The below table stipulates the AFEP-MEDEF Code recommendations, which the Company decided not to apply and the reasons for this.

Topic	AFEP-MEDEF recommendation	Explanation
Severance payments to the Chief Executive Officer and the Chief Operating Officer	Article 24.5.1. They [the conditions under which severance payments are made] must (...) authorise the payment to a senior executive only if their departure is enforced, irrespective of the form of the departure.	Given the length of service with the Group of the Chief Executive Officer and of the Chief Operating Officer, the Board of Directors took the view that their severance payments could be payable should they leave of their own volition following a change in control or of strategy.

4.8.2 APPENDIX 2: ADDITIONAL INFORMATION ABOUT CORPORATE OFFICERS

PHILIPPE CHARRIER

DoB: 2 August 1954 (French national)

First appointment: 28 March 2017

End date of term in office: 2019 AGM

Number of shares held: 300 shares

Member of Board Committees: no

Philippe Charrier, a graduate of the HEC Paris business school and DECS, is a veteran executive who has worked for international healthcare and consumer product groups.

He is currently Executive Chairman of Ponroy Santé, an international group specialising in natural health and beauty 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, a director of Lafarge until 2016 and of Médipôle until 2017. He is currently a director of Rallye.

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.

Terms in office in progress

Offices and positions held in Group companies

- Director and Chairman of the Board of Directors of ORPEA

Offices and positions held in non-Group companies

- Chairman and Chief Executive Officer: Alphident (unlisted French company)
- Director: Rallye (listed French company)

Philippe Charrier complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired over the past five years

- Chairman and Chief Executive Officer: Labco
- Director: Lafarge, Médipôle
- Chief Executive Officer: Labco

YVES LE MASNE

DoB: 4 October 1962 (French national)

First appointment: 29 June 2006

End date of term in office: 2019 AGM

Number of shares held: 30,225 shares

Member of Board Committees: no

Yves Le Masne has been with the Group for 26 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.

Terms in office in progress

Offices and positions held in Group companies

- Director and Chief Executive Officer: ORPEA
- Chairman of the Supervisory Board: ORPEA Polska (Poland)
- Member of the Supervisory Board: CELENUS KLINIKEN (Germany)
- Chairman of the Board of Directors: ORPEA Belgium (Belgium), SENEVITA (Switzerland), ORPEA Iberica (Spain), Union Sanyres (Spain), Sanyres Sur (Spain), Reyes de Aragon (Spain), Residencia Ciutat Diagonal Esplugues (Spain), Centros Residenciales Estremera (Spain), Centro de Mayores Care Extremadura Dos 2002 (Spain), Atirual Inmobiliaria (Spain), Dinmorpea (Spain), Explotacion de Residencia del Real Sitio de San Fernando (Spain), Artevida Centros Residenciales (Spain), Residencial Senior 2000 (Spain), Instituto de Investigaciones Neuropsiquiatricas Doctor Lopez-Ibor (Spain), ORPEA Lopez-Ibor Salud Mental (Spain) and Accomodore Assistencial (Spain), Ecoplar (Spain), Gesecoplar (Spain), Ecoplar Serranillos (Spain), Ecoplar Granada (Spain), Ecoplar Cantabria (Spain), ORPEA Latam (Spain), Hospital Nossa Senhora da Arrabida (Portugal), Porto Salus Azeltao-Residentias Assistidas (Portugal), AGMR-Saude, LDA (Portugal)
- Director: SENECURA (Czech Republic), SENECURA Holding (Czech Republic), ORPEA Portugal Immo (Portugal), Niorpea (Portugal), Immorpea (Portugal)
- Chairman: CLINEA, La Saharienne, Résidence Saint-Luc, Clinique de Champvert, Organis, Société de Champvert, Maja, Immobilière Leau Bonneveine, SFI France, Douce France Santé, Massilia Gestion Santé, Mex, Hôtel de l'Espérance, La Chavannerie, Holding Mandres, Holding Mieux Vivre, Les Grands Pins, Château de Champlatreux, Le Clos Saint-Grégoire, Clinique Marigny, Sud-Ouest Santé, Maison de Santé Marigny, Clinique du Parc, Clinique Gallieni, Résidence du Port, Archimède le Village, Clinique du Vieux Château d'Oc, TCP DEV, Âge Partenaires, Ap Brétigny, L'Oasis Palmeraie, Bon Air, Résidence l'Ambarroise, Alice Anatole & Cie, Actiretraite Montgeron, Clinique du Cabirol, Familisanté, Amundi Immobilier Novation Santé OPCI, Association Maisons de Retraite de la Picardie
- ORPEA's permanent representative, director: Les Charmilles, Immobilière de Santé
- Permanent representative of CLINEA, director: Sancellemoz
- Permanent representative of CLINEA, Chairman: Société Civile des Praticiens du Grand Pré
- Permanent representative of NIORT 94, Manager: SCS Bordes & Cie
- Manager: Les Matines, Bel Air, SARL 95, SARL 96, La Maison de Louise, La Maison de Lucile, La Maison de Mathis, La Bretagne, IDF Résidences Retraite, Domea, Vivrea, ORPEA Dev, SPI, Amarmau, SARL 97, L'Allochon, L'Ombrière, Sogimob, Résidence du Parc de Bellejame, Résidence de Savigny, Résidence de la Puisaye, France Doyenne de Santé, Douce France Santé Dourdan, Regina Renouveau, Marc Aurèle Immobilier, DFS Immobilier, CRF Santé, Clinique du Château de Loos, SARL Ancienne Abbaye, Le Verger d'Anna, Les Buissonnets, Parassy, PCM Santé, Le Village de Boissise-le-Roi, Les Jardins d'Escudié, Margaux Pony, Than.Co, De la Maison Rose, Brechet, SNC des Parrans, Les Acanthes, Route des Écluses, Les Rives d'Or, du Château, La Talaudière, ORPEA de Saint-Priest, Balbigny, ORPEA Saint-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 Ânes, 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 Saint-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, Central & Eastern Europe Care Services Holding (Luxembourg), SENECURA KLINIKEN (Austria), SENECURA SozialzentrumTrofaiach – HausVerbena (Austria), SENECURA SozialzentrumKammern – Haus Viola (Austria), SENECURA SozialzentrumKnittelfeld – HausWegwarte (Austria), SENECURA SozialzentrumSöchau – HausKamille (Austria), SENECURA SozialzentrumFeldbach – HausMelisse (Austria), Orpimmo (Uruguay), Orpexploit (Uruguay), Famibel (Uruguay), Lagubel (Uruguay)

Offices and positions held in non-Group companies

- Manager: SCI Villa de la Maye, SCI Vineuse, SCI Gaoua Beach, SCI Franklin

Yves Le Masne complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired over the past five years

- Manager: Gestihome Senior, Maison de Retraite du Château de Pile, Hôpital Clinique de Revin, Tolosa Santé, La Madone, Gessimo, La Maison de Salomé, La Maison d'Ombeline, L'Atrium, La Vénitie, Douce France Santé Arcachon, Guéroult, Résidence les Cèdres, German Care Services Entreprise (Luxembourg)
- Chairman: Château de Villeniard, Médic'Agir, Maison de Retraite Van Gogh, Maison de Retraite Villa Garlande, Le Clos des Meuniers, Les Myosotis, Résidence Castel Georges, Clinique Saint-Joseph, Les Jardins d'Aliénor, Le Cos d'Aliénor, Clinique Les Sorbiers, Société d'Exploitation de la Clinique Cardiologique de la Maison Blanche, Clinique Néphrologique de Maison Blanche, Le Centre de Rééducation Fonctionnelle de Navenne, PR 12, Clinique Psychiatrique de Seine-Saint-Denis, Gérone Corp, Rive Ardente, Clinique Beau Site, Clinique Castelviel, Clinique du

Château de Préville, Maison de Régime Saint-Jean, Alunorm, La Chêneraie, Clinique Médicale de Goussonville, Le Château de Brégy, Résidence la Chêneraie, Home la Tour, Saint-Jean, Clinique du Pont du Gard, Clinique de Soins de Bois-Guillaume, La Clairière, MDR La Chêneraie, Méditer, Le Clos Saint-Sébastien 44, Emcejidey, Clinique Montevideo-SAS La Tourelle

- Chairman, CEO and director: Maison de Convalescence du Domaine de Longuève
- Director: Centre de soins du Valois, Clinique du Valois, CITOPREA (Portugal)

LAURE BAUME

DoB: 10 September 1975 (French national)

First appointment: 14 December 2016

End date of term in office: 2020 AGM

Number of shares held: 50 shares

Member of Board Committees: Audit Committee

Laure Baume, a graduate of the HEC Paris business school, has been Chief Consumer Officer of the Moët-Hennessy group since May 2018. She is also a member of the Executive Committee of the Moët-Hennessy group. Previously, she was Executive Director and Customer Director of the ADP Group from December 2014 until May 2018 and served on its Executive Committee. As part of these duties, she served on the Management Board of Société de Distribution Aéroportuaire, Relay@adp and EPIGO joint ventures and on the Board of Directors of Média Aéroports de Paris.

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.

Terms in office in progress

Offices and positions held in Group companies

- Director of ORPEA

Offices and positions held in non-Group companies

None

Laure Baume complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired over the past five years

- Director: Media Aéroports de Paris, Epigo, SDA, Relay Aéroports de Paris

XAVIER COIRBAY

DoB: 16 November 1965 (Belgian national)

First appointment: 22 June 2017

End date of term in office: 2021 AGM

Number of shares held: 100 shares

Member of Board Committees: Appointments and Remuneration Committee

Xavier Coirbay is currently a member of Sofina's Executive Committee and has responsibility for the Sofina group's investments in the US market. He oversees direct investments and a portfolio of funds oriented towards start-up and growth companies.

Prior to joining Sofina in 1992, he had begun his career as a financial analyst in the asset management department of Générale de Banque, which has since joined the BNP group.

Xavier graduated from the Solvay business school in Brussels (1988), where he also gained a master's degree in the management of tax affairs (1990). He was awarded a certificate in corporate governance from INSEAD (2012).

Terms in office in progress

Offices and positions held in Group companies

- Director of ORPEA

Offices and positions held in non-Group companies

- Director of Cambridge Associates (unlisted non-French company)

Xavier Coirbay complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired over the past five years

- Director of Ipsos (listed French company)

BERNADETTE DANET-CHEVALLIER

DoB: 5 December 1958 (French national)

First appointment: 16 September 2014

End date of term in office: 2021 AGM

Number of shares held: 42 shares

Member of Board Committees: Appointments and Remuneration Committee

Bernadette Danet-Chevallier 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.

Terms in office in progress

Offices and positions held in Group companies

- Director of ORPEA

Offices and positions held in non-Group companies

- Chairwoman of Philosykos (unlisted French company)

Bernadette Chevallier complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired over the past five years

- Chairwoman of ODO SAS (unlisted French company)

FFP INVEST, WITH THIERRY MABILLE DE PONCHEVILLE AS ITS PERMANENT REPRESENTATIVE

First appointment: 15 February 2012

End date of term in office: 2019 AGM

Number of shares held: 3,261,353 shares

Member of Board Committees: Appointments and Remuneration Committee (Chairman), Audit Committee

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.

Terms in office in progress

Offices and positions held in Group companies

- Director of ORPEA

Offices and positions held in non-Group companies

- Chairman and member of the Supervisory Board: Société Financière Guiraud
- Vice-Chairman and Member of the Supervisory Board: IDI
- Member of the Supervisory Board: Immobilière Dassault, IDI Emerging Markets (Luxembourg)
- Director: SEB, Lapilus II, Spie
- Non-voting advisor: Total Eren
- Manager: FFP-Les Grésillons
- Member of the Executive Committee: LDAP

Offices that expired over the past five years

- Director: LT Participations, Ipsos, SANEF, Gran Via 2008
- Member of the Supervisory Board: ONET

THIERRY MABILLE DE PONCHEVILLE

DoB: 6 October 1955 (French national)

Number of shares held: none

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 wealth of experience he has gained during his career in France and abroad, as well as his in-depth knowledge of the governance rules.

Terms in office in progress

Offices and positions held in Group companies

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

Offices and positions held in non-Group companies

- Director: SICAV Armene (unlisted French company)
- Chief Executive Officer: Peugeot Frères Industrie (PFI) (unlisted French company)
- Chief Operating Officer: Établissements Peugeot Frères, PSP SA group (unlisted French company)
- Manager: Société Civile du Bannot (unlisted French company)

Thierry Mabille de Poncheville complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired over the past five years

- Director: SICAV MO Select, Groupe PSP

JEAN-PATRICK FORTLACROIX

DoB: 14 September 1957 (French national)

First appointment: 30 June 2011

End date of term in office: 2022 AGM

Number of shares held: 153 shares

Member of Board Committees: Audit Committee (Chairman)

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.

Terms in office in progress

Offices and positions held in Group companies

- Director of ORPEA

Offices and positions held in non-Group companies

- Chairman of Add Equation (unlisted French company)
- Manager of Cadeco (unlisted French company)

Jean-Patrick Fortlacroix complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired over the past five years

None

CHRISTIAN HENSLEY (DIRECTOR UNTIL 26 MARCH 2019)

DoB: 11 February 1974 (US national)

First appointment: 23 June 2016

End date of term in office: 2020 AGM

Number of shares held: 1 share

Member of Board Committees: Appointments and Remuneration Committee

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 joined the Canada Pension Plan Investment Board (CPPIB), where he is now Managing Director and Head of Relationship Investments.

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

In the past, he has also been a director of six companies active in business services, healthcare, communications and education.

Terms in office in progress

Offices and positions held in Group companies

None

Offices and positions held in non-Group companies

None

Christian Hensley complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired over the past five years

None

MORITZ KRAUTKRÄMER (DIRECTOR SINCE 26 MARCH 2019)

DoB: 26 February 1981 (German national)

First appointment: 26 March 2019

End date of term in office: 2020 AGM

Number of shares held: none

Member of Board Committees: no

Moritz Krautkrämer joined Canada Pension Plan Investment Board (CPPIB) in 2010 as Senior Principal in Relationship Investments, making strategic minority investments in listed and soon-to-be listed companies. He has overseen investments in the healthcare, business services and insurance sectors. Moritz's career began as an M&A and corporate financing advisor in the Communication, Media and Technology Investment Banking Group at Scotiabank, Toronto.

Moritz is a graduate of the University of British Columbia where he was a Fellow of the UBC Portfolio Management Foundation.

Terms in office in progress

Offices and positions held in Group companies

- Director of ORPEA

Offices and positions held in non-Group companies

None

Moritz Krautkrämer complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired over the past five years

None

BRIGITTE LANTZ

DoB: 5 January 1953 (French national)

First appointment: 14 December 2016

End date of term in office: 2020 AGM

Number of shares held: 105 shares

Member of Board Committees: no

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 the *Assistance Publique – Hôpitaux de Paris* public hospital authority for the Paris region. 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.

Terms in office in progress

Offices and positions held in Group companies

- Director of ORPEA

Offices and positions held in non-Group companies

None

Brigitte Lantz complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired over the past five years

None

JOY VERLÉ

DoB: 23 May 1979 (dual French and British national)

First appointment: 27 April 2017

End date of term in office: 2019 AGM

Number of shares held: 1 share

Member of Board Committees: Audit Committee

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

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.

Terms in office in progress

Offices and positions held in Group companies

- Director of ORPEA

Offices and positions held in non-Group companies

- Member of the Supervisory Board: Elis

Joy Verlé complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired over the past five years

- Member: Bregal Capital LLP
- Director: Cognita UK Holdings Limited, Cognita Funding 1 Limited, Cognita Limited, Cognita Holdings Limited, Studialis SAS

SOPHIE KALAIDJIAN, DIRECTOR REPRESENTING THE EMPLOYEES

DoB: 8 December 1977 (French national)

First appointment: 15 January 2015

End date of term in office: 2021 AGM

Number of shares held: 20 shares

Member of Board Committees: Appointments and Remuneration Committee

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

Sophie, a lawyer by training, has been a Group employee for nearly 14 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.

Terms in office in progress

Offices and positions held in Group companies

- Director representing ORPEA's employees

Offices and positions held in non-Group companies

None

Sophie Kalaidjian complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired over the past five years

None

4.8.3 APPENDIX 3: 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 2018

To ORPEA's General Meeting,

In our capacity as the Statutory Auditors of ORPEA (hereinafter "the Company"), 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 commitments 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

Agreements and commitments authorised and entered into during the financial year now ended

We hereby inform you that we have not been advised of any agreements or commitments that were authorised and entered into 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 authorised and entered into since the close of the financial year

We have been informed of the following agreements and commitments authorised and entered into since the close of the financial year now ended, for which prior authorisation was given by the Board of Directors on 25 April 2019.

a. *Amendment and continuation of the commitment to make a severance payment in the event of the cessation of Yves Le Masne's appointment as Chief Executive Officer*

(Authorised by the Board of Directors on 25 April 2019)

Corporate officer involved: Yves Le Masne.

Nature and purpose: At its meetings on 25 March 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 should his duties as an executive officer come to an end.

At its meeting on 25 April 2019, in view of the recommendations made by the Appointments and Remuneration Committee, the Board of Directors authorised the change in the base used to calculate the severance payment, such that the amount corresponding to twenty-four (24) months' gross fixed salary and annual bonus excludes any exceptional and long-term remuneration, and is calculated as a multiple of a monthly average of the remuneration due and paid in respect of the previous two financial years. In addition, the Board authorised that the duly amended commitment be maintained, in line with the Company's corporate interest and market practices, with the other severance payment arrangements as laid down by the Board of Directors at its meetings on 25 March 2013 and 25 April 2013 and confirmed by the Board of Directors on 4 May 2017 remaining unchanged.

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 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, 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 and no benefit being paid below a level of 50%.

Special arrangements were applicable had he departed 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 payment may not be made to him.

b. Amendment and continuation of the commitment to make a severance payment in the event of the cessation of Jean-Claude Brdenk's appointment as Chief Operating Officer

(Authorised by the Board of Directors on 25 April 2019)

Corporate officer involved: Jean-Claude Brdenk.

Nature and purpose: At its meetings on 25 March 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 should his duties as an executive officer come to an end.

At its meeting on 25 April 2019, in view of the recommendations made by the Appointments and Remuneration Committee, the Board of Directors authorised the change in the base used to calculate the severance payment, such that the amount corresponding to twenty-four (24) months' gross fixed salary and annual bonus excludes any exceptional and long-term remuneration, and is calculated as a multiple of a monthly average of the remuneration due and paid in respect of the previous two financial years. In addition, the Board authorised that the duly amended commitment be maintained, in line with the Company's corporate interest and market practices, with the other severance payment arrangements as laid down by the Board of Directors at its meetings on 25 March 2013 and 25 April 2013 and confirmed by the Board of Directors on 4 May 2017 remaining unchanged.

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 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, 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 and no benefit being paid below a level of 50%.

Special arrangements were applicable had he departed 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 payment may not be made to him.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED AT THE ANNUAL GENERAL MEETING

Continued execution during the financial year now ended of agreements and commitments approved in previous financial years

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 by the Board of Directors on 29 June 2006)

Corporate officer 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.

Financial impact on FY 2018: The Company paid premiums amounting to €31,646.54 excl. VAT in FY 2018.

b. Arrangement of unemployment insurance for Jean-Claude Brdenk, Chief Operating Officer

(Authorised by the Board of Directors 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.

Financial impact on FY 2018: The Company paid premiums amounting to €31,646.54 excl. VAT in FY 2018.

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.

c. Agreement on investment arrangements with FFP Invest

(Authorised by the Board of Directors on 11 December 2014)

Director involved: FFP Invest, represented by Thierry Mabille de Poncheville.

Nature and purpose:

- Right granted to FFP Invest 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. This best-efforts commitment applies only in the event of dilution arising from a contribution in kind, a public exchange offer or a merger.
- Right granted to FFP Invest to obtain the Company's assistance in connection with any major share sales that FFP Invest wishes to carry out. A share sale 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. This right to assistance may not be solicited more than three times in any five-year period.

d. Agreement on investment arrangements with Sofina

(Authorised by the Board of Directors on 11 December 2014)

Director involved: Xavier Coirbay, member of Sofina's Executive Committee.

Nature and purpose:

- Right granted to Sofina 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. This best-efforts commitment applies only in the event of dilution arising from a contribution in kind, a public exchange offer or a merger.
- Right granted to Sofina to obtain the Company's assistance in connection with any major share sales that Sofina wishes to carry out. A share sale 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. This right to assistance may not be solicited more than three times in any five-year period.

e. Investment agreement with CPPIB

(Authorised by the Board of Directors on 11 December 2013 and 11 December 2014)

Directors involved:

- Christian Hensley, Chief Executive Officer of CPPIB, a shareholder possessing over 10% of the Company's voting rights;
- Joy Verlé, Principal in Relationship Investments at CPPIB.

Nature and purpose: At its meeting on 11 December 2013, the Board of Directors authorised the Company to enter into an investment agreement (the "Investment Agreement") with CPPIB setting forth the principal arrangements for CPPIB's investment in connection with its acquisition of a shareholding in ORPEA.

The principal terms and conditions of the Investment Agreement are 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 Remuneration 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 CPPIB is able to subscribe for any shares issued as part of a capital increase in proportion to its interest in 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. This best-efforts commitment applies only in the event of dilution arising from a contribution in kind, a public exchange offer or a merger;

- 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. A share sale 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. This right to assistance may not be solicited more than three times in any five-year period;
- CPPIB may continue to acquire the Company's shares directly or indirectly, on- and off-market.

At its meeting on 11 December 2014, the Board of Directors authorised a supplemental agreement to the Investment Agreement concerning notification of the Company's Board of Directors of any request for assistance from CPPIB in the event of any major sales of its shares:

- 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.

f. Exception to the requirement of continued presence on the payroll under the bonus share allocation plan made for executive officers

(Authorised by the Board of Directors on 10 February 2016)

Relevant executive officers:

- Yves Le Masne, Chief Executive Officer;
- Jean-Claude Brdenk, Chief Operating Officer.

Nature and purpose: Exception made for executive officers to the requirement of continued presence at the Group under the bonus share allocation plan set up for certain employees and executive officers of the Company 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 at the Company or Group would be deemed to be satisfied for Yves Le Masne and Jean-Claude Brdenk 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.

Paris and Paris-La Défense, 3 May 2019

The Statutory Auditors

Saint-Honoré BK&A	Deloitte & Associés
Emmanuel KLINGER	Jean-Marie LE GUINER

5

Consolidated financial statements at 31 December 2018

5.1 CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Notes	2018	2017
Revenue		**3,419,764**	**3,138,234**
Purchases used and other external expenses		(915,600)	(861,465)
Staff costs		(1,802,301)	(1,639,499)
Taxes other than on income		(119,313)	(104,449)
Depreciation, amortisation and charges to provisions		(175,896)	(153,309)
Other recurring operating income		30,686	22,006
Other recurring operating expense		(9,649)	(7,167)
Recurring operating profit		**427,691**	**394,351**
Other non-recurring operating income	3.19	134,839	115,180
Other non-recurring operating expense	3.19	(116,967)	(96,150)
OPERATING PROFIT		**445,563**	**413,381**
Financial income		12,410	11,482
Financial expense		(148,576)	(146,923)
Financial expense arising from early redemption of the ORNANE bonds			(15,254)
Net finance cost	**3.20**	**(136,166)**	**(150,695)**
Change in FVO*			(124,023)
Pre-tax profit		**309,397**	**138,663**
Income tax expense	3.21	(95,309)	(84,522)
Tax expense arising from early redemption of the ORNANE bonds			(21,633)
Impact of the measurement of deferred taxes at the rate expected to apply	3.21		52,874
Share in profit/(loss) of associates and joint ventures	3.5	6,987	4,421
Consolidated net profit		**221,075**	**89,803**
Attributable to non-controlling interests		684	14
ATTRIBUTABLE TO OWNERS OF THE PARENT		**220,391**	**89,789**
Net profit attributable to owners of the parent excluding the impact of early redemption of the ORNANE bonds and of the measurement of deferred taxes at the rate expected to apply		220,391	197,825
Number of shares		64,586,323	64,553,123
Basic earnings per share *(in euros)*		3.41	1.46
Diluted earnings per share *(in euros)*		3.41	1.46

* *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)		2018	2017
Net profit for the year	**a**	**220,391**	**89,789**
Change in exchange differences		8,896	(6,446)
Change in fair value of available-for-sale financial assets			
Cash flow hedges		(30,936)	39,036
Tax effect on items that may be reclassified to profit or loss		7,989	(10,081)
Total items that may be reclassified to profit or loss	b	(14,050)	22,509
Comprehensive income net of items that may be reclassified to profit or loss	**a+b**	**206,341**	**112,298**
Actuarial gains/(losses)		(16,043)	(107)
Revaluation of properties		171,710	172,812
Impact of the measurement of deferred taxes at the rate expected to apply			17,804
Tax effect on items that may not be reclassified to profit or loss		(40,788)	(44,357)
Total items that may not be reclassified to profit or loss	c	114,879	146,152
Comprehensive income net of items that may not be reclassified to profit or loss	**a+b+c**	**321,220**	**258,450**
Other comprehensive income (net of tax)	**b+c**	**100,829**	**168,661**
COMPREHENSIVE INCOME	**A+B+C**	**321,220**	**258,450**

CONSOLIDATED BALANCE SHEET

(in thousands of euros)	Notes	31/12/2018	31/12/2017
ASSETS			
Goodwill	3.1	1,137,160	1,012,943
Intangible assets, net	3.2	2,256,670	2,082,066
Property, plant and equipment, net	3.4	5,267,667	4,672,159
Properties under construction	3.4	445,627	369,415
Investments in associates and joint ventures	3.5	111,136	110,307
Non-current financial assets	3.6	42,161	39,932
Deferred tax assets	3.21	43,383	36,837
Non-current assets		**9,303,806**	**8,323,658**
Inventories		9,697	8,671
Trade receivables	3.7	229,964	203,964
Other receivables, accruals and prepayments	3.8	626,626	481,586
Cash and cash equivalents	3.12	767,987	613,898
Current assets		**1,634,274**	**1,308,119**
Assets held for sale	**3.9**	**206,493**	**63,705**
TOTAL ASSETS		**11,144,573**	**9,695,482**
LIABILITIES AND EQUITY			
Share capital		80,733	80,691
Consolidated reserves		2,110,438	2,076,972
Revaluation reserves		557,720	467,714
Net profit for the year		220,391	89,789
Equity attributable to owners of the parent	**3.10**	**2,969,282**	**2,715,166**
Non-controlling interests		1,392	213
Total consolidated equity		**2,970,675**	**2,715,379**
Non-current financial liabilities	3.12	5,104,441	4,621,575
Change in the fair value of the entitlement to the allotment of shares embedded in the ORNANE bonds			
Provisions	3.11	114,851	122,273
Post-employment and related benefit obligations	3.11	83,717	72,185
Deferred tax liabilities	3.21	930,770	858,288
Non-current liabilities		**6,233,778**	**5,674,320**
Current financial liabilities	3.12	685,224	405,000
Provisions	3.11	32,489	48,706
Trade payables	3.14	268,456	227,206
Tax and payroll liabilities	3.15	363,170	269,967
Current income tax liabilities		25,374	2,974
Other payables, accruals and prepayments	3.16	358,914	288,225
Current liabilities		**1,733,627**	**1,242,077**
Debt associated with assets held for sale		**206,493**	**63,705**
TOTAL LIABILITIES AND EQUITY		**11,144,573**	**9,695,482**

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Notes	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit of consolidated companies		220,391	89,789
Elimination of non-cash income and expense related to operating activities*		120,637	192,288
Net interest paid	3.20	136,166	150,695
Gains on asset disposals not related to operating activities net of tax		(22,108)	(674)
Gross cash flow from operations generated by consolidated companies		**455,086**	**432,098**
Change in the operating working capital requirement			
■ Inventories		(956)	2,157
■ Trade receivables	3.7	(23,822)	(43,289)
■ Other receivables	3.8	(23,098)	17,712
■ Tax and payroll liabilities		31,004	17,589
■ Trade payables	3.14	34,158	18,407
■ Other payables	3.16	(57,260)	(46,770)
Net cash generated by operating activities		**415,112**	**397,904**
CASH FLOW FROM INVESTING AND DEVELOPMENT ACTIVITIES			
Property investments		(718,689)	(934,034)
Disposals of property assets		23,258	31,227
Other acquisitions and changes		(264,267)	(164,740)
Net cash generated/(used) by investing activities		**(959,698)**	**(1,067,547)**
NET CASH GENERATED/(USED BY) FINANCING ACTIVITIES			
Proceeds from capital increases			
Dividends paid to shareholders of the parent	3.10	(71,045)	(60,531)
Net cash inflows/(outflows) related to bridging loans and bank overdrafts	3.12	57,279	(137,650)
Proceeds from new finance leases	3.12	189,861	260,236
Proceeds from borrowings	3.12	1,612,412	1,390,322
Repayments of borrowings	3.12	(788,691)	(447,642)
Repayments under finance leases	3.12	(164,975)	(125,678)
Net interest paid and other movements	3.20	(136,166)	(135,440)
Net cash generated/(used) by financing activities		**698,675**	**743,617**
CHANGE IN CASH AND CASH EQUIVALENTS		**154,089**	**73,974**
Cash and cash equivalents at beginning of period		613,898	539,924
Cash and cash equivalents at end of period		**767,987**	**613,898**
Analysis of cash and cash equivalents at end of period		**767,987**	**613,898**
Short-term investments	3.12	77,876	45,740
Cash	3.12	690,112	568,158
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	Net profit for year	Total attributable to owners of the parent	Non-controlling interests	TOTAL
31/12/2016	**60,273,691**	**75,342**	**580,106**	**310,410**	**853,530**	**293,533**	**2,112,921**	**199**	**2,113,120**
Change in fair value of properties				128,184			128,184		128,184
Post-employment benefit obligations				165			165		165
Financial instruments				28,955			28,955		28,955
Exchange differences					(6,446)		(6,446)		(6,446)
Impact of the measurement of deferred taxes					17,804		17,804		17,804
Changes in fair value recognised directly in equity		**0**	**0**	**157,304**	**11,358**	**0**	**168,661**	**0**	**168,661**
Reclassifications									
Appropriation of net profit			(32,000)		265,002	(293,533)	(60,531)		(60,531)
2017 net profit						89,789	89,789	14	89,803
Conversion of ORNANE bonds	4,197,182	5,247	402,681				407,928		407,928
Capital increase							0		0
Other					(5,300)		(5,300)		(5,300)
Bonus share allotment plan	82,250	103	(103)		1,698		1,698		1,698
Cancellation of treasury shares							0		0
31/12/2017	**64,553,123**	**80,691**	**950,684**	**467,714**	**1,126,288**	**89,789**	**2,715,166**	**213**	**2,715,379**
Change in fair value of properties				125,440	1,926		127,366		127,366
Post-employment benefit obligations				(12,487)			(12,487)		(12,487)
Financial instruments				(22,947)			(22,947)		(22,947)
Exchange differences					8,896		8,896		8,896
Impact of the measurement of deferred taxes							0		0
Changes in fair value recognised directly in equity		**0**	**0**	**90,006**	**10,822**	**0**	**100,829**	**0**	**100,829**
Reclassifications									
Appropriation of net profit					18,744	(89,789)	(71,045)		(71,045)
2018 net profit						220,391	220,391	683	221,074
Conversion of ORNANE bonds							0		0
Capital increase							0		0
Other					(34)		(34)	495	461
Bonus share allotment plan	33,200	42	(42)		3,976		3,976		3,976
Cancellation of treasury shares							0		0
31/12/2018	**64,586,323**	**80,733**	**950,642**	**557,720**	**1,159,796**	**220,391**	**2,969,282**	**1,392**	**2,970,675**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Amounts are stated in thousands of euros unless otherwise stated.

The 2018 consolidated financial statements for the ORPEA Group were approved by the Board of Directors on 25 April 2019.

1. SIGNIFICANT ACCOUNTING POLICIES

ORPEA SA is a French company that has its registered office at 12, rue Jean-Jaurès, 92800 Puteaux. 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 No. 1606/2002 of 19 July 2002, the ORPEA Group has prepared its 2018 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 2018 and applicable to the ORPEA Group are:

- IFRS 15: *Revenue from Contracts with Customers*;
- clarifications of IFRS 15;
- amendment to IFRS 2: *Classification and Measurement of Share-Based Payment Transactions*;
- amendment to IAS 40: *Transfers of investment property*;
- IFRIC 22: *Foreign Currency Transactions and Advance Consideration*;
- amendment to IFRS 4: *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*;
- annual improvements to IFRS (2014-2016 cycle);
- IFRS 9: *Financial Instruments – Excluding hedging phase.*

The application of these new standards and amendments did not have a material impact on the financial statements for the period.

Except for IFRS 9 – *Financial Instruments – Hedging phase*, the Group has not applied any of the standards and interpretations of which application was not mandatory at 1 January 2018. Those standards are:

Standards adopted by the European Union that are not mandatory for the financial year:

- IFRS 16: *Leases*;
- amendments to IFRS 9: *Prepayment features with negative compensation.*

Standards not yet adopted by the European Union:

- amendments to IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*;
- IFRIC 23: *Uncertainty over Income Tax Treatments*;
- annual improvements to IFRS (2015-2017 cycle);
- amendment to IAS 19: *Plan Amendment, Curtailment or Settlement*;
- IFRS 17: *Insurance Contracts*;
- amendments to References to the IFRS Conceptual Framework.

The impact of these standards and amendments is currently being analysed.

New accounting standard relating to financial instruments: IFRS 9

In July 2014, the IASB published a new accounting standard replacing most of the existing IFRS provisions regarding financial instruments, particularly IAS 39. IFRS 9 was developed in three main phases, covering the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The first two phases of IFRS 9 have been mandatorily applicable since 1 January 2018.

IFRS 9 has introduced:

- a new classification for financial instruments and related measurement rules, based on the management model and the contractual characteristics of financial instruments (first phase);
- a new model for the impairment of financial assets, based on expected credit losses, replacing the previous model based on actual credit losses (second phase);
- new hedge accounting principles (third phase).

The Group has chosen to apply retrospectively the IFRS 9 provisions relating to the classification, measurement and impairment of financial assets since 1 January 2018, without adjusting comparative figures, as the standard allows. The adoption of the first and second phases of IFRS 9 did not result in any adjustments to the consolidated financial statements on the first-time adoption date, and did not affect equity at 1 January 2018.

As regards the specific provisions relating to hedge accounting, the Group has been applying them voluntarily since 1 January 2018, adopting a retrospective approach for the time value of options.

The main changes in accounting policy and their impact resulting from the adoption of IFRS 9 can be summarised as follows:

Phase 1: Classification and measurement of financial assets and liabilities

Under IFRS 9, the classification of financial assets takes into account the entity's economic model for the management of financial assets and the characteristics of the asset's contractual cash flows.

Depending on the combined analysis of those two criteria, IFRS 9 provides for the following three categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through profit and loss (FVPL);
- financial assets measured at fair value through other comprehensive income (with or without recycling) (FVOCI).

These new principles for classifying and measuring financial assets have not had any material impact on the recognition principles applied by the Group, since most financial assets, previously classified under "Loans and receivables" are still recognised at amortised cost.

Phase 2: Impairment of financial assets

Risk relating to financial assets is recognised using the expected loss approach, as opposed to the actual loss approach previously. In particular, this involves the recognition of impairment on past-due trade receivables. Given ORPEA's business and the nature of its clients, applying the new impairment model to trade receivables has not had a material impact on the consolidated financial statements. As a result, the consolidated financial statements were not adjusted on the IFRS 9 first-time adoption date.

Phase 3: Hedge accounting

The adoption of the IFRS 9 hedge accounting model does not require any change to the Group's hedging policy.

New accounting standard for leases: IFRS 16

After its adoption by the European Commission in November 2017, IFRS 16: *Leases* came into force for periods starting on or after 1 January 2019. IFRS 16 introduces a new definition for identifying leases and a single recognition model, replacing the existing standard IAS 17 and its interpretations.

Under the new model, the IAS 17 distinction between operating leases and finance leases no longer exists and so lessees are forced to recognise all leases on their balance sheets, with a right of use under assets and a lease debt under liabilities.

ORPEA will apply IFRS 16 from 1 January 2019 according to the modified retrospective approach, without adjusting comparative periods.

The method consists of calculating the present value of future lease payments from the transition date over the non-cancellable period of the lease (including any renewal and early termination options if the Group is reasonably certain to exercise them). The right of use is determined on the basis of the amount of the debt or calculated from the outset of the lease.

The Group will also apply the two exemptions provided for by IFRS 16 in relation to leases with a term of less than 12 months and on low-value leases.

In 2018, the Group undertook a project to measure the impacts of IFRS 16 as well as transitional aspects. In particular, the Group adopted a tool to compile an inventory of leases, their key features and their relevant assumptions (term and discount rate) in order to quantify the financial impact.

Most operating leases in which the Group is the lessee relate to properties (clinics, long-term care facilities, residences etc.) and vehicles.

As part of the transition, the discount rate used for the restated contracts will be the rate on the transition date for the remaining term of the lease.

Based on the operating leases assessed, the Group estimates that the impact on lease debt and the rights to use the related assets is between €2.3 billion and €2.5 billion at 1 January 2019.

The consolidated financial statements and notes thereto are presented in euros.

Background information on 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 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 (see Note 3.4);
- inputs used in impairment testing of intangible assets and property, plant and equipment (see Note 3.3);
- provisions for post-employment and lump-sum benefit obligations (see Note 3.11);
- provisions for liabilities and litigation (see Note 3.11);
- financial instruments (see Note 3.13).

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 the new facilities acquired in Spain and Switzerland since 2014 and those acquired in Austria since 2015 and in Poland during 2017.

Operating licences for certain foreign facilities 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 Group also analyses any risks and obligations (employee-related, tax, property-related and other) that arise during the due diligence process for acquisitions.

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" (see Note 3.19).

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, Austria and Poland.

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 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.

Fair value is estimated based on the type of operation: between 100% and 125% of annual revenue in France, between 80% and 100% in Belgium and Switzerland, between 80% and 150% in Italy and Spain, and between 50% and 100% in Austria and the Czech Republic, and 100% in Poland.

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. For facilities in a start-up phase, the revenue applied is that projected at maturity.

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 one and ten years.

1.8 Property, plant and equipment

Property, plant and equipment mainly comprises land, buildings, fixtures and fittings, and equipment.

The Group's operating properties are either acquired, 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 its cost of acquisition or production less accumulated depreciation and any 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 in service

Properties held mainly under finance leases, comprising land and buildings and operated by the Group are measured at fair value in accordance with IAS 16.31: *Property, Plant and Equipment*.

The fair value of the properties is reviewed by external professionally qualified appraisers. 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, land and buildings falls 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 IAS 23.11: *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 where goodwill is allocated to the CGU, intangible assets (operating licences) and any operating properties measured at fair value (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 under "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 IAS 16.31 (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 less than 6 months past due in dispute: 20%
  - 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 30 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 incidental to 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 receivables, payables, accruals and prepayments

Current assets and current liabilities mainly comprise assets and liabilities related to development and property disposals, as well as 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 *Cotisation Foncière des Entreprises* (CFE) levy is recognised as a recurring operating expense.

The *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE value-added levy) is recognised as an income tax pursuant to IAS 12.

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. Financial assets and liabilities may be offset subject to the conditions laid down in IAS 32.

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 by actuaries 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 and Italy.

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 third Amending Finance Act 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.

1.22 Financial instruments and derivatives

The Group uses various financial instruments to hedge its exposure to interest rate and currency 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 3.13.1 "Interest rate risk management strategy" and Note 3.13.2 "Currency risk").

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 (see Note 3.18) is provided for the segments used by management to analyse its activity and monitor its development. The operating segments are presented by geographical area:

- France Benelux: France, Belgium, Luxembourg and the Netherlands;
- Central Europe: Germany, Italy and Switzerland;
- Eastern Europe: Austria, Poland and the Czech Republic;
- Iberian Peninsula: Spain and Portugal;
- Other: China.

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

In 2018, revenue rose by 9% compared with 2017, representing an increase of €282 million.

The Group has expanded through a combination of organic growth and acquisitions.

Organic growth in revenue was 5.0% during 2018.

During 2018, the Group opened several facilities after completing construction or refurbishment work initiated in previous years and pursued its policy of acquisitions by purchasing facilities in operation or at the proposal stage.

The Group also purchased, directly or via companies, specific assets necessary for its expansion, such as intangible rights and operating properties, and sold certain facilities and property complexes.

Based on provisional estimates of the fair value of assets acquired, the total investment at their acquisition date breaks down as follows:

2018	Goodwill *(in millions of euros)*	Operating intangible assets *(in millions of euros)*	Properties *(in millions of euros)*	Contingent liabilities *(in millions of euros)*	Other assets and other liabilities* *(in millions of euros)*	Deferred income tax *(in millions of euros)*	Cost *(in millions of euros)*
France Benelux	133	48	59	(5)	(48)	(15)	165
Central Europe	39	45	66	(4)	(24)	(11)	103
Iberian Peninsula	2	36	85	(2)	(41)	(7)	70
Eastern Europe	8	9	30	0	(29)	(3)	11
Other	0	0	0	0	0	0	0
TOTAL	**181**	**138**	**239**	**(11)**	**(142)**	**(35)**	**348**

* *Of which intangible concession assets, where appropriate.*

As part of its strategy of growth through acquisitions, the Group carries out acquisitions on a regular basis. During 2018, the Group carried out three significant transactions (Ecoplar, Inoges and Dagelijks Leven) for a combined purchase price of €213 million.

The provisional allocation of the cost of acquiring these operations gave rise to the recognition of assets and liabilities in the period, including €151 million in goodwill, €29 million in intangible rights, €75 million in property, plant and equipment, €4 million in liabilities, €3 million in deferred taxes and a negative amount of €35 million in other assets and liabilities.

Other non-recurring income and expense related to acquisitions are presented in Note 3.19.

In 2017, total investments at the date of consolidation were:

2017	Goodwill *(in millions of euros)*	Operating intangible assets *(in millions of euros)*	Properties *(in millions of euros)*	Contingent liabilities *(in millions of euros)*	Other assets and other liabilities* *(in millions of euros)*	Deferred income tax *(in millions of euros)*	Cost *(in millions of euros)*
France Benelux	14	8			(5)	(2)	16
Central Europe		19	19	(8)	(20)	(3)	1
Eastern Europe	31	111	202	(14)	(108)	(37)	140
Iberian Peninsula	5	6	13	(1)	1	(4)	18
Other							
TOTAL	**50**	**144**	**234**	**(24)**	**(132)**	**(46)**	**175**

* *Of which intangible concession assets, where appropriate.*

3. COMMENTARY ON THE FINANCIAL STATEMENTS

3.1 Goodwill

The main movements during the period were as follows:

	TOTAL
Net goodwill at beginning of period	**1,012,943**
Business combinations	181,559
Adjustments to previous goodwill and deconsolidations	(4,292)
Exchange differences	5,084
Goodwill held for sale	(58,133)
NET GOODWILL AT END OF PERIOD	**1,137,160**

Business combinations include the provisional allocation of the goodwill arising on the acquisition of sub-groups in Germany and the Netherlands.

The following groups of CGUs account for significant goodwill:

	31/12/2018	31/12/2017
MEDITER MIEUX VIVRE sub-group acquired in 2010	87,010	87,010
SENEVITA sub-group	58,280	60,245
Established German operations	341,649	397,728
Dagelijks Leven sub-group	122,860	
Other	527,362	467,961
NET GOODWILL AT END OF PERIOD	**1,137,160**	**1,012,943**

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:

	31/12/2018			31/12/2017		
	Gross	Amortisation and charges to provisions	Net	Gross	Amortisation and charges to provisions	Net
Operating licences	2,182,651	10,356	2,172,295	2,033,181	8,685	2,024,495
Advances and downpayments	8,978		8,978	2,642		2,642
Other intangible assets	110,558	31,326	79,232	111,159	25,454	85,705
Intangible assets held for sale	(3,835)		(3,835)	(30,776)		(30,776)
TOTAL	**2,298,353**	**41,682**	**2,256,670**	**2,116,205**	**34,139**	**2,082,066**

At 31 December 2018, “Operating licences” include the intangible operating assets considered to have an indefinite useful life in France, Belgium, Italy, Spain, Switzerland, Austria, the Czech Republic, Poland and the Netherlands.

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:

	31/12/2018	31/12/2017
Mediter Mieux Vivre sub-group acquired in 2010	187,125	195,153
SENEVITA sub-group	116,337	108,032
SENECURA sub-group	123,989	123,989
Other	1,744,844	1,597,321
NET OPERATING LICENCES AT END OF PERIOD	**2,172,295**	**2,024,495**

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 31/12/2016	**1,875,812**	**2,278**	**84,476**	**(73,391)**	**1,889,176**
Increase	17,265	382	4,456		22,103
Decrease	(3,794)		35		(3,759)
Amortisation and charges to provisions	(850)		(4,855)		(5,706)
Reclassifications and other	(7,862)	(19)	802	42,615	35,536
Changes in scope	143,925		792		144,717
At 31/12/2017	**2,024,496**	**2,642**	**85,705**	**(30,776)**	**2,082,066**
Increase	20,095	7,752	9,059		36,907
Decrease	(12,991)		(10,523)		(23,514)
Amortisation and charges to provisions	(1,406)		(7,614)		(9,021)
Reclassifications and other	3,986	(1,416)	1,094	26,941	30,605
Changes in scope	138,117		1,511		139,627
AT 31/12/2018	**2,172,295**	**8,978**	**79,232**	**(3,835)**	**2,256,670**

Changes in the scope of consolidation derived chiefly from acquisitions in France Benelux (€48 million), Central Europe (€45 million), the Iberian Peninsula (€36 million) and Eastern Europe (€9 million).

Advances and downpayments recognised in intangible assets mainly comprise prepayments in connection with contractually agreed acquisitions of operating licences.

"Other intangible assets" include €72 million of intangible concession assets located in Spain.

3.3 Regular impairment testing

In accordance with IAS 36, the cash generating units were tested for impairment at the end of 2018, 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 fourth quarter of 2018 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:

	31/12/2018			31/12/2017		
	Gross	**Depreciation and charges to provisions**	**Net**	**Gross**	**Depreciation and charges to provisions**	**Net**
Land	1,707,985	3,183	1,704,802	1,442,792	3,562	1,439,231
Buildings	4,139,467	802,601	3,336,867	3,591,986	629,206	2,962,780
Technical installations	472,758	279,196	193,562	371,898	234,694	137,204
Properties under construction	446,878	1,251	445,627	370,666	1,251	369,415
Other property, plant and equipment	408,241	231,280	176,961	332,588	166,714	165,874
Property, plant and equipment held for sale	(144,525)		(144,525)	(32,929)		(32,929)
TOTAL	**7,030,805**	**1,317,510**	**5,713,294**	**6,077,001**	**1,035,427**	**5,041,574**

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 31/12/2016	**1,096,579**	**2,370,476**	**124,237**	**442,643**	**157,196**	**(66,629)**	**4,124,502**
Acquisitions	165,042	303,939	53,210	176,889	36,507		735,587
Change in fair value	172,812						172,812
Disposals and retirements	(5,338)	(10,104)	(181)	(70,323)	(297)		(86,243)
Depreciation and charges to provisions	(572)	(101,281)	(35,531)		(18,218)		(155,602)
Reclassifications and other	(34,119)	210,439	(4,762)	(179,794)	(9,980)	33,700	15,484
Changes in scope	44,826	189,311	230	1	666		235,034
At 31/12/2017	**1,439,231**	**2,962,780**	**137,204**	**369,415**	**165,874**	**(32,929)**	**5,041,574**
Acquisitions	37,405	189,051	99,161	235,162	32,600		593,382
Change in fair value	171,710						171,710
Disposals and retirements	(7,810)	(10,808)	(367)	(25,623)	(3,290)		(47,898)
Depreciation and charges to provisions	224	(107,746)	(43,340)		(22,221)		(173,083)
Reclassifications and other	8,297	140,384	(2,427)	(152,011)	(3,641)	(111,596)	(120,993)
Changes in scope	55,745	163,205	3,332	18,683	7,637		248,602
AT 31/12/2018	**1,704,802**	**3,336,867**	**193,562**	**445,627**	**176,961**	**(144,525)**	**5,713,294**

The main changes during 2018 were:

- the revaluation of properties (see Note 3.4.2);
- changes in scope;
- 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	31/12/2018	31/12/2017
Gross revaluation reserves	861,879	692,765
Depreciation	(17,439)	(17,439)
NET REVALUATION RESERVES	**844,440**	**675,326**

The gross revaluation reserve for properties totalled €862 million at 31 December 2018, versus €693 million at 31 December 2017. The change relates to the €172 million revaluation during 2018 and the disposal of French facilities previously revalued for an amount of €3 million.

The corresponding tax, calculated at the statutory tax rate, amounted to €223 million in the year ended 31 December 2018.

3.4.3 Finance leases

Lease-financed property, plant and equipment breaks down as follows based on gross value:

	31/12/2018	31/12/2017
Land	260,109	255,409
Buildings	1,206,718	1,145,709
LEASE-FINANCED NON-CURRENT ASSETS	**1,466,827**	**1,401,118**

All the finance leases contain a purchase option.

Minimum payments due under finance leases are disclosed in Note 3.22.

3.4.4 Operating leases

Rental payments break down as follows:

	2018	2017
Rental payments	308,142	298,525
TOTAL RENTAL EXPENSE	**308,142**	**298,525**

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 €308.1 million from €298.5 million in 2017.

This near-stability was primarily attributable to the rent savings achieved by acquiring properties that were previously leased.

At comparable structure, the increase in rental expenses remained limited at 1.4%.

Minimum payments due under operating leases are disclosed in Note 3.22.

3.5 Investments in associates and joint ventures

At 31 December 2018, investments in associates and joint ventures break down as follows:

Associates and joint ventures	Percentage ownership at 31/12/2018	Carrying amount of investments *(in thousands of euros)*
PCM (6 care facilities)	45.0%	20,604
Cofinea (property company)	49.0%	5,011
IDS (property company)	49.9%	13,210
Danuvius Klinik (psychiatric care)	49.0%	6,941
SIS Brasil Exploit (nursing home)	49.9%	15,000
SIS Portugal Exploit (nursing home)	49.5%	15,000
Other	25% to 49.9%	11,020
TOTAL		**86,786**
Equity accounted profit/(loss) in previous financial years		17,363
Equity accounted profit/(loss) in current period		6,987
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES		**111,136**

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 2018, 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	193,727
Current assets	34,455
Equity	52,719
Non-current liabilities	110,207
Current liabilities	65,256
Revenue	43,879
Equity accounted profit/(loss)	6,987
Other comprehensive income	505
Net comprehensive income	7,492

3.6 Non-current financial assets

Non-current financial assets break down as follows:

	31/12/2018 Net	31/12/2017 Net
Non-consolidated investments	11,624	10,399
Loans	22,482	21,987
Deposits and guarantees	8,055	7,545
TOTAL	**42,161**	**39,931**

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

	31/12/2018	31/12/2017
Trade receivables	229,964	203,964
TOTAL	**229,964**	**203,964**

The change in 2018 was driven principally by stronger business levels and business combinations, including Inoges.

3.8 Other receivables, accruals and prepayments

	31/12/2018	31/12/2017
Development-related receivables	141,417	95,213
Receivables related to property disposals	24,431	24,181
VAT receivables	41,438	49,740
Advances and downpayments made	3,514	1,145
Shareholder advances (associates and related parties)	276,249	216,533
Interest rate derivatives	7,977	17,500
Miscellaneous receivables	84,539	37,702
Receivables from suppliers	8,508	7,950
Prepaid operating expenses	38,553	31,622
TOTAL	**626,626**	**481,586**

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.

In late 2018, the Group sold a total of €30.6 million in receivables. A total of €29.1 million was derecognised in respect of this sale, reflecting the financing received. The remaining €1.5 million held as security continues to be recognised on the balance sheet.

At the end of 2017, €32.6 million in receivables were sold and derecognised.

3.9 Assets held for sale

Assets held for sale comprise €206 million in operating properties that the Group has decided to sell in a block or in lots to third-party investors.

3.10 Equity

3.10.1 Share capital

	31/12/2018	31/12/2017
Total number of shares	64,586,323	64,553,123
Number of shares in issue	64,586,323	64,553,123
Nominal value of each share *(in euros)*	1.25	1.25
Share capital *(in euros)*	80,732,904	80,691,404
Treasury shares	39,146	36,030

Since 31 December 2016, 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 31/12/2016	**60,273,691**	**75,342**	**580,106**
Appropriation of 2016 net profit			(32,000)
Conversion of ORNANE bonds	4,197,182	5,247	402,681
Capital increase	82,250	103	(103)
Share capital at 31/12/2017	**64,553,123**	**80,691**	**950,684**
Appropriation of 2017 net profit			
Capital increase	33,200	42	(42)
SHARE CAPITAL AT 31/12/2018	**64,586,323**	**80,733**	**950,642**

3.10.2 Earnings per share

Weighted average number of shares in issue:

	31/12/2018		31/12/2017	
	Basic	Diluted	Basic	Diluted
Ordinary shares	64,577,500	64,577,500	61,627,126	61,627,126
Treasury shares	3,116	3,116	(46,425)	(46,425)
WEIGHTED AVERAGE NUMBER OF SHARES	**64,580,616**	**64,580,616**	**61,580,701**	**61,580,701**

Earnings per share:

	31/12/2018		31/12/2017	
(in euros)	Basic	Diluted	Basic	Diluted
Net profit/(loss) attributable to owners of the parent	3.41	3.41	1.46	1.46

3.10.3 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 2018, the Group held 39,146 treasury shares.

On 10 February 2016, the Board of Directors approved the introduction of a bonus share allotment plan for certain corporate officers and employees of ORPEA or its affiliated companies pursuant to the authorisation granted by the General Meeting of 6 November 2015. 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 EBITDA- and revenue-based performance conditions.

The bonus share allotment to Category A and Category B grantees vested definitively on 10 April 2017 and 10 April 2018 respectively, provided the grantees are still with the Group. Grantees are not permitted to transfer the shares they receive under this plan for two years following the final vesting date.

On 4 May 2017, the Board of Directors approved the introduction of a new bonus share allotment plan for corporate officers covering a total of 29,714 shares. The allotment will vest definitively on 4 May 2019 subject to the satisfaction of performance criteria, and the shares will be covered by a two-year lock-up period.

On 13 December 2017, the Board of Directors approved the introduction of two other bonus share allotment plans for certain employees of ORPEA or its affiliated companies covering a total of 26,000 shares. The allotment will vest definitively on 13 December 2020 for plan A employees and on 13 December 2021 for plan B employees, provided in both cases that the employees are still with the Group at those dates. A one-year lock-up period will apply to both plans.

Finally, on 28 June 2018, the Board of Directors approved the introduction of a new bonus share allotment plan for corporate officers covering a total of 44,701 shares. The allotment will vest definitively on 28 June 2021 subject to the satisfaction of performance criteria.

The fair value of the benefits provided to the grantees under IFRS 2 was measured by an actuary for each plan. 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 three plans (excluding social security contributions) under IFRS 2 was estimated at €9.4 million. The amount expensed in 2018 was €2.2 million (excluding social security contributions).

3.10.4 Dividend payments

The General Meeting of the Shareholders on 28 June 2018 approved payment of a dividend in respect of the 2017 financial year of €1.1 per share, representing a total payout of €71,044,955 made in July 2018.

3.11 Provisions

Provisions break down as follows:

(in thousands of euros)	31/12/2017	Changes in scope and other	Actuarial gains or losses	Reclassification	Charges in the period	Reversals in the period: Provisions used	Reversals in the period: Provisions not used	31/12/2018
Provisions for liabilities and charges	69,511	1,010		(889)	14,507	(18,586)	(17,146)	48,409
Provisions for restructuring	101,467	9,464		195	1,571	(12,873)	(892)	98,931
TOTAL	**170,978**	**10,474**		**(694)**	**16,078**	**(31,459)**	**(18,038)**	**147,340**
Post-employment benefit obligations	72,185	1,772	16,043	694	(3,714)	(3,264)		83,717

Group companies frequently undergo 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 2018 totalled €32 million, breaking down into €19 million for employment disputes, €4 million for tax disputes and €9 million for restructuring.

The provision for post-employment benefit obligations breaks down as follows:

(in thousands of euros)	31/12/2018	31/12/2017
France	34,414	34,246
International	49,303	37,939
TOTAL	**83,717**	**72,185**

Movements in post-employment benefit obligations in France break down as follows:

	31/12/2018			31/12/2017		
(in thousands of euros)	Provision set aside	Profit or loss	Equity	Provision set aside	Profit or loss	Equity
Beginning of period	**(34,244)**			**(27,275)**		
Current service cost	(2,109)	(2,109)		(2,476)	(2,476)	
Interest cost (unwinding discount)	(538)	(538)		(327)	(327)	
Expected return on plan assets						
Employer contributions						
Actuarial gains and losses	(697)		(697)	(6,482)		(6,482)
Benefits paid	2,558			2,418		
Past service cost						
Changes in scope				(104)		
Other	616					
END OF PERIOD	**(34,414)**	**(2,647)**	**(697)**	**(34,244)**	**(2,803)**	**(6,482)**

Movements in post-employment benefit obligations outside France break down as follows:

(in thousands of euros)	31/12/2018 Provision set aside	31/12/2018 Profit of loss	31/12/2018 Equity	31/12/2017 Provision set aside	31/12/2017 Profit or loss	31/12/2017 Equity
Beginning of period	**(37,939)**			**(36,644)**		
Current service cost	4,535	4,535		(4,888)	(4,888)	
Interest cost (unwinding discount)						
Expected return on plan assets						
Employer contributions						
Actuarial gains and losses	(15,346)		(15,346)	6,375		6,375
Past service cost	2,426					
Changes in scope	(1,772)			(5,165)		
Exchange differences	(303)			2,392		
Other	(902)			(9)		
END OF PERIOD	**(49,303)**	**4,535**	**(15,346)**	**(37,939)**	**(4,888)**	**6,375**

The main actuarial assumptions adopted at 31 December 2018 are as follows:

	31/12/2018 France	31/12/2018 International	31/12/2017 France	31/12/2017 International
Discount rate	1.60%	between 0.85% and 1.20%	1.20%	between 0.85% and 1.20%
Annual rate of salary increase taking account of inflation	2.00%	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) and in demographic parameters.

3.12 Financial liabilities and cash

ORPEA's net debt breaks down as follows:

(in thousands of euros)	Net 31/12/2018	Net 31/12/2017
Bond issues	1,028,048	772,312
Finance lease obligations	1,044,961	1,020,075
Bridging loans	381,653	324,374
Other borrowings and financial liabilities	3,541,496	2,973,518
TOTAL GROSS DEBT*	**5,996,158**	**5,090,280**
Cash	(690,112)	(568,158)
Cash equivalents	(77,876)	(45,740)
TOTAL NET DEBT*	**5,228,171**	**4,476,382**

* *Of which debt associated with assets held for sale.*

Movements in financial liabilities in 2018 were as follows:

(in thousands of euros)	31/12/2017	Increase	Decrease	Changes in scope	31/12/2018
Bond issues	772,312	401,336	(145,600)		1,028,048
Finance lease obligations	1,020,075	156,323	(164,975)	33,538	1,044,961
Bridging loans	324,374	285,300	(228,021)		381,653
Other borrowings and financial liabilities	2,973,518	1,165,551	(643,091)	45,518	3,541,496
Total gross debt*	**5,090,279**	**2,008,510**	**(1,181,687)**	**79,056**	**5,996,158**
Cash and cash equivalents	(613,898)	(154,089)			(767,987)
Total net debt*	**4,476,382**	**1,854,421**	**(1,181,687)**	**79,056**	**5,228,171**
Debt associated with assets held for sale	(63,705)	(142,788)			(206,493)
NET DEBT EXCLUDING DEBT ASSOCIATED WITH ASSETS HELD FOR SALE	**4,412,677**	**1,711,633**	**(1,181,687)**	**79,056**	**5,021,678**

* *Of which debt associated with assets held for sale.*

Debt net of cash breaks down by maturity as follows:

	31/12/2018	Less than one year*	One to five years	Over five years
Bond issues	1,028,048	177,783	90,000	760,265
Finance lease obligations	1,044,961	152,028	508,076	384,857
Bridging loans	381,652	30,427	241,622	109,603
Other borrowings and financial liabilities	3,541,496	531,480	2,310,269	699,747
TOTAL GROSS DEBT*	**5,996,158**	**891,717**	**3,149,968**	**1,954,473**
Cash and cash equivalents	(767,987)	(767,987)		
TOTAL NET DEBT*	**5,228,171**	**123,730**	**3,149,968**	**1,954,473**

* *Of which debt associated with assets held for sale.*

Debt maturing in more than one year and less than five years breaks down as follows:

	One to five years	2019	2020	2021	2022
Bond issues	90,000	20,000	0	70,000	0
Finance lease obligations	508,076	141,892	138,547	118,895	108,742
Bridging loans	241,622	78,879	55,533	53,605	53,605
Other borrowings and financial liabilities	2,310,269	592,612	626,499	583,840	507,318
TOTAL GROSS DEBT PER YEAR	**3,149,968**	**833,383**	**820,579**	**826,340**	**669,665**

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, operating licences, etc., mainly through bank loans repayable over 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. The intention with these properties is either to sell them to third parties or to keep them, 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

$$R2 = \frac{\text{Consolidated net debt}}{\text{Equity + quasi equity (i.e. deferred tax liabilities linked to the measurement of intangible operating assets under IFRS in the consolidated financial statements)}}$$

At 31 December 2018, 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 2018.

Bond issues

In 2018, ORPEA Group completed the placement of an inaugural seven-year public bond issue of €400 million (due in March 2025) with an annual fixed-rate coupon of 2.625%.

The issue fits with the Group's strategy of diversifying its funding sources. After private bond placements and *Schuldscheindarlehen* issues, issuing bonds in the public market will further expand its base of credit investors.

Cash and cash equivalents

At 31 December 2018, ORPEA's cash and cash equivalents consisted of €77,876 thousand in non-speculative short-term investments with prime financial institutions and €690,112 thousand of bank credit balances.

3.13 Financial instruments

3.13.1 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 almost all 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 IFRS 9, 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, except for the time value at the inception of options, which is amortised in profit and loss over the effective lives of the instruments, in accordance with the "hedging cost" approach under IFRS 9.

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 2018, 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 2018, the maturity profile of the interest rate derivatives was as follows:

	Maturity profile				
	2019	**2020**	**2021**	**2022**	**2023**
Average notional amount *(in millions of euros)*	3,006	2,999	3,001	2,999	2,987
Interest rate	0.7%	0.7%	0.6%	0.6%	0.7%

At the end of 2017, the maturity profile of the interest rate derivatives was as follows:

	Maturity profile				
	2018	**2019**	**2020**	**2021**	**2022**
Average notional amount *(in millions of euros)*	2,204	2,201	2,194	2,197	2,194
Interest rate	1.1%	0.8%	0.8%	0.6%	0.6%

Accumulated changes in the fair value of these hedging derivatives, which came to a negative amount of €77.5 million at 31 December 2018, were recognised under interest rate hedging reserves in equity in a negative amount of €75.0 million, and through a financial expense of €2.5 million.

Accumulated changes in the fair value of these hedging derivatives, which came to a negative amount of €44.1 million at 31 December 2017, 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 2018, net debt amounted to €5,228 million, with approximately 33% 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 €0.4 million (before tax and capitalisation of financial expenses);
- a 0.2% decrease (20 basis points) would have no impact on financial expense.

Movements in the cash flow hedging reserve

(in thousands of euros)	31/12/2018	31/12/2017
Revaluation reserve at beginning of period	(44,083)	(83,119)
Impact on comprehensive income for the period	(30,936)	39,036
REVALUATION RESERVE AT END OF PERIOD	**(75,019)**	**(44,083)**

3.13.2 Currency risk

The Group uses forward currency purchases and sales to hedge its future transactions in foreign currencies. To this end, forward currency agreements were entered into with first-rate counterparties under which euro sums are swapped for an amount in a foreign currency (Swiss franc, Polish zloty or Czech koruna) at a pre-agreed rate and date.

The Group decided not to qualify these transactions as a hedging relationship.

The principal characteristics of these instruments are as follows:

(in thousands of euros)	Notional	Fair value at 31/12/2018
Currency forwards (CHF)	99,953	(508)
Currency forwards (CZK)	81,181	(364)
Currency forwards (PLN)	8,643	(72)
TOTAL	**189,777**	**(944)**

All these currency hedging instruments have a maturity date in the first quarter of 2019.

3.13.3 Value of non-derivative financial assets

(in thousands of euros)	31/12/2018	31/12/2017
Investments in unconsolidated subsidiaries	11,624	10,399
Other non-current financial assets	22,482	21,987
Short-term investments	77,876	45,740
NON-DERIVATIVE FINANCIAL INSTRUMENTS	**111,982**	**78,126**

3.14 Trade payables

	31/12/2018	31/12/2017
Trade payables	268,456	227,206
TOTAL	**268,456**	**227,206**

3.15 Tax and payroll liabilities

The change in tax and payroll liabilities derived from the Group's strong expansion and the improvement in its earnings.

3.16 Other payables, accruals and prepayments

	31/12/2018	31/12/2017
Development-related liabilities	131,854	78,812
Security deposits	58,343	58,278
Commitments to carry out work on buildings sold	669	885
Customer accounts in credit	927	1,046
Other prepaid income	13,010	18,021
Interest rate derivatives	85,775	62,011
Currency derivatives	944	
Advances and downpayments received on orders in progress	19,374	19,685
Shareholder advances (associates and related parties)	39	5,869
Miscellaneous expenses	47,979	43,619
TOTAL	**358,914**	**288,225**

The change in development-related liabilities in 2018 relates to the present value of the deferred payment on exercising the put on non-controlling interests in Dagelijks Leven and Inoges.

Security deposits mainly comprise the sums paid by residents at the beginning of their stay.

3.17 Debt associated with assets held for sale

Debt associated with assets held for sale reflects the debt financing these assets.

3.18 Segment information

	31/12/2018	31/12/2017
REVENUE		
France Benelux	2,040,310	1,942,679
Central Europe	875,094	782,479
Eastern Europe	334,889	268,774
Iberian Peninsula	167,442	142,778
Other	2,030	1,525
TOTAL	**3,419,764**	**3,138,234**
RECURRING OPERATING PROFIT BEFORE RENTS AND BEFORE DEPRECIATION, AMORTISATION AND CHARGES TO PROVISIONS		
France Benelux	591,132	564,883
Central Europe	225,760	210,336
Eastern Europe	61,990	43,982
Iberian Peninsula	35,148	29,843
Other	(2,301)	(2,859)
TOTAL	**911,729**	**846,185**
ASSETS		
France Benelux	8,292,583	7,310,683
Excluding France Benelux	2,851,990	2,384,799
TOTAL	**11,144,573**	**9,695,482**
LIABILITIES EXCLUDING EQUITY		
France Benelux	5,632,050	4,865,270
Excluding France Benelux	2,541,849	2,114,832
TOTAL	**8,173,898**	**6,980,103**

The costs of acquiring segment assets are disclosed in Note 2.

3.19 Other non-recurring operating income and expense

(in thousands of euros)	31/12/2018	31/12/2017
Proceeds from property disposals	47,896	39,893
Cost of property disposals	(30,410)	(38,780)
Reversals of provisions	7,094	4,679
Charges to provisions	(9,384)	(22,529)
Other income	79,849	70,608
Other expenses	(77,174)	(34,840)
OTHER NON-RECURRING OPERATING INCOME AND EXPENSE	**17,872**	**19,030**

Other non-recurring operating income and expense mainly comprises the €34 million net gain realised on disposals of property and intangible assets, €17 million in gains (net of expenses) related to acquisitions as part of business combinations, €24 million of expenses associated with the redevelopment of recently acquired facilities and other development costs and €10 million of miscellaneous expenses.

Profit on property development projects recognised under the percentage of completion method includes:

(in thousands of euros)	31/12/2018	31/12/2017
Disposal price	12,575	18,177
Cost price	(6,633)	(14,345)
PROFIT RECOGNISED ON DISPOSALS OF OFF-PLAN PROPERTIES	**5,942**	**3,832**

3.20 Net interest cost

(in thousands of euros)	31/12/2018	31/12/2017
Interest on bank debt and other financial liabilities	(97,145)	(101,625)
Interest on items held under finance leases	(16,087)	(14,339)
Net losses on interest rate derivatives	(35,344)	(30,958)
Expense arising from early redemption of the ORNANE bonds		(15,254)
Financial expense	**(148,576)**	**(162,177)**
Interest income	156	(57)
Capitalised financial expenses*	12,254	11,539
Net income on interest rate derivatives		
Financial income	**12,410**	**11,482**
NET FINANCE COST	**(136,166)**	**(150,695)**

* *Calculated at an average rate of 3.5% in 2018.*

3.21 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 2018.

(in thousands of euros)	31/12/2018	31/12/2017
Current income tax	95,150	76,437
Deferred taxes	158	(23,156)
TOTAL	**95,309**	**53,281**

Current income tax expense for 2018 includes the CVAE value-added levy of €23,431 thousand versus €22,113 thousand in 2017.

Deferred tax assets/(liabilities) break down by type of temporary difference as follows:

(in thousands of euros)	31/12/2018	31/12/2017
Fair value of intangible assets	(450,804)	(431,668)
Fair value of property, plant and equipment*	(417,007)	(358,201)
Capitalisation of finance leases	(124,776)	(100,641)
Temporary differences	(6,345)	(4,220)
Tax loss carryforwards	43,383	36,837
Deferral of capital gains tax on disposals	284	433
Employee benefits	9,663	9,598
CVAE deferred tax**	(4,408)	(4,733)
Financial instruments and other	62,623	31,143
TOTAL	**(887,386)**	**(821,451)**

* *Of which €223 million in deferred taxes related to the revaluation of operating 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 €451 million at 31 December 2018.

The deferred taxes recognised on the balance sheet break down as follows:

(in thousands of euros)	31/12/2018	31/12/2017
Assets	43,383	36,837
Liabilities	(930,770)	(858,288)
NET	**(887,386)**	**(821,451)**

The difference between the statutory tax rate, i.e. 34.43% in 2018, and the effective tax rate in the income statement, breaks down as follows:

(in thousands of euros)	31/12/2018	31/12/2017
Effective tax rate	**30.12%**	**37.24%**
Impact of the ORNANE bonds		-12.28%
Present value of deferred taxes calculated at the rate expected to apply		5.92%
Permanent differences	1.18%	2.57%
Business combinations	2.37%	5.98%
Impact of the reduced rate	1.00%	1.38%
Impact of associates	0.76%	0.50%
Impact of foreign companies	0.16%	-0.19%
Other	1.68%	-2.45%
CVAE value-added levy on businesses	-2.84%	-4.24%
STATUTORY RATE	**34.43%**	**34.43%**

3.22 Commitments and contingent liabilities

3.22.1 Off-balance sheet commitments

Risks related to debt

(in thousands of euros)	31/12/2018	31/12/2017
Contractual obligations	1,788,451	1,556,881
TOTAL	**1,788,451**	**1,556,881**

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 2018 break down as follows:

(in thousands of euros)	Minimum future payments
Less than one year	144,915
One to five years	476,301
Over five years	418,332
TOTAL LEASE COMMITMENTS	**1,039,549**

Operating lease commitments at 31 December 2018 break down as follows:

(in thousands of euros)	Minimum future payments
Less than one year	301,409
One to five years	1,030,922
Over five years	1,765,822
TOTAL LEASE COMMITMENTS	**3,098,153**

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 2018, contractual commitments to acquire facilities, operating licences and land, subject to a number of conditions precedent being met, amounted to €3 million.

The following respective commitments have entered into 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.

The following respective commitments have been given concerning the potential acquisition of a 100% interest in 25.1%-held Inoges:

- ORPEA has received a promise to sell from the other shareholders between 30 August 2020 and 31 October 2020;
- ORPEA has given a promise to buy out the other shareholders between 30 April 2020 and 30 June 2020.

The following respective commitments have been entered into concerning the potential acquisition of a 100% interest in 25%-held Dagelijks Leven:

- ORPEA has received a promise to sell from the other shareholders in tranches from 2019;
- ORPEA has given a promise to buy out the other shareholders in tranches between 1 January and 15 February 2020 and 2021 if the non-controlling shareholders have not exercised their option, then from 2022.

ORPEA has granted Belgian company Intorp, a lease payment guarantee covering four properties leased by its 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.

3.22.2 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.

3.23 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***	**31/12/2018**	**31/12/2017**	**31/12/2018**	**31/12/2017**
Held-to-maturity financial assets			**0**	**0**	**0**	**0**
Bonds and negotiable debt securities	Cash and cash equivalents					
Loans and receivables			**879,150**	**697,582**	**879,150**	**697,582**
Short-term loans	Short-term loans					
Long-term loans	Non-current financial assets	2	22,482	21,987	22,482	21,987
Receivables related to asset disposals	Receivables related to asset disposals in the short term		24,431	24,181	24,431	24,181
Deposits and guarantees	Non-current financial assets	2	8,055	7,545	8,055	7,545
Other receivables	Other receivables	2	594,218	439,905	594,218	439,905
Trade receivables	Trade receivables	2	229,964	203,964	229,964	203,964
Available-for-sale financial assets			**0**	**0**	**0**	**0**
Investments in unconsolidated subsidiaries	Non-current financial assets					
Other						
Financial assets at fair value			**775,965**	**631,398**	**775,965**	**631,598**
Interest rate derivatives		2	7,977	17,500	7,977	17,500
Currency derivatives		2			0	200
Open-ended investment funds and mutual funds	Cash and cash equivalents	1	77,876	45,740	77,876	45,740
Cash	Cash and cash equivalents	1	690,112	568,158	690,112	568,158
FINANCIAL ASSETS			**1,655,115**	**1,328,980**	**1,655,115**	**1,329,180**

* *Level 1: financial assets and liabilities quoted on an active market, where fair value is the listed price.*
Level 2: financial assets and liabilities not quoted on 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 31/12/2018	Carrying amount 31/12/2017	Fair value 31/12/2018	Fair value 31/12/2017
Financial liabilities at fair value			**86,719**	**62,011**	**86,719**	**62,011**
Currency derivatives	Other payables		944		944	
Interest rate derivatives	Other payables	2	85,775	62,011	85,775	62,011
Change in the fair value of the entitlement to the allotment of shares embedded in the ORNANE bonds		2	0	0	0	0
Other bonds	Other payables					
Financial liabilities at amortised cost			**6,536,809**	**5,543,700**	**6,540,922**	**5,545,913**
Bonds convertible into, exchangeable for or redeemable in shares	Non-current and current financial liabilities	1	1,028,048	772,312	1,032,161	774,525
Bank borrowings	Non-current and current financial liabilities	2	3,923,149	3,297,893	3,923,149	3,297,893
Finance lease obligations	Non-current and current financial liabilities	2	1,044,961	1,020,075	1,044,961	1,020,075
Other payables	Current liabilities	2	272,195	226,214	272,195	226,214
Trade payables	Trade payables	2	268,456	227,206	268,456	227,206
FINANCIAL LIABILITIES			**6,623,528**	**5,605,711**	**6,627,641**	**5,607,924**

* *Level 1: financial assets and liabilities quoted on an active market, where fair value is the listed price.*
Level 2: financial assets and liabilities not quoted on 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.

3.24 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 2018, the main impacts were as follows:

- advances granted by ORPEA to its associates and joint ventures and to related parties amounted to €276 million at 31 December 2018;
- ORPEA leases certain operating properties from related parties within the meaning of IAS 24: *Related Party Disclosures*. These lease payments amounted to €9 million in 2018.

Benefits granted to corporate officers

The total amount of gross remuneration, fees (excluding all taxes) and benefits paid during the 2018 financial year to ORPEA SA's corporate officers was €3,919 thousand, including €745 thousand of directors' attendance fees.

3.25 Headcount

ORPEA had 59,571 employees at 31 December 2018.

3.26 Statutory Auditors' fees

Fees paid in 2018 to the Statutory Auditors for the services they provided to ORPEA break down as follows:

(in thousands of euros)	Deloitte & Associés	Saint-Honoré BK&A	TOTAL
Audit of the financial statements	2,580	1,027	3,607
Non-audit services	173	7	180
TOTAL	**2,753**	**1,034**	**3,787**

Non-audit services include services other than the certification of financial statements required by statutory and regulatory provisions, along with such services provided at the Group's request. They include statements regarding the accounting and financial information (€7 thousand), the report of the Independent Third-Party Organisation on workforce-related, environmental and social information provided for by article L. 225-102-1 of the French Commercial Code (€31 thousand), due diligence on the Dagelijks Leven acquisition (€100 thousand) and comfort letters as part of the public offering of bonds (€42 thousand).

3.27 Subsequent events

Since 1 January 2019, the Group has been pursuing its development, particularly in Latin America and specifically in Uruguay and Chile.

3.28 Scope of consolidation at 31 December 2018

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
ORPEA Deutschland	100%	100%	Full
ORPEA Netherlands	100%	100%	Full
CELENUS	100%	100%	Full
SENECURA	100%	100%	Full
MEDI-SYSTEM	100%	100%	Full
CEESCH	100%	100%	Full
GCSE	100%	100%	Full
ORPEA	100%	100%	Full

5.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a translation into English of the Statutory Auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This Statutory Auditors' report includes information required by European regulation and French law, such as information about the appointment of the Statutory Auditors or verification of the information concerning the Group presented in the management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended 31 December 2018

To the shareholders of ORPEA,

OPINION

In accordance with our appointment as Statutory Auditors by your General Meeting, we have audited the accompanying consolidated financial statements of ORPEA for the year ended 31 December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the assets and liabilities, and the results of the group formed by the persons and entities included in the consolidation, in accordance with the International Financial Reporting Standards as endorsed by the European Union.

The opinion formulated above is consistent with the content of our report to the Audit Committee.

BASIS OF OUR OPINION

AUDIT

We conducted our audit in accordance with professional standards applicable in France. We believe that the information that we collected provides a sufficient and appropriate basis for our opinion.

Our responsibilities under those standards are stated in the "Responsibilities of the Statutory Auditors in relation to auditing the consolidated financial statements" section of this report.

INDEPENDENCE

We conducted our audit in accordance with the independence rules applicable to us between 1 January 2018 and the date on which we issued our report, and in particular we did not provide any services forbidden by Article 5, paragraph 1 of Regulation (EU) No. 537/2014 or by the code of conduct of the Statutory Auditors' profession in France.

JUSTIFICATION OF OUR ASSESSMENTS – KEY AUDIT MATTERS

As required by Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters, relating to what were, in our professional judgment, the main risks of material misstatement in relation to our audit of the year's consolidated financial statements, and our responses to those risks.

Those assessments were made in the context of our audit of the consolidated financial statements taken as a whole and in the formation of our opinion stated above. We express no opinion on items of the consolidated financial statements taken in isolation.

VALUATION OF ASSETS ACQUIRED AND LIABILITIES ASSUMED IN CONNECTION WITH THE ACQUISITIONS OF ECOPLAR, INOGES, AND DAGELIJKS LEVEN

Risks identified

As part of its strategy of growth through acquisitions, the Group carries out acquisitions on a regular basis. During 2018, the Group carried out three significant transactions (Ecoplar, Inoges and Dagelijks Leven) for a combined purchase price of €213 million, as set out in Note 2 ("Scope of consolidation") to the consolidated financial statements.

The provisional allocation of the cost of acquiring these operations gave rise to the recognition of assets and liabilities in the period, including €151 million in goodwill, €29 million in intangible rights, €75 million in property, plant and equipment, €4 million in liabilities, €3 million in deferred taxes and a negative amount of €35 million in other assets and liabilities.

The measurement of the fair value of these assets and liabilities is based on:

- for facility operating licences (intangible assets), a multiple of annual revenue, which varies according to the country and type of activity as described in Note 1.5 "Business combinations" and Note 1.7 "Intangible assets";
- for acquired properties (property, plant and equipment), a valuation determined by appraisers appointed by Management, taking into account the characteristics of the properties acquired (location, type of operation) as described in Note 1.5 "Business combinations" and Note 1.8 "Property, plant and equipment";
- for liabilities, an analysis of risks and obligations (relating to the workforce, tax, properties and other matters) identified as part of the acquisition due diligence process, as described in Note 1.5 "Business combinations".

The measurement of assets acquired and liabilities assumed in connection with these transactions is a key audit matter, because they are material and because the measurement involves the use of estimates and judgement by the Group's management.

Audit procedures implemented to address the risks identified

To assess the reasonableness of the values adopted for the assets acquired and liabilities assumed in connection with these transactions, we principally:

- analysed the methodology used by the Group to identify the assets acquired and liabilities assumed;
- checked the identification of the assets and liabilities against the principal legal documents related to these acquisitions;
- examined the documentation of the procedures conducted during acquisitions to identify any assets or liabilities not taken into account in the process of identifying assets and liabilities acquired;
- obtained documentation substantiating an operating licence issued by a competent authority;
- conducted a critical analysis of the appropriateness and reasonableness of the key assumptions and judgements made to measure operating licences based on industry practices and the relevant geographical regions;
- assessed the competence and independence of the property appraisers appointed by management and the reasonableness of the assumptions adopted by the appraisers (estimated market rent, capitalisation rates) with input from our property experts, where appropriate;
- evaluated the relevance of the assumptions and methods used to measure any risks and obligations.

VALUATION OF OPERATING PROPERTIES, LAND AND BUILDINGS OWNED AND OPERATED BY THE GROUP

Risks identified

At 31 December 2018, the Group's property, plant and equipment had a net value of €5,268 million, or 47% of total assets. They predominantly comprise land, buildings, fixtures and fittings.

As specified in Note 1.8 ("Property, plant and equipment") to the consolidated financial statements, properties, land and buildings owned and operated by ORPEA are revalued at fair value in line with IAS 16.31: *Property, Plant and Equipment*.

To assess the fair value of operating properties, the property appraisers appointed by management use the capitalisation-based method. The value of these properties is determined on the basis of the income they generate, i.e. their estimated market rent, to which a capitalisation rate is applied (expected rate of return). The estimated market rent is projected using an operating expense ratio in line with standard practice in each country. The capitalisation rates applied depend on the location, type of operation and form of ownership of the assets.

Owing to the material value of the relevant assets and the estimates inherent in the valuation methods adopted by the property appraisers appointed by management, we considered that the appropriate measurement of these assets was a key audit matter.

Audit procedures implemented to address the risks identified

To assess the reasonableness of the estimate of the fair value of the properties, land and buildings owned and operated by Group, we:

- obtained the valuations produced by the property appraisers appointed by management;
- assessed the competence and independence of those appraisers;
- verified that the valuations match the amounts recognised in the financial statements;
- verified that the procedure covering the valuation of all the properties was applied correctly over a three-year period;
- assessed the reasonableness of the assumptions adopted by the property appraisers (estimated market rent, capitalisation rates) with input from our property experts, where appropriate.

Lastly, we checked that Note 1.8 ("Property, plant and equipment") and Note 3.4.2 ("Revaluation of properties") to the consolidated financial statements provide appropriate disclosures.

VERIFICATION OF INFORMATION RELATING TO THE GROUP PROVIDED IN THE MANAGEMENT REPORT

We also verified, in accordance with the professional standards applicable in France and as required by law, the information concerning the Group presented in the management report by the Board of Directors.

We have no comments to make as to its fair presentation and its consistency with the consolidated financial statements.

INFORMATION RESULTING FROM OTHER STATUTORY AND REGULATORY OBLIGATIONS

APPOINTMENT OF THE STATUTORY AUDITORS

Deloitte et Associés was appointed as Statutory Auditors of ORPEA by the General Meeting of the Shareholders of 29 June 2006, and Saint-Honoré BK&A by the General Meeting of 27 June 2008.

At 31 December 2018, Deloitte et Associés was in its 13th year of uninterrupted engagement and Saint-Honoré BK&A in its 11th year of uninterrupted engagement, or 13 and 11 years respectively since the Company's shares were admitted to trading on a regulated market.

RESPONSIBILITIES OF MANAGEMENT AND PERSONS INVOLVED IN CORPORATE GOVERNANCE IN RELATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for preparing consolidated financial statements that present a true and fair view, in accordance with IFRSs as endorsed by the European Union, and for setting up the internal controls it deems necessary for preparing consolidated financial statements that do not contain any material misstatements, whether due to fraud or error.

When preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for presenting in its financial statements any necessary information relating to its status as a going concern, and for applying the accounting concept of going concern, except where there is a plan to liquidate the Company or discontinue its operations.

The Audit Committee is responsible for monitoring the process of preparing the financial information and for monitoring the effectiveness of internal control and risk management systems, and internal audit systems as the case may be, as regards procedures relating to the preparation and treatment of accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

RESPONSIBILITIES OF THE STATUTORY AUDITORS IN RELATION TO AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS

AUDIT OBJECTIVE AND PROCEDURE

Our responsibility is to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements, taken as a whole, are free of material misstatement. Reasonable assurance means a high level of assurance, although there is no guarantee that an audit conducted in accordance with professional standards will systematically detect all material misstatements. Misstatements may arise from fraud or error, and are regarded as material when they can reasonably be expected, individually or together, to influence the economic decisions that users of the financial statements take on the basis of those statements.

As stated by article L. 823-10-1 of the French Commercial Code, our audit assignment does not involve guaranteeing the viability of your Company or the quality of its management.

When conducting an audit in accordance with professional standards in France, Statutory Auditors use their professional judgment throughout the audit. In addition:

- they identify and assess the risks that the consolidated financial statements contain material misstatements, whether through fraud or error, define and implement audit procedures to address those risks, and collect information that they regard as sufficient and appropriate as the basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, falsification, voluntary omissions, false statements or the circumvention of internal controls;
- they familiarise themselves with the internal controls relevant to the audit, in order to define audit procedures appropriate to the situation in hand, and not in order to express an opinion on the effectiveness of internal control;
- they assess the appropriateness of accounting policies adopted and the reasonableness of accounting estimates made by management, along with information about those estimates provided in the consolidated financial statements;

- they assess whether management has applied appropriately the going concern convention and, based on information collected, whether or not there is a material uncertainty arising from events or circumstances likely to call into question the Company's ability to continue as a going concern. That assessment is based on information collected until the date of the auditors' report, although it should be borne in mind that subsequent circumstances or events may call into question the Company's status as a going concern. If the auditors conclude that there is a material uncertainty, they draw the attention of those reading their report to information provided in the consolidated financial statements in relation to that uncertainty or, if that information is not provided or is not relevant, they certify the financial statements with reservations or refuse to certify them;
- they assess the overall presentation of the consolidated financial statements and assess whether the consolidated financial statements reflect the underlying operations and events so that they give a true and fair view;
- regarding financial information relating to persons or entities included in the scope of consolidation, they collect the information that they regard as sufficient and appropriate to express an opinion on the consolidated financial statements. The auditors are responsible for managing, supervising and conducting the audit of the consolidated financial statements and for the opinion expressed on those financial statements.

REPORTING TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee that includes the extent of audit work and the schedule of work performed, along with the conclusions arising from our work. We also make it aware, as the case may be, of any material internal control weaknesses that we have identified regarding procedures for preparing and treating accounting and financial information.

The information in the report to the Audit Committee includes what we regard as the main risks of material misstatements with respect to the audit of the year's consolidated financial statements, and which are therefore the key audit matters. It is our role to describe those points in the present report.

We also provide the Audit Committee with the declaration provided for by Article 6 of Regulation (EU) No. 537-2014 confirming our independence, within the meaning of the rules applicable in France, as determined in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of conduct of the statutory audit profession in France. As the case may be, we discuss with the Audit Committee any risks to our independence and the safeguard measures applied.

Paris and Paris-La Défense, 3 May 2019

The Statutory Auditors

Saint-Honoré BK&A	Deloitte & Associés
Emmanuel KLINGER	Jean-Marie LE GUINER

6 Parent company financial statements at 31 December 2018

6.1 ORPEA SA'S FINANCIAL STATEMENTS AT 31 DECEMBER 2018

INCOME STATEMENT OF ORPEA SA

(in euros)	2018	2017
Revenue	**866,262,327**	**792,094,399**
Production transferred to inventories	(2,507,492)	(40,686,454)
Other operating income	35,391,089	48,848,457
Purchases and other external charges	(317,381,881)	(292,982,963)
Taxes other than on income	(52,291,487)	(43,310,280)
Staff costs	(432,312,492)	(369,310,432)
Depreciation, amortisation and charges to provisions	(22,139,094)	(21,507,398)
Other operating expenses	(1,238,504)	(1,016,663)
Operating profit	**73,782,467**	**72,128,666**
Financial income	94,099,184	165,288,643
Financial expense	(138,058,576)	(112,292,194)
Net finance cost	**(43,959,392)**	**52,996,448**
Pre-tax profit on ordinary activities	**29,823,075**	**125,125,115**
Net non-recurring items	25,085,146	(8,969,099)
Employee profit-sharing		
Income tax	(17,537,186)	(4,954,206)
NET PROFIT	**37,371,035**	**111,201,810**

BALANCE SHEET OF ORPEA SA

Assets *(in euros)*	31/12/2018 Gross	31/12/2018 Depreciation, amortisation and charges to provisions	31/12/2018 Net	31/12/2017 Net
NON-CURRENT ASSETS				
Intangible assets	292,969,241	2,470,883	290,498,358	281,950,075
Property, plant and equipment	448,427,172	171,580,313	276,846,859	248,621,922
Financial assets	1,724,902,385	22,919,691	1,701,982,694	1,256,629,572
Total non-current assets	**2,466,298,798**	**196,970,885**	**2,269,327,913**	**1,787,201,571**
CURRENT ASSETS				
Inventories and work-in-progress	11,122,327	1,188,655	9,933,672	7,322,142
Advances and downpayments made	4,399,087		4,399,087	4,335,124
Trade receivables	21,336,932	6,939,510	14,397,422	16,429,568
Other receivables	2,865,534,596	4,743,499	2,860,791,097	2,577,133,828
Short-term investments	64,777,225		64,777,225	24,140,322
Cash and cash equivalents	101,177,583		101,177,583	265,471,323
Prepaid expenses	12,343,550		12,343,550	11,126,108
Total current assets	**3,080,691,300**	**12,871,664**	**3,067,819,636**	**2,905,958,415**
Bond redemption premiums	2,690,096		2,690,096	-
Unrealised foreign currency losses	42,738		42,738	
TOTAL ASSETS	**5,549,722,932**	**209,842,549**	**5,339,880,383**	**4,693,159,985**

Equity and liabilities *(in euros)*	31/12/2018	31/12/2017
EQUITY		
Share capital	80,732,904	80,691,404
Share premiums and reserves	703,522,567	663,441,212
Retained earnings		
Net profit for the period	37,371,035	111,201,810
Tax-regulated provisions	8,990,449	8,389,506
Total equity	**830,616,956**	**863,723,932**
Provisions for liabilities and charges	**17,189,824**	**26,939,619**
FINANCIAL LIABILITIES		
Borrowings and financial liabilities	3,860,454,225	3,185,638,228
Advances and downpayments received	248,362	1,357,800
Trade payables	43,750,885	32,786,477
Tax and payroll liabilities	129,921,780	93,655,421
Other financial liabilities	446,345,969	473,916,647
Prepaid income	8,330,921	11,384,497
Total financial liabilities	**4,489,052,140**	**3,798,739,071**
Unrealised foreign currency gains	3,021,463	3,757,364
TOTAL EQUITY AND LIABILITIES	**5,339,880,383**	**4,693,159,985**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

TABLE OF CONTENTS

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. 2018-07 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 policies;
- 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.

The parent company financial statements apply the provisions of ANC regulation 2015-05 relating to forward financial instruments and hedging transactions, which have been mandatory since 2017. That regulation had no impact on the 2018 parent company financial statements.

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 and adjusted for net debt.

   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 6.5% and 1.5% as at 31 December 2018);
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 one to five 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 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

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 investments 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 5 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 equity value or an enterprise value calculated on the basis of:

- the present value of future cash flows expected to be generated by its continued operation, adjusted for net debt (see section 1.2.1); or
- 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 payables 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 less than 6 months past due: 20% for files handled by the disputes department;
- 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 30 months past due: 50%;
- receivables more than 36 months past due: 100%.

1.2.6 Cash and cash equivalents

Cash and cash equivalents consist of cash 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, without any economic benefits with at least an equivalent value being received in return, 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.

Other than for bonds, 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.

Bond borrowing expenses are expensed directly in the relevant period.

1.2.9 Financial instruments and derivatives

Interest rate derivatives

The Company's financial liabilities mainly comprise floating 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 into fixed-rate liabilities and to optimise the risk profile of the Company's debt based on expected trends in interest rates.

During 2018, the Company continued its interest rate risk management policy, which is to build up a portfolio of financial instruments that qualify for hedge accounting.

Financial income and expenses associated with interest rate derivatives are recognised in the same manner and period as the income and expenses generated by the hedged item.

Premiums paid for caps are recognised in financial expenses over the period they cover.

Currency derivatives

The Company uses forward currency purchases and sales to hedge its future transactions in foreign currencies. Currency gains and losses on these derivatives are recognised in profit or loss in the same manner and period as the items they hedge. As a general principle, the Company uses derivatives solely for hedging purposes.

Any premiums and discounts on forward currency agreements are recognised in financial income and expense over the period they cover.

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, after the effects of any hedging.

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 redeveloped 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 the income tax calculated on its own earnings.

1.2.13 Tax credit for competitiveness and employment (CICE)

The third Amending Finance Act 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 carried out mergers of the following subsidiaries: SAS Résidence Normandie, SARL DFS Arcachon, SAS MDR La Chêneraie, SARL La Pergola, SARL Résidences Les Cèdres, SARL Résidence L'Atrium, SAS Résidence La Jonchère, SAS Le Clos Saint-Sébastien, SARL La Pastorale, SAS David, SAS MEDITER and SAS EMCEJIDEY.

The various assets and liabilities of these subsidiaries were absorbed and recognised in ORPEA's financial statements at the effective date of their transfer in 2018.

The transactions resulted in the recognition of €9.9 million of technical merger gains and €47.8 million of technical merger losses, with €9.6 million of the losses assigned to "Other intangible assets", €0.3 million to "Other property, plant and equipment" and €37.9 million to "Other financial assets".

1.4 Significant events in the year

Since 1 January 2018, the Company has continued its development, in France and abroad, by opening facilities following the completion of construction projects launched in previous years. As part of its acquisitions policy, ORPEA has also acquired new facilities and made some bolt-on acquisitions, directly or via companies, of individual assets necessary for its expansion, such as intangible rights (operating licences) and operating properties.

During 2018, ORPEA sold three facilities representing 237 beds and one of its buildings as part of an overall disposal of 11 businesses and dedicated property complexes.

The ORPEA Group also completed an inaugural €400 million public bond issue, tapping into a new pool of credit investors.

1.5 Subsequent events

Since 1 January 2019, the Company has continued its development, in France and abroad.

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	11,949			9,531		21,481
Concessions, patents	1,338,051	27,902	23,173		7,320	1,350,099
Commercial goodwill	76,282,055	2,969,389	11,248		2,470,530	81,710,725
Other intangible assets	204,552,226	576	4,616,918		9,652,582	209,588,467
Advances on intangible assets	1,818,468	98,000	18,000	(1,600,000)		298,469
TOTAL	**284,002,749**	**3,095,867**	**4,669,339**	**(1,590,469)**	**12,130,432**	**292,969,241**

Amortisation of gross intangible assets broke down as follows:

Amortisation	Beginning of period	Increase	Decrease	Merger	End of period
Start-up costs	9,308	113			9,421
Concessions, patents	1,216,554	49,892	22,701	9,413	1,253,157
Commercial goodwill	1	240,000			240,001
Other intangible assets	826,811	135,146	5,696	12,042	968,303
Advances on intangible assets	0				0
TOTAL	**2,052,674**	**425,150**	**28,396**	**21,454**	**2,470,883**

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	12,682,355		456,835		1,187,000	13,412,520
Buildings	270,055,568	4,800,202	10,425,028	25,345,121	10,173,703	299,949,565
Plant and facilities	58,456,630	4,210,840	1,609,075	(31,960)	1,810,272	62,836,708
Vehicles	499,451	5,018	11,791		12,460	505,139
Property, plant and equipment in progress	20,504,712	91,205,308	58,226,581	(25,214,516)	1,226,274	29,495,198
Other property, plant and equipment	42,065,982	1,795,226	2,932,114	(1,145)	1,300,095	42,228,042
TOTAL	**404,264,700**	**102,016,595**	**73,661,424**	**97,499**	**15,709,803**	**448,427,172**

Depreciation and impairment of gross property, plant and equipment was as follows:

Depreciation	Beginning of period	Increase	Decrease	Reclassification	Merger	End of period
Land	15,578		4,364			11,214
Buildings	80,109,991	10,673,529	3,380,978		1,587,963	88,990,505
Plant and facilities	47,197,386	3,784,753	1,304,221		1,729,676	51,407,593
Vehicles	463,172	13,630	47		188,172	664,927
Other property, plant and equipment	27,856,651	1,852,226	475,470		1,272,666	30,506,073
TOTAL	**155,642,778**	**16,324,139**	**5,165,079**	**0**	**4,778,477**	**171,580,313**

Financial assets

Movements in gross financial assets were as follows:

Gross	Beginning of period	Increase	Decrease	Reclassification	Merger	End of period
Investments in subsidiaries	1,179,689,587	597,973,937	5,490		(183,236,543)	1,594,421,491
Other investments	6,985					6,985
Receivables related to investments in subsidiaries	63,791,126					63,791,126
Loans	11,022,774	1,386,699	524,104		1,071,946	12,957,316
Other financial assets	15,597,117	38,369,344	10,992		(230,002)	53,725,467
TOTAL	**1,270,107,598**	**637,729,980**	**540,585**	**0**	**(182,394,599)**	**1,724,902,385**

The change in investments in subsidiaries derived principally from:

- an increase of €506 million in respect of the capital increases;
- an increase of €37 million following the acquisition of shares in new subsidiaries;
- a decrease of €183 million in respect of mergers.

The changes in "Other financial assets" derived primarily from movements in treasury shares and the reassignment of the technical merger losses.

"Loans" and "Other financial assets" break down as follows:

	31/12/2018	Up to one year	Over one year
Loans	12,957,316	22,295	12,935,021
Deposits and guarantees	3,912,283		3,912,283
Allocation of technical losses	46,774,915		46,774,915
Treasury shares	3,038,268	3,038,268	
TOTAL	**66,682,783**	**3,060,563**	**63,622,219**

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 39,146 shares with a carrying amount of €3.0 million were held in treasury at 31 December 2018.

Movements in provisions for financial assets were as follows:

Impairment	Beginning of period	Increase	Decrease	Merger	End of period
Investments in subsidiaries	13,438,919	9,395,895			22,834,814
Loans	39,107	45,770			84,877
TOTAL	**13,478,026**	**9,441,665**	**0**	**0**	**22,919,691**

2.1.2 List of subsidiaries and investments

Company	2018 revenue	Share capital	Percentage ownership	Profit or loss for the financial year	2018 equity	Carrying amount of investments 2018	
						Gross	Net
SCI Route des Écluses	231,494	303,374	99%	201,087	2,826,637	303,374	303,374
SCI Les Rives d'Or	35,316	1,524	99%	40,400	1,994,650	933,755	933,755
SCI du Château	195,857	1,524	99%	4,510,057	8,218,037	1,353,340	1,353,340
SCI Tour Pujols	(514,347)	1,524	99%	(287,620)	2,755,273	1,364,795	1,364,795
SCI La Cerisaie	70,673	1,524	99%	50,433	2,328,199	47,224	47,224
SCI Val de Seine	940,508	6,300,000	99%	(1,285,527)	745,468	6,946,798	6,946,798
SCI Cliscouet	99,600	1,524	99%	90,237	2,398,618	1,494	1,494
SCI Âge d'Or	231,647	2,549,161	99%	244,458	12,853,362	6,234,540	6,234,540
SCI Gambetta	78,922	1,524	99%	18,594	5,423,041	1,509	1,509
SCI Croix Rousse	1,264,954	1,524	99%	147,089	4,969,426	1,509	1,509
SCI Les Dornets	34,215	1,524	99%	26,429	1,311,351	1,494	1,494
SCI Château d'Angleterre	106,121	1,646	99%	264,517	8,823,187	1,763,577	1,763,577
SCI Montchenot	347,924	1,524	99%	72,578	11,036,454	1,286,933	1,286,933
SCI 115 rue de la Santé	5,315,160	3,300,000	90%	1,147,197	13,237,971	2,970,000	2,970,000
SCI Abbaye	5,257,592	6,000,000	90%	1,610,143	2,521,187	5,743,038	5,743,038
SCI Les Tamaris	2,162,048	1,524	99%	(1,763)	2,394,918	1,357	1,357
SCI Passage Victor Marchand	1,016,025	1,524	99%	(2,964,396)	(1,983,809)	1,509	1,509
SCI Fauriel	9,096,032	36,200,000	99%	468,336	25,243,128	37,455,332	37,455,332
SCI Port Thureau	30,574	1,524	99%	(2,120)	1,222,942	63,708	63,708
SCI de l'Abbaye	(550,000)	1,524	99%	(365,621)	1,173,477	1,509	1,509
SCI Les Maraichers	(1,019,083)	1,524	99%	(636,435)	2,455,827	99,595	99,595
SCI Bosguerard	50,000	1,524	99%	56,816	1,370,160	1,274,306	1,274,306
SCI Le Vallon	7,998,369	12,000,000	90%	(2,390,325)	10,157,193	12,831,856	12,831,856
SCI Brest Le Lys Blanc	5,942,635	16,000,000	98%	(1,408,373)	(374,921)	15,840,000	15,840,000
SCI Bel Air	108,387	1,524	99%	(99,792)	(432,397)	335,837	335,837
SAS CLINEA	691,505,021	194,008,608	100%	69,725,560	352,509,009	203,855,563	203,855,563
SARL Les Matines	1,514,515	18,500,000	100%	(348,317)	15,159,807	18,500,000	18,500,000
SARL Bel Air	42,765	1,265,327	100%	(372,126)	4,291,677	840,604	840,604
SARL Amarmau	30,000	7,622	100%	(33,239)	(1,199,464)	7,622	7,622
SARL 94 Niort	52,795,530	231,000,000	100%	8,968,745	286,364,849	231,000,000	231,000,000
SARL 95	0	7,700	100%	(27,023)	(860,829)	7,700	0
SCI Sainte Brigitte	0	1,525	100%	(29,898)	(750,508)	1,524	1,524
SARL VIVREA	2,353,751	4,050,000	100%	(852,574)	(667,048)	4,050,000	4,050,000
SA LES CHARMILLES	5,412,552	76,225	98%	440,435	5,215,214	3,094,117	3,094,117
SCI KOD'S	0	22,650	100%	(12,496)	626,383	68,116	68,116
SARL LA BRETAGNE	2,342,230	277,457	100%	(154,986)	(1,578,843)	41,300	41,300
SA BRIGE	0	1,200,000	100%	(58,662)	7,599,480	670,000	670,000
SRLORPEA ITALIA	24,544,920	7,100,000	100%	(4,253,448)	819,431	20,087,393	20,087,393

Company	2018 revenue	Share capital	Percentage ownership	Profit or loss for the financial year	2018 equity	Carrying amount of investments 2018	
						Gross	Net
SCI LES TREILLES	30,000	15,245	100%	54,700	2,402,136	2,363,698	2,363,698
SCI LES MAGNOLIAS	1,107,604	4,477,400	99%	(20,917)	745,515	4,474,450	4,474,450
SCI le Barbaras	190,000	182,939	0%	163,043	6,964,196	821	821
SARL DOMEA	148,590	100,000	100%	1,351	141,855	100,000	100,000
SARL 96	435,273	7,084,000	90%	(652,439)	8,022,061	20,975,600	20,975,600
SCI BEAULIEU	0	3,049	100%	(21,835)	(123,892)	30,490	0
SAS LA SAHARIENNE	3,239,030	1,365,263	100%	(216,634)	(1,642,989)	5,712,440	5,712,440
SARL ORPEA DEV	0	100,000	100%	(1,811)	870,710	100,000	100,000
SAS ORGANIS	6,332,571	37,000	100%	(3,225,481)	(10,251,122)	11,775,946	9,825,946
GRUPO CARE	165,797,861	63,921	100%	3,823,831	38,212,203	20,328,321	20,328,321
DINMORPEA	5,128,589	5,000	100%	1,680,694	3,689,629	5,000	5,000
SRL CASA MIA IMMOBILIARE	1,878,060	20,000,000	100%	(263,763)	14,380,871	13,089,120	13,089,120
SA ORPEA BELGIUM	10,473,920	81,500,000	100%	1,610,021	179,790,335	65,479,233	65,479,233
SA DOMAINE DE CHURCHILL	186,000	815,012	100%	(38,476)	17,260,893	12,135,729	12,135,729
SA DOMAINE DE LONGCHAMP	1,229,325	65,026	10%	(33,578)	12,117,598	1,414,449	1,414,449
SA LONGCHAMPS LIBERTAS	4,753,536	1,740,000	100%	148,747	4,032,548	554,719	554,719
SA RS DOMAINE DE CHURCHILL	2,509,260	265,039	100%	111,808	543,806	3,075,311	3,075,311
TRANSAC CONSULTING CORPORATION	0	3,009	100%	0	10,352	1,823,231	1,823,231
SAS Résidence Saint-Luc	2,780,007	37,200	100%	(501,723)	(5,099,466)	2,644,007	0
SARL Benian	0	1,000	20%	(434)	(47,834)	300,200	0
SCI JEM II	120,900	152	90%	71,902	688,580	883,500	883,500
SARL La Doyenne de Santé	4,678,048	8,000	50%	529,043	673,116	1,267,425	1,267,425
SCI Douarnenez	1,117,326	2,000,000	100%	(458,289)	(347,786)	1,980,000	1,980,000
SCI Barbacane	30,000	1,524	1%	25,660	1,025,910	15	15
SCI Selika	84,750	10,671	0%	47,735	5,730,743	15	15
SCI SLIM	(338,400)	762	100%	(231,351)	548,862	1,830	1,830
SCI SAINTES BA	1,195,676	1,524	1%	39,331	3,155,017	15	15
SCI Les Ânes	858,344	2,000,000	0%	(403,662)	907,019	2,000	2,000
SARL L'Ombrière	0	8,000	100%	(41,547)	(930,288)	822,027	0
SARL IDF résidence Ret. Le Sophora	4,208,920	7,622	100%	282,139	(902,209)	438,355	438,355
SNC les Jardins d'Escudie	3,141,960	4,800,000	100%	(40,620)	(209,833)	5,524,310	5,524,310
SC Les Praticiens	0	87,600	0%	1,057	69,033	67,009	0
SARL Résidence du Parc	0	18,560	100%	(13,428)	(54,145)	5,810	5,810
SCI du Fauvet	2,611,210	3,600,000	10%	(363,128)	1,479,647	104,291	104,291
OPCI	0	5,301,885	5%	242,791	5,545,579	479,732	479,732
SAS SFI France	0	4,000,000	51%	(48,042)	783,381	23,305,520	23,305,520
SCI Ainsi	44,607	22,867	0%	133,325	5,744,602	40,399	40,399
SNC des Parrans	0	7,622	100%	(590,518)	(1,002,752)	1,399,856	0

Company	2018 revenue	Share capital	Percentage ownership	Profit or loss for the financial year	2018 equity	Carrying amount of investments 2018	
						Gross	Net
SAS Holding Mandres	3,943,297	8,000	100%	501	1,063,564	3,325,832	3,325,832
SNC Les Acanthes	0	7,622	100%	8,713	(409,804)	1,468,434	0
SA Le Clos Saint-Grégoire	44,684	38,173	100%	95,811	1,787,088	4,676,964	4,676,964
SA Immobilière de Santé	9,208,000	7,828,400	49%	4,534,000	43,090,000	13,210,000	13,210,000
SARL DOMIDOM	19,840,908	19,970,100	100%	701,117	11,543,159	27,543,657	27,543,657
GCS	0	100,000	13%	0	1,016,576	23,300	23,300
SAS Immo Nevers	131,687	5,000	100%	(346,767)	4,620,169	5,000	5,000
SCI Castelviel	1,469,434	152	99%	(611,904)	(3,964,506)	5,192,113	4,428,463
SCI Super Aix	57,743	228,674	13%	(26,485)	1,814,924	478,537	478,537
SAS Actiretraite Montgeron	0	4,000	100%	(55,228)	(1,434,820)	746,843	0
SCI Parc Saint-Loup	0	150,000	100%	(26,581)	(518,532)	149,079	0
SCI Larry	0	150,000	100%	44,071	3,365,276	150,621	150,621
SA China Holding	0	10,000,000	100%	(442,045)	8,827,937	10,000,000	9,269,982
SARL Résidence de Balbigny	0	10,000	100%	(625)	8,891	10,000	10,000
SARL Résidence Parc de Royat	0	10,000	100%	(304)	9,212	10,000	10,000
SARL Maison de l'AAR	0	10,000	100%	(32,132)	(22,737)	5,000	5,000
SARL Résidence de L'Ambène	0	10,000	100%	(303)	9,213	10,000	10,000
SARL Résidence L'Angélique	0	10,000	100%	(359)	9,036	10,000	10,000
SARL Résidence Saint Martial	0	10,000	100%	(304)	9,212	10,000	10,000
SARL Résidence Marquisat	0	10,000	100%	(235)	9,577	10,000	10,000
SARL Résidence Parce des Noues	0	10,000	100%	(304)	9,212	10,000	10,000
SARL Résidence Les Pergolas	0	10,000	100%	(360)	9,035	10,000	10,000
SARL Résidence Du Lac	0	10,000	100%	(303)	9,213	10,000	10,000
SARL Résidence Saint Honorat	0	10,000	100%	(304)	9,212	10,000	10,000
SARL Résidence L'Atrium	0	10,000	100%	(328)	9,485	10,000	10,000
SARL Les Jardins d'Aurillac	0	10,000	100%	(303)	9,213	10,000	10,000
CEECSH	269,000	400,008,100	100%	(4,744,509)	389,879,777	497,490,952	497,490,952
CHINA CO.	2,070,565	7,932,769	51%	(1,846,361)	185,659	11,646,869	0
MEDI-SYSTÈME	16,664,891	161,500	100%	(1,063,348)	32,336,007	43,477,338	43,477,338
SARL Primavera Saint-Marc	1,815,502	100,000	100%	(485,826)	(5,165,184)	18,001	18,001
Gevea Senior	0	890,000	49%	1,481,946	2,371,946	682,251	682,251
Gevea Immo	0	890,000	49%	65,441	955,441	406,945	406,945
SAS Familisanté	8,739,218	4,851,200	57%	1,721,165	413,741	18,771,865	18,771,865
NIORPEA	0	100,000	100%	(553,934)	(559,666)	100,000	100,000
ORPEA NETHERLANDS BV	0	5,590,900	100%	0	5,590,900	5,590,900	5,590,900
ORPEA SUISSE SA	12,867,083	90,000	100%	(1,115,396)	59,277,395	63,993,829	63,993,829
ORPEA Latam	0	14,395,111	100%	0	14,395,111	14,395,111	14,395,111
Gevea Morges 49%	0	89,000	49%	54,849	143,849	42,281	42,281
Reine Bellevue	277,041	5,520,000	100%	(3,935,693)	(3,037,918)	5,514,000	5,514,000

Company	2018 revenue	Share capital	Percentage ownership	Profit or loss for the financial year	2018 equity	Carrying amount of investments 2018 Gross	Net
Cuxac	1,288,458	7,622	100%	3,323,993	1,091,984	400,000	400,000
Ca Santé	2,548,554	37,000	100%	1,877,030	2,363,191	3,123,500	3,123,500
SCI Mediter Foncier	0	1,000	100%	(2,486)	(51,488)	990	990
Mieux vivre	5,470,023	30,450,265	100%	12,582,371	72,740,621	49,349,038	49,349,038
SIS BRASIL	6,202,743	20,000	50%	1,029,565	4,235,689	15,000,200	15,000,200
SIS Portugal	0	18,600	49%	0	8,965	15,000,200	15,000,200
Other securities						534,634	426,002
Other securities (access)						0	0
TOTAL						**1,594,421,491**	**1,571,586,677**

2.1.3 Inventories and work in progress

	Gross at 31/12/2018	Provisions at 31/12/2018	Net at 31/12/2018	Net at 31/12/2017
Small items of equipment and supplies	2,241,767		2,241,767	1,783,317
Property projects in progress	8,880,560	1,188,655	7,691,905	5,538,825
TOTAL	**11,122,327**	**1,188,655**	**9,933,672**	**7,322,142**

The €7,691,905 in net property projects in progress include borrowing costs incurred over the construction period, which amounted to €279,341, compared with €248,689 at 31 December 2017.

This financial expense has been capitalised at an average rate of 3.5%, versus 3.8% in 2017.

2.1.4 Trade and other receivables

	Gross 31/12/2018	Impairment 31/12/2018	Net 31/12/2018	Net 31/12/2017
Trade receivables	21,336,932	6,939,510	14,397,422	16,429,568
Tax and payroll receivables	24,874,832		24,874,832	27,593,985
Group and associates	2,539,185,432		2,539,185,432	2,299,321,953
Miscellaneous receivables	301,474,333	4,743,499	296,730,834	250,217,891
TOTAL	**2,886,871,528**	**11,683,009**	**2,875,188,519**	**2,593,563,396**

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	5,688,764	3,452,353	3,048,689	847,083	6,939,510
Other miscellaneous receivables	13,911,467	29,384	9,445,419	248,067	4,743,499
TOTAL	**19,600,230**	**3,481,737**	**12,494,108**	**1,095,150**	**11,683,009**

2.1.5 Short-term financial assets

Net carrying amount	31/12/2017	Purchases	Sales	Impairment	Merger	31/12/2018
Term deposits*	24,140,322	40,636,903				64,777,225
Shares reserved for employees	0					0
(number)	-					0

* *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

Changes in share capital

	Number of shares issued	Share capital	Share premiums and reserves	Retained earnings	Net profit for the period	Tax-regulated provisions	Dividend payments	Total equity
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**
Appropriation of net profit			(30,258,339)	(363,900)	(29,908,916)		60,531,156	0
Other	252,015	315,018	(315,018)					0
Conversion of ORNANE bonds	3,945,167	4,931,458	167,060,902					171,992,360
Bonus share allotment plan	82,250	102,813		(102,813)				0
Dividend payments							(60,531,156)	(60,531,156)
Tax-regulated provisions						1,320,254		1,320,254
2017 net profit					111,201,810			111,201,810
At 31/12/2017	**64,553,123**	**80,691,404**	**663,441,212**	**0**	**111,201,810**	**8,389,506**	**0**	**863,723,932**
Appropriation of net profit			40,156,856		(111,201,810)		71,044,955	0
Other			(33,999)					(33,999)
Conversion of ORNANE bonds								0
Bonus share allotment plan	33,200	41,500	(41,500)					0
Dividend payments							(71,044,955)	(71,044,955)
Tax-regulated provisions						600,943		600,943
2018 net profit					37,371,035			37,371,035
AT 31/12/2018	**64,586,323**	**80,732,904**	**703,522,567**	**0**	**37,371,035**	**8,990,449**	**0**	**830,616,956**

The share capital stood at €80,732,904 at the end of the year. It consisted of 64,586,323 shares each with a par value of €1.25.

The General Meeting of the Shareholders on 28 June 2018 approved payment of a dividend in respect of the 2017 financial year of €1.1 per share, representing a total payout of €71,044,955 made in late July 2018.

Bonus share allotment plan

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 EBITDA- and revenue-based performance conditions.

The bonus share allotment to Category A and Category B grantees became definitive on 10 April 2017 and 10 April 2018 respectively, 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.

On 4 May 2017, the Board of Directors approved the introduction of a new bonus share allotment plan for corporate officers covering a total of 29,714 shares. The allotment will become definitive on 4 May 2019 subject to the satisfaction of performance criteria, and the shares will be covered by a two-year lock-up period.

On 13 December 2017, the Board of Directors approved the introduction of two other bonus share allotment plans for certain employees of ORPEA or its affiliated companies covering a total of 26,000 shares. The allotment will vest on 13 December 2020 for plan A employees and on 13 December 2021 for plan B employees, provided in both cases that the employees are still with the Group at those dates. A one-year lock-up period will apply to both plans.

Finally, on 28 June 2018, the Board of Directors approved the introduction of a new bonus share allotment plan for corporate officers covering a total of 44,701 shares. The allotment will vest on 28 June 2021 subject to the satisfaction of performance criteria.

The shares granted may consist of newly issued shares or existing shares purchased in the market.

The expense recorded in the financial statements for the period reflects solely the social security charges.

The value of the shares adopted as the base for the relevant employer's contribution reflects the closing share price at 31 December 2018.

2.1.7 Provisions

	Beginning of period	Merger	Charges in the year	Reversals in the year (provisions used)	Reversals in the year (provisions not used)	End of period
Labour disputes	7,557,548	1,314,488	2,256,364	1,555,708	1,411,780	8,160,912
Other	19,382,071	162,000	2,265,588	3,081,747	9,699,000	9,028,912
PROVISIONS FOR LIABILITIES AND CHARGES	**26,939,619**	**1,476,488**	**4,521,952**	**4,637,455**	**11,110,780**	**17,189,824**

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.

At 31 December 2018, "Other provisions for liabilities and charges" chiefly consist of provisions for tax risks.

2.1.8 Financial liabilities

	31/12/2018	31/12/2018	31/12/2017	31/12/2017
Borrowings and financial liabilities	3,860,454,225		3,185,638,228	
Financial liabilities maturing in 1 year or less		792,402,033		568,289,891
Financial liabilities maturing in more than 1 year and less than 5 years		1,843,835,773		1,998,381,169
Financial liabilities maturing in over 5 years		1,224,216,419		618,967,168
Trade payables	43,750,885		32,786,477	
Financial liabilities maturing in 1 year or less		43,750,885		32,786,477
Financial liabilities maturing in more than 1 year and less than 5 years				
Financial liabilities maturing in over 5 years				
Tax and payroll liabilities	129,921,780		93,655,420	
Financial liabilities maturing in 1 year or less		129,921,780		93,655,420
Financial liabilities maturing in more than 1 year and less than 5 years				
Financial liabilities maturing in over 5 years				
Group and associates	366,767,118		366,203,836	
Financial liabilities maturing in 1 year or less		366,767,118		366,203,836
Financial liabilities maturing in more than 1 year and less than 5 years				
Financial liabilities maturing in over 5 years				
Miscellaneous liabilities	79,827,211		112,827,975	
Financial liabilities maturing in 1 year or less		37,468,447		75,987,932
Financial liabilities maturing in more than 1 year and less than 5 years		42,358,764		36,840,043
Financial liabilities maturing in over 5 years				
TOTAL	**4,480,721,219**	**4,480,721,219**	**3,791,111,936**	**3,791,111,936**

New borrowings arranged during the year amounted to €1,007 million and borrowings of €636 million were repaid.

The "Group and associates" item comprises advances to the Group's subsidiaries.

"Other financial liabilities" chiefly comprise security deposits provided by residents (€42 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

In 2018, ORPEA Group completed the placement of an inaugural seven-year public bond issue of €400 million (due in March 2025) with an annual fixed-rate coupon of 2.625%.

The issue fits with the Group's financing strategy, which it initiated in 2012 and involves diversifying its funding sources. After private bond placements and *Schuldscheindarlehen* issues, issuing bonds in the public market will further expand its base of credit investors.

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

$$R2 = \frac{\text{Consolidated net debt}}{\text{Equity + quasi equity (i.e. deferred tax liabilities linked to the measurement of intangible operating assets under IFRS in the consolidated financial statements)}}$$

At 31 December 2018, 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 2018.

2.1.9 Financial instruments

At 31 December 2018, the following hedges were in place:

(in thousands of euros)	Notional value	Fair value at 31/12/2018
Effective caps	833,000	(6,957)
Caps with forward start date	95,000	(818)
Effective fixed-for-Euribor IRS	1,728,002	(20,124)
Forward dated fixed-for-Euribor IRS	5,597,000	(46,672)
TOTAL	**8,253,002**	**(74,571)**

(in thousands of euros)	Notional value	Fair value at 31/12/2018
Currency forwards (CHF)	99,953	(508)
Currency forwards (CZK)	81,181	(364)
Currency forwards (PLN)	8,643	(72)
TOTAL	**189,777**	**(944)**

2.1.10 Other liabilities

Accrued expenses

	31/12/2018	31/12/2017
Borrowings and financial liabilities	34,617,125	23,549,149
Trade payables	19,878,374	18,754,608
Tax, payroll and miscellaneous liabilities	42,709,581	39,413,685
TOTAL	**97,205,080**	**81,717,442**

Accrued income

	31/12/2018	31/12/2017
Financial receivables	20,655	26,241
Trade receivables	2,917,157	5,837,785
Other receivables	47,979,181	13,989,457
TOTAL	**50,916,993**	**19,853,483**

Prepaid expenses

	31/12/2018	31/12/2017
Operating	519,503	654,552
Financial	11,824,047	10,471,556
Non-recurring		
TOTAL	**12,343,550**	**11,126,108**

The change was mainly caused by prepaid expenses arising on the bond issues carried out during the year.

Prepaid income

	31/12/2018	31/12/2017
Operating	8,330,921	11,384,497
TOTAL	**8,330,921**	**11,384,497**

Unrealised foreign currency gains

	31/12/2018	31/12/2017
Subsidiaries	3,021,463	3,757,364
TOTAL	**3,021,463**	**3,757,364**

2.1.11 Related-party disclosures

Entities	Other receivables	Other payables	Other financial income	Financial expense
Wholly-owned Group subsidiaries	2,539,185,432	366,767,118	81,535,249	13,943,185
Other subsidiaries	57,061,013	18,786	392,602	0

2.2 Income statement

2.2.1 Revenue

	2018	2017
Operation of nursing homes	863,552,906	754,643,656
Sale of properties	2,709,421	37,450,743
TOTAL	**866,262,327**	**792,094,399**

2.2.2 Operating income

	2018	2017
Operation of nursing homes	863,552,906	754,643,656
Operating revenue	**863,552,906**	**754,643,656**
Sale of properties	2,709,421	37,450,743
Capitalised production of properties	2,753	11,823,623
Production transferred to inventories	(2,507,492)	(40,686,454)
Income from property activities	**204,682**	**8,587,912**
Other capitalised production	4,705,054	5,155,020
Operating subsidies	226,547	316,671
Reversals of provisions and expense transfers	30,394,603	31,952,960
Other income	62,132	(399,817)
Other operating income	**35,388,336**	**37,024,834**

2.2.3 Expense transfer

	2018	2017
Restructuring and development costs	1,427,840	1,425,137
Capitalised expenses	2,969,389	2,219,231
Insurance payouts	1,380,868	474,062
Provident fund payouts	5,693,991	4,403,612
Training refunds	3,166,355	3,187,942
Sickness payouts	143,593	167,564
Capitalised borrowing costs on property projects	42,790	53,044
Miscellaneous	155,134	56,762
TOTAL	**14,979,960**	**11,987,354**

2.2.4 Net finance cost

	2018	2017
Interest on bank borrowings and other financial expenses	(77,898,056)	(67,910,892)
Net losses on financial instruments	(31,812,357)	(30,585,316)
Foreign exchange losses	(4,941,843)	(1,655,237)
Impairment losses on securities	(9,407,755)	0
Other expenses	(55,369)	(7,264)
Income from investments		100,000,000
Net gains on inter-company current accounts	67,984,666	47,180,129
Capitalised financial expenses	42,790	53,044
Net income from sale of short-term investments	138,543	(57,619)
Foreign exchange gains	6,061,497	932,215
Other income	5,928,491	5,047,388
NET FINANCE COST	**(43,959,392)**	**52,996,448**

2.2.5 Net non-recurring items

	2018		2017	
Non-recurring income		**107,995,658**		**65,573,021**
On management transactions	10,814,713		933,220	
of which technical merger gains	9,891,906			
On capital transactions	84,438,762		63,999,162	
of which sale of financial assets	5,490		0	
Reversals of provisions and expense transfers	12,742,183		640,638	
Non-recurring expenses		**82,910,511**		**74,542,120**
On management transactions	4,661,080		3,283,585	
of which cost of acquisitions	1,427,840		1,425,137	
of which caretaking costs	203,671		186,772	
of which property expenses	192,834		108,782	
On capital transactions	75,442,765		67,095,547	
of which sale of financial assets	5,490		1,978,770	
Non-recurring depreciation, amortisation and charges to provisions	2,806,666		4,162,987	
of which development-related receivables			0	
NET NON-RECURRING ITEMS		**25,085,146**		**(8,969,099)**

	2018	2017
Capital gains and losses on asset retirements	8,995,997	(3,096,385)
Restructuring and development expenses	(3,148,409)	(2,017,542)
Provisions for miscellaneous receivables	10,615,133	(2,285,643)
Accelerated tax depreciation/amortisation	(679,617)	(1,236,706)
Miscellaneous expenses	(589,864)	(439,814)
Technical merger gain/(loss)	9,891,906	106,991
NET NON-RECURRING ITEMS	**25,085,146**	**(8,969,099)**

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 2018, the ORPEA tax consolidation group's aggregate taxable income was €155,118,317, including ORPEA SA's taxable income of €42,605,607 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 €17,537,186 in tax expense shown in ORPEA SA's financial statements breaks down as follows:

	Before income tax	Income tax	After income tax
Operating income	73,782,467	(19,194,054)	54,588,413
Net finance cost	(43,959,392)	9,537,394	(34,421,998)
Net non-recurring items	25,085,146	(9,475,061)	15,610,085
Income tax on dividends and other		1,594,536	1,594,536
BOOK PROFIT	**54,908,221**	**(17,537,186)**	**37,371,035**

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: €42,192 thousand,
  - unrealised gains on securities subject to a tax deferral as a result of mergers: €24,565 thousand;
- deductions to be made in future years:
  - organic levy: €1,364 thousand,
  - exchange difference: €3,021 thousand.

3. FINANCIAL COMMITMENTS AND OTHER DISCLOSURES

3.1 Off-balance sheet commitments

Financing-related commitments

Financial commitments

Contractual commitments *(in thousands of euros)*	31/12/2018	31/12/2017
Receivables sold not yet matured (Dailly regime, etc.)	0	0
Pledges, mortgages and other security	243,373	272,282
TOTAL	**243,373**	**272,282**

Contractual commitments *(in thousands of euros)*	31/12/2018	Payments due by period		
		less than 1 year	from 1 to 5 years	over 5 years
Long-term borrowings	3,860,454	792,402	1,843,836	1,224,216
Finance lease obligations	150,374	41,514	104,222	4,638
TOTAL	**4,010,828**	**833,916**	**1,948,058**	**1,228,855**

Finance leases

	Property finance leases	Equipment finance leases
Value at inception of lease	36,200,001	228,685,182
Lease payments during period	4,265,960	33,170,170
Total lease payments in previous periods	10,723,268	68,739,351
Theoretical depreciation for period	761,045	27,965,175
Accumulated depreciation in respect of previous periods	2,730,545	48,303,798
Lease payments outstanding – due in one year or less	4,369,026	37,144,676
Lease payments outstanding – due in more than one year but less than five years	15,323,247	88,898,939
Lease payments outstanding – due in over five years	4,638,093	0
Buyout value	4,860,000	442,947

Commitments to employees

Lump-sum benefits payable upon retirement calculated using the projected unit credit method totalled €13,249 thousand at 31 December 2018, compared with €10,727 thousand at 31 December 2017.

The main actuarial assumptions adopted at 31 December 2018 are as follows:

- salary increase rate: 2% including inflation;
- discount rate: 1.60%;
- retirement age: 65;
- social security contribution rate: in line with 2018 figures.

The amount paid by the Company in lump-sum retirement benefits amounted to €495,417 in 2018.

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 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 by its Belgian subsidiaries.

3.2 Employees

At 31 December 2018, ORPEA SA's headcount on a full-time equivalent basis was as follows:

	31/12/2018	31/12/2017
Managers	1,032	866
Other employees	10,112	8,777
TOTAL	**11,145**	**9,643**

3.3 Benefits granted to corporate officers

The total amount of gross remuneration, fees (excluding all taxes) and benefits paid during the 2018 financial year to ORPEA SA's corporate officers was €2,679 thousand, including €745 thousand of directors' attendance fees.

6.2 STATUTORY AUDITORS' REPORT ON THE PARENT-COMPANY FINANCIAL STATEMENTS

This is a translation into English of the Statutory Auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This Statutory Auditors' report includes information required by European regulation and French law, such as information about the appointment of the Statutory Auditors or verification of the information concerning the Group presented in the management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended 31 December 2018

To the shareholders of ORPEA,

OPINION

In accordance with our appointment as Statutory Auditors by your General Meeting, we have audited the accompanying parent-company financial statements of ORPEA for the year ended 31 December 2018.

In our opinion, the parent-company financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2018 and of the results of its operations for the year in accordance with French accounting principles.

The opinion formulated above is consistent with the content of our report to the Audit Committee.

BASIS OF OUR OPINION

AUDIT

We conducted our audit in accordance with professional standards applicable in France. We believe that the information that we collected provides a sufficient and appropriate basis for our opinion.

Our responsibilities under those standards are stated in the "Responsibilities of the Statutory Auditors in relation to auditing the parent-company financial statements" section of this report.

INDEPENDENCE

We conducted our audit in accordance with the independence rules applicable to us between 1 January 2018 and the date on which we issued our report, and in particular we did not provide any services forbidden by Article 5, paragraph 1 of Regulation (EU) No. 537/2014 or by the code of conduct of the Statutory Auditors' profession in France.

JUSTIFICATION OF OUR ASSESSMENTS – KEY AUDIT MATTERS

As required by Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters, relating to what were, in our professional judgment, the main risks of material misstatement in relation to our audit of the year's parent-company financial statements, and our responses to those risks.

Those assessments were made in the context of our audit of the parent-company financial statements taken as a whole and in the formation of our opinion stated above. We express no opinion on items of the parent-company financial statements taken in isolation.

VALUATION OF INVESTMENTS IN SUBSIDIARIES AND RELATED RECEIVABLES

Risks identified

Investments in subsidiaries including the associated technical merger losses and related receivables, which are shown on the balance sheet at 31 December 2018 at a net amount of €1,682 million, represent one of the largest items on the balance sheet.

They are recognised at the date of acquisition at cost plus related expenses. At the end of the period, they are stated at their value in use, which represents what the Company would agree to pay to obtain them if it had to purchase them, less any impairment.

As stated in Note 1.2.3. to the financial statements, value in use is determined by management according to the category of securities:

- either based on the proportion of equity at the end of the period;
- or based on the present value of future cash flows expected to be generated by its continued operation, adjusted for net debt;
- or realisable value net of selling costs.

Estimating the value in use of these securities requires management to exercise its judgment in its choice of parameters to be considered according to the relevant investments. Depending on the circumstances, these parameters may be historical figures (equity, for certain entities, or revaluation at fair value of operating licences attached to each company and/or property assets) or forecasts.

Given the material nature and characteristics of the parameters to be considered by management when valuing investments in subsidiaries, we considered that the valuation of investments in subsidiaries and related receivables represented a key audit matter.

Audit procedures implemented to address the risks identified

When assessing the reasonableness of the estimate of the value in use of investments in subsidiaries, and based on the information presented to us, our work principally consisted of the following:

- for valuations based on historical information, checking that the equity figures agreed with the financial statements of entities and that any adjustments made to equity were based on appropriate documentation;
- for valuations based on forecasts:
  - obtaining and ensuring that the cash flow forecasts of the relevant entities, prepared under the oversight of executive management, are documented appropriately in line with the economic environment;
  - assessing the reasonableness of the assumptions adopted, including the discount rate and perpetual growth rate for future cash flows;
  - comparing the forecasts adopted for previous periods with corresponding actual figures to consider attainment of past objectives;
  - testing the arithmetic accuracy of calculations of the value in use adopted by the Company;
  - ensuring that the value produced by cash flow projections has been adjusted by the amount of the relevant entity's debt.

Where the value in use is lower than the cost of the investments in subsidiaries, including associated technical losses, we verified that an impairment loss was recognised in respect of the difference.

Aside from assessing the value in use of investments in subsidiaries, our work also consisted of:

- assessing the recoverability of the related receivables with respect to the analysis conducted on the investments in subsidiaries;
- checking that a provision has been set aside to cover risks where the Company has undertaken to incur the losses on an investment with negative equity.

Lastly, we checked that Notes 1.2.3, 2.1.1 and 2.1.2 provided appropriate disclosures.

SPECIFIC VERIFICATIONS

We also performed, in accordance with professional standards applicable in France, the specific verifications required by statutory and regulatory provisions.

INFORMATION PROVIDED IN THE MANAGEMENT REPORT AND IN OTHER DOCUMENTS CONCERNING THE FINANCIAL POSITION AND PARENT-COMPANY FINANCIAL STATEMENTS ADDRESSED TO THE SHAREHOLDERS

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents with respect to the parent-company financial position and financial statements addressed to shareholders.

We confirm that the information relating to payment times, provided for by under Article D. 441-4 of the French Commercial Code, is accurate and agrees with the parent-company financial statements.

We confirm that the declaration of extra-financial performance provided for by Article L. 225-102-1 of the French Commercial Code is contained in the management report, it being stipulated that, in accordance with Article L. 823-10 of the same Code, we have not checked the accuracy of the information contained in that declaration or whether it agrees with the parent-company financial statements.

CORPORATE GOVERNANCE REPORT

We confirm that the information required pursuant to Article L. 225-37-3 and L. 225-37-4 of the French Commercial Code is contained in the Board of Directors' report on corporate governance.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code relating to the remuneration and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by the Company from companies controlling the Company or controlled by it. Based on this work, we confirm that this information is accurate and fairly presented.

OTHER INFORMATION

In accordance with French law, we verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders or the holders of voting rights has been properly disclosed in the management report.

INFORMATION RESULTING FROM OTHER STATUTORY AND REGULATORY OBLIGATIONS

APPOINTMENT OF THE STATUTORY AUDITORS

Deloitte et Associés was appointed as Statutory Auditors of ORPEA by the General Meeting of the Shareholders of 29 June 2006, and Saint-Honoré BK&A by the General Meeting of 27 June 2008.

At 31 December 2018, Deloitte et Associés was in its 13th year of uninterrupted engagement and Saint-Honoré BK&A in its 11th year of uninterrupted engagement, or 13 and 11 years respectively since the Company's shares were admitted to trading on a regulated market.

RESPONSIBILITIES OF MANAGEMENT AND PERSONS INVOLVED IN CORPORATE GOVERNANCE IN RELATION TO THE PARENT-COMPANY FINANCIAL STATEMENTS

Management is responsible for preparing parent-company financial statements that present a true and fair view, in accordance generally accepted accounting principles in France, and for setting up the internal controls it deems necessary for preparing parent-company financial statements that do not contain any material misstatements, whether due to fraud or error.

When preparing the parent-company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for presenting in its financial statements any necessary information relating to its status as a going concern, and for applying the accounting concept of going concern, except where there is a plan to liquidate the Company or discontinue its operations.

The Audit Committee is responsible for monitoring the process of preparing the financial information and for monitoring the effectiveness of internal control and risk management systems, and internal audit systems as the case may be, as regards procedures relating to the preparation and treatment of accounting and financial information.

The parent-company financial statements are the responsibility of the Board of Directors.

RESPONSIBILITIES OF THE STATUTORY AUDITORS IN RELATION TO AUDITING THE PARENT-COMPANY FINANCIAL STATEMENTS

AUDIT OBJECTIVE AND PROCEDURE

Our responsibility is to prepare a report on the parent-company financial statements. Our objective is to obtain reasonable assurance about whether the parent-company financial statements, taken as a whole, are free of material misstatement. Reasonable assurance means a high level of assurance, although there is no guarantee that an audit conducted in accordance with professional standards will systematically detect all material misstatements. Misstatements may arise from fraud or error, and are regarded as material when they can reasonably be expected, individually or together, to influence the economic decisions that users of the financial statements take on the basis of those statements.

As stated by article L. 823-10-1 of the French Commercial Code, our audit assignment does not involve guaranteeing the viability of your Company or the quality of its management.

When conducting an audit in accordance with professional standards in France, Statutory Auditors use their professional judgment throughout the audit. In addition:

- they identify and assess the risks that the parent-company financial statements contain material misstatements, whether through fraud or error, define and implement audit procedures to address those risks, and collect information that they regard as sufficient and appropriate as the basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, falsification, voluntary omissions, false statements or the circumvention of internal controls;
- they familiarise themselves with the internal controls relevant to the audit, in order to define audit procedures appropriate to the situation in hand, and not in order to express an opinion on the effectiveness of internal control;
- they assess the appropriateness of accounting policies adopted and the reasonableness of accounting estimates made by management, along with information about those estimates provided in the parent-company financial statements;
- they assess whether management has applied appropriately the going concern convention and, based on information collected, whether or not there is a material uncertainty arising from events or circumstances likely to call into question the Company's ability to continue as a going concern. That assessment is based on information collected until the date of the auditors' report, although it should be borne in mind that subsequent circumstances or events may call into question the Company's status as a going concern. If the auditors conclude that there is a material uncertainty, they draw the attention of those reading their report to information provided in the parent-company financial statements in relation to that uncertainty or, if that information is not provided or is not relevant, they certify the financial statements with reservations or refuse to certify them;
- they assess the overall presentation of the parent-company financial statements and assess whether the parent-company financial statements reflect the underlying operations and events so that they give a true and fair view.

REPORTING TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee that includes the extent of audit work and the schedule of work performed, along with the conclusions arising from our work. We also make it aware, as the case may be, of any material internal control weaknesses that we have identified regarding procedures for preparing and treating accounting and financial information.

The information in the report to the Audit Committee includes what we regard as the main risks of material misstatements with respect to the audit of the year's parent-company financial statements, and which are therefore the key points of the audit. It is our role to describe those points in the present report.

We also provide the Audit Committee with the declaration provided for by Article 6 of Regulation (EU) No. 537-2014 confirming our independence, within the meaning of the rules applicable in France, as determined in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of conduct of the statutory audit profession in France. As the case may be, we discuss with the Audit Committee any risks to our independence and the safeguard measures applied.

Paris and Paris-La Défense, 3 May 2019

The Statutory Auditors

Saint-Honoré BK&A	**Deloitte & Associés**
Emmanuel KLINGER	Jean-Marie LE GUINER

7

Key information about the Company

7.1 KEY PROVISIONS OF THE ARTICLES OF ASSOCIATION

The following section presents how ORPEA (hereinafter referred to as the "Company"), a *société anonyme* [public limited company] with a Board of Directors governed by the French Commercial Code and its implementing decrees and by its Articles of Association operates. Its Articles of Association were not amended in 2018, except for adjustments required for the Articles of Association to comply with the Sapin II law's new rules on transfers of headquarters.

The Company's Articles of Association have been updated to reflect the decisions made by the Company's Chief Executive Officer on 10 April 2018 and 4 May 2019, formally recording the increases in its share capital following the bonus allotment to executive officers and certain senior managers.

The Articles of Association are available on request from the Company's head office.

The Company was incorporated on 22 May 1995 with a corporate life of 99 years. It was registered in Paris on 22 June 1995 under No. 113-6-3-358. The Company's registered office is at 12, rue Jean-Jaurès, 92813 Puteaux Cedex, France (tel.: +33 (0)1 47 75 78 07).

7.1.1 REGISTERED OFFICE

ARTICLE 4 – REGISTERED OFFICE

The registered office is located at 12, rue Jean-Jaurès, 92813 Puteaux Cedex.

The Board of Directors may decide to transfer the registered office to any location in France, subject to ratification of the decision by shareholders at the subsequent Ordinary General Meeting.

The transfer of the registered office to a location outside France entails a change in the Company's nationality.

7.1.2 CORPORATE OBJECTS

ARTICLE 2 – OBJECTS

The Company's corporate objects are:

- creating, developing, acquiring, managing and operating, directly or indirectly, all types of care facilities, post-acute and rehabilitation hospitals, 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 for equity instruments in all existing or future companies and creating and managing all financial investments; (…)

and more generally, conducting any and 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.

7.1.3 GOVERNING AND EXECUTIVE BODIES

Articles 14 to 21 of the Articles of Association lay down the *modus operandi* of the Company's governing and executive bodies.

ARTICLE 14 – FORM OF EXECUTIVE MANAGEMENT

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 shall be responsible for the executive management of the Company.

The Board of Directors may select one of two executive management structures, in accordance with the following conditions:

- the choice shall 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.

Shareholders and third parties shall be informed of the choice made by the Board as provided for by the *Conseil d'État* [France's supreme administrative court] decree.

When the Chairman of the Board of Directors is entrusted with responsibility for executive management of the Company, the provisions below relating to the Chief Executive Officer shall apply to him/her.

ARTICLE 15 – BOARD OF DIRECTORS

1. The Company shall be governed by a Board of Directors made up of at least three and no more than eighteen members, subject to the special cases provided for in law.

   During the life of the Company, the directors shall be appointed or reappointed by the Ordinary General Meeting of the shareholders. However, in the event of a merger or demerger, appointments may be made by the Extraordinary General Meeting called to approve the transaction.
2. They are appointed for a term in office of four years and may be reappointed.

   As an exception to the rule, to stagger the terms in office of the members of the Board of Directors, members of the Board of Directors who are to be appointed at the General Meeting called to approve the financial statements for the financial year ended 31 December 2010, may be appointed for a period of two, three or four years.

   The duties of a director shall come to an end at the close of the Ordinary General Meeting approving the financial statements for the previous financial year, held in the year during which said director's term in office expires.

Directors shall always be eligible for re-election. They may be dismissed at any time by shareholders at the Ordinary General Meeting.

A person may not be appointed as a director if they are aged 75 or over and more than one-third of the members of the Board of Directors would then be 75 or over. When this upper limit has been exceeded, the oldest director shall automatically be deemed to have resigned at the close of the Ordinary General Meeting to be called to approve the financial statements for the financial year in which the level was breached.

3. The directors may be individuals or legal entities. Upon their appointment, legal entities must designate a permanent representative who is then subject to the same conditions and requirements and who carries the same responsibilities as if appointed a director in his/her own right, without prejudice to the joint and several liability of the legal entity that s/he represents.

   The permanent representative's term in office shall coincide with that of the legal entity that s/he represents.

   If the legal entity terminates the appointment of its permanent representative, it shall be obliged to inform the Company immediately by registered letter of this termination, as well as of the identity of its new permanent representative. The same shall apply in the event of the death, resignation or prolonged unavailability of the permanent representative.

4. Should one or more seats on the Board become vacant through the death or resignation of directors, the Board of Directors may make provisional appointments between two General Meetings.

   It must do so to restore its numbers within three months of the date on which the vacancy arose, when the number of directors has fallen below the minimum level specified in the Articles of Association, without dropping below the statutory minimum.

   The appointments made by the Board shall be subject to ratification at the subsequent Ordinary General Meeting. Even without ratification, the decisions made and the actions performed prior thereto by the Board shall remain valid.

   Where the number of directors has fallen below the statutory minimum, the remaining directors must immediately convene the Ordinary General Meeting with a view to making the requisite number of appointments to the Board.

   The term in office of a co-opted director shall end on the expiry date of the appointment of the director s/he replaced.

5. Individual directors may not belong concurrently to more than five boards of directors or supervisory boards of *sociétés anonymes* [public limited companies] with their registered office in France, subject to exceptions provided for in law.

   An employee of the Company may not be appointed as a director unless his/her employment agreement is for an actual job. S/he does not lose the benefit of this employment agreement.

   The number of directors bound to the Company by an employment agreement may not exceed one-third of the total number of directors.

6. The General Meeting may award a fixed annual sum to directors as directors' fees, and the amount of these fees is left unchanged until a further decision is made. How this sum is divided up between directors shall be determined by the Board of Directors.

   Directors may not receive any permanent or non-permanent forms of remuneration other than those provided for in law.

ARTICLE 15-1 – DIRECTORS REPRESENTING THE EMPLOYEES

In addition to directors, whose number and method of appointment are provided for in Article 15 of these Articles of Association, the Board of Directors shall include directors representing employees in accordance with law No. 2013-504 of 14 June 2013 and subject to the statutory provisions in force and these Articles of Association.

The number of directors representing employees shall be equal to two when the number of directors referred to in Articles L. 225-17 and L. 225-18 of the French Commercial Code exceeds twelve and to one where it is equal to or less than twelve.

When a single director representing employees has to be appointed, s/he is chosen by the Central Works Committee or, in the absence of such a committee, by the Works Committee.

When two directors representing employees have to be appointed, the second is also chosen by the Central Works Committee or, in the absence of such a committee, by the Works Committee.

Should the number of directors referred to in Articles L. 225-17 and L. 225-18 of the French Commercial Code during the course of a financial year exceed twelve, the Chairman of the Board shall, within a reasonable period of time, invite the Central Works Committee or, in the absence of such a committee, the Works Committee, to appoint a second director representing employees whose term in office shall begin at the first meeting of the Board of Directors after his/her appointment.

Should the number of directors referred to in Articles L. 225-17 and L. 225-18 of the French Commercial Code during the course of a financial year fall to twelve or below, the term in office of the director representing employees shall continue until its end, but shall not be renewed if the number of directors remains at twelve or below at the date of his/her reappointment.

The term in office of directors representing employees shall be three years. Their term in office shall begin at the expiry date of the term in office of the outgoing directors representing employees. Their duties shall expire at the close of the General Meeting called to approve the financial statements for the previous financial year, held in the year during which their term in office expires. As an exception to the rule, the first directors representing employees shall take up their office during the first meeting of the Board of Directors after their appointment.

The term in office of directors representing employees shall end automatically in the event of termination of their employment agreement, dismissal in accordance with Article L. 225-32 of the French Commercial Code or in the event of an incompatibility as provided for in Article L. 225-30 of the French Commercial Code.

Subject to the provisions of this article or the law, directors representing employees shall have the same status, the same powers and the same responsibilities as the other directors.

In an exception to the provisions of Article 16 of the Articles of Association, directors representing the employees are not obliged to hold a minimum number of the Company's shares during their term in office.

In the event of a vacancy arising by death, resignation, dismissal, termination of employment agreement or for any other reason among the directors representing employees, the vacancy is filled in accordance with the provisions of Article L. 225-34 of the French Commercial Code. The Board of Directors shall be able to meet and transact business validly prior to the replacement of the director (or, where appropriate, the directors) representing employees.

The provisions of this Article 15-1 shall cease to apply where at the end of a financial year, the Company no longer meets the prior requirements for the appointment of directors representing employees, it being stated that the term in office of any director representing the employees appointed in accordance with this Article shall expire at its end.

ARTICLE 16 – QUALIFYING SHARES

Except for employee directors who are shareholders and directors representing employees, every director must hold at least one of the Company's shares.

If a director does not own the requisite number of shares at the date of his/her appointment or if, during his/her term in office, s/he no longer holds them, s/he is automatically deemed to have resigned unless s/he rectifies the situation within six months.

ARTICLE 17 – MEETINGS OF THE BOARD

1. The Board shall meet as often as required in the interests of the Company when convened by its Chairman.

   When it has not met for more than two months, one-third at least of the members of the Board of Directors may ask the Chairman to convene a meeting to consider a specific agenda.

   The Chief Executive Officer may also ask the Chairman to convene a meeting of the Board of Directors to consider a specific agenda. The Chairman shall be bound by the requests made to him/her.

   Meetings shall be held at the Company's registered office or at any other location indicated in the notice of meeting.

   The notice may be communicated by any and all means. It shall state precisely the matters that will be considered. Notice may even be given orally, and the meeting may take place immediately if all the directors consent.
2. The quorum requirement for the Board to transact business validly is met when at least half the Board members are present.

   The Board of Directors may permit its members to participate in meetings by means of videoconferencing or telecommunications technology where they can be identified and their effective participation in the meeting is guaranteed, subject to the requirements of the regulations in force. These technologies must carry at least the voice of the participants and meet the relevant technical requirements for the continuous and simultaneous transmission of the meeting's proceedings.

   A director may represent another director if granted special powers to do so.

   Decisions shall be made by a majority vote of those members present or represented, except for the choice of the form of executive management. The Chairman holds a casting vote.

   In accordance with the statutory and regulatory requirements, the Board's Internal Rules of Procedure may state that directors participating in Board meetings by videoconferencing technology shall be deemed present for the purpose of calculating the quorum and majority requirements.
3. Executive managers may attend Board meetings at the Chairman's request.
4. Directors, and any person called to attend meetings of the Board of Directors, shall be obliged to treat information of a confidential nature presented as such by the Chairman of the Board of Directors in the strictest confidence.
5. Minutes shall be drawn up, and copies or excerpts of the proceedings are issued and certified as accurate in accordance with the law.

ARTICLE 18 – POWERS OF THE BOARD

The Board of Directors shall set the Company's strategic priorities and oversee their implementation. Subject to the powers expressly granted by law to General Meetings and where they do not exceed the scope of the corporate objects [*ultra vires*], the Board shall consider any matters affecting the smooth running of the Company and settle any issues concerning it.

The Company shall remain bound by even those actions of the Board of Directors that fall outside of the Company's corporate objects, unless the Company can prove that the third party knew that such action fell outside of the scope of its corporate objects, or could not have failed to know in the circumstances. Publication of the Articles of Association shall not itself constitute sufficient proof thereof.

The Board of Directors shall conduct the controls and checks that it deems appropriate. Each director shall receive all the requisite information to carry out his/her duties and may ask to receive any and all documents that s/he deems useful.

ARTICLE 19 – CHAIRMAN OF THE BOARD OF DIRECTORS

1. The Board of Directors shall elect, from among its members, a Chairman, who must be a natural person, and shall set his/her remuneration.

   The Chairman is appointed for a period of time that may not exceed the duration of his/her appointment as a director. S/he may be reappointed.

   The Chairman of the Board of Directors may not be more than 80 years of age. Should a Chairman reach this age limit, s/he 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.

   In the event of temporary unavailability, these duties shall be delegated for a limited period of time. The delegation of duties may be extended for a further period. Where the Chairman has died, the delegation shall be valid until a new Chairman has been elected.
2. 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. S/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.

   The Chairman of the Board of Directors shall be informed by the relevant party of agreements concerning continuing transactions entered into on an arm's length basis. The Chairman shall communicate a list and the purpose of the aforementioned agreements to members of the Board and the Statutory Auditors.

ARTICLE 20 – HONORARY CHAIRMAN

The Board of Directors may appoint one or more Honorary Chairmen. This honorific title is awarded to an individual who previously served as Chairman of the Board of Directors. The Honorary Chairman may be invited to attend meetings of the Board of Directors, solely in a consultative capacity. S/he must adhere to the Board's Internal Rules of Procedure.

ARTICLE 21 – EXECUTIVE MANAGEMENT

1. The Company's executive management shall be the responsibility of an individual appointed by the Board of Directors and bearing the title 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 be removed from office at any time by the Board of Directors. The same shall apply to the Chief Operating Officers on the recommendation of the Chief Executive Officer. Compensation may have to be paid in the event of an unfair dismissal unless the Chief Executive Officer also acts as Chairman of the Board of Directors.

   The Chief Executive Officer may not be more than 75 years of age. Should s/he reach this age limit, s/he shall be deemed to have resigned.

   Should the Chief Executive Officer cease to exercise or become prevented from exercising his 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.

   The Board of Directors shall determine the remuneration of the Chief Executive Officer and the Chief Operating Officer(s).
2. The Chief Executive Officer shall hold the broadest powers to act on the Company's behalf in all circumstances. S/he shall exercise these powers within the limits of the corporate objects and subject to those that the law expressly allocates to the 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 objects, unless the Company can prove that the third party knew that such action fell outside of the scope of its corporate objects, or could not have failed to know in the circumstances. Publication of the Articles of Association shall not itself constitute sufficient proof thereof.

   The decisions by the Board of Directors restricting the powers of the Chief Executive Officer shall not be binding on third parties.
3. In conjunction with the Chief Executive Officer, the Board of Directors shall determine the scope and duration of the powers granted to the Chief Operating Officers. Chief Operating Officers shall have the same powers vis-à-vis third parties as the Chief Executive Officer.
4. The Chief Executive Officer or the Chief Operating Officers may, within the restrictions laid down in the legislation in force, delegate the powers they deem appropriate, for one or more stated purposes, to any agents or representatives, who may even be from outside the Company, either individually or as a committee or commission. These powers may be permanent or temporary, and may or may not include the option to make replacements. The powers granted shall retain their full force even if the duties of the person who delegated them come to an end.

7.1.4 SHAREHOLDER MEETINGS

Articles 24 to 28 of the Articles of Association govern the powers, process of providing notice, the right to attend and the decision-making process at General Meetings, and the right to receive relevant information and documents.

ARTICLE 24 – POWERS OF GENERAL MEETINGS

24.1. Collective decisions of the shareholders shall be made at General Meetings, which are classified as either Ordinary or Extraordinary.

An Ordinary General Meeting shall make any decisions not involving amendments to the Articles of Association. The Extraordinary General Meeting shall have sole authority to amend any provisions of the Articles of Association.

24.2. The Ordinary General Meeting shall meet at least once a year within six months of the end of the financial year. The Ordinary General Meeting shall be deemed to transact business validly at the first time of calling only if shareholders present, represented or having cast their votes by post account for at least one-fifth of the shares with voting rights. For an adjourned meeting, no quorum shall apply.

Resolutions shall be passed if they are supported by a majority of the votes cast by shareholders present, represented or having cast their votes by post.

24.3. The Extraordinary General Meeting may amend any provisions of the Articles of Association, provided that it does not increase shareholders' obligations.

The Extraordinary General Meeting shall be deemed to transact business validly only if shareholders present, represented or having cast their votes by post account for at least one-quarter of the shares with voting rights at the first time of calling or one-fifth of the shares with voting rights at an adjourned meeting.

If the quorum for the adjourned meeting is not met, the meeting may be adjourned to a subsequent date within two months of the original date of the adjourned meeting, and the same quorum requirement of one-fifth of shares with voting rights shall apply.

Resolutions shall be passed if they are supported by a majority of two-thirds of the votes cast by shareholders present, represented or having cast their votes by post.

ARTICLE 25 – NOTICE OF GENERAL MEETINGS

General Meetings of the 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 any interested individual for urgent matters, that is one or more shareholders together owning at least 5% of the share capital, or a group of shareholders as provided for in Article L. 225-120;
- the liquidators;
- those shareholders holding a majority of the share capital or voting rights after a public tender or share exchange offer or the sale of a controlling block.

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

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

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

General Meetings shall be held at the Company's registered office or at any other venue indicated in the same department as the registered office or in a neighbouring department.

If so decided by the Board of Directors when the General Meeting is called, shareholders may attend General Meetings of Shareholders by videoconference or any electronic means of communication including the internet, in accordance with the applicable provisions of the regulations in force at the time. Where applicable, this decision will be published in each notice of meeting.

ARTICLE 26 – RIGHT TO ATTEND GENERAL MEETINGS

26.1. All shareholders shall have the right to attend Ordinary and Extraordinary General Meetings of Shareholders and to participate in the proceedings, 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 contingent upon an entry in the accounts of the shares in the name of the shareholder – or of the intermediary registered on his/her behalf if the shareholder is resident abroad – by the statutory deadline:

- 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.

Should the Board of Directors decide to permit such arrangements, when an admission, proxy or electronic voting form is issued, the electronic signature shall be predicated on use of a reliable identification process guaranteeing its link with the electronic form to which it relates. This may involve the use of a user ID and password, or any other mechanism provided for or authorised by the regulations in force.

Each share carries one vote, with the exception of shares with double voting rights pursuant to and subject to the restrictions laid down in Article L. 225-123 of the French Commercial Code and as stipulated in Article 7 hereinabove. Voting rights attached to shares encumbered by a beneficial interest shall be cast by the beneficial owner at Ordinary General Meetings and the bare owner at Extraordinary General Meetings. However, the bare owner shall always have the right to attend General Meetings.

In the absence of the Chairman of the Board of Directors, General Meetings shall be chaired by the Vice-Chairman of the Board of Directors or by a director duly chosen for such purpose by the Board of Directors. Failing that, the Meeting itself shall elect a Chairman.

The minutes of General Meetings shall be prepared, and copies certified as accurate and issued in accordance with the law.

26.2. The Company may request at its expense from the centralised body approved by decree the name and address of holders of the Company's bearer shares carrying immediately or in the future the right to vote at its General Meetings, and the number of shares held by each of them.

An intermediary registered as provided for in Article L. 228-1 of the French Commercial Code shall be required under the conditions provided for in the *Conseil d'État* decree to disclose, upon a simple request by the Company or its agent, which may be made at any time, the identity of the holders of shares held in registered form conferring rights to the share capital immediately or in the future.

ARTICLE 27 – DECISIONS MADE BY GENERAL MEETINGS

I. – An attendance register shall be kept at each General Meeting. This attendance register, which is duly initialled by the shareholders present and their proxies, shall be certified as accurate by the Officers of the General Meeting.

II. – General Meetings shall be chaired by the Chairman of the Board of Directors or, in his/her absence, by a director designated for such purpose by the Board.

The duties of scrutineer shall be performed by the two shareholders present and accepting such duties holding, either in their own right or as representatives, the largest number of votes.

The Officers of the Meeting shall designate a secretary who may or may not be a shareholder.

III. – The proceedings of the General Meetings shall be recorded in minutes on a special register, numbered and initialled in accordance with the regulations.

These minutes shall be signed by the Officers of the Meeting.

ARTICLE 28 – RIGHT TO RECEIVE RELEVANT INFORMATION

In advance of each General Meeting, every shareholder shall have the right of access to documents enabling him/her to arrive at an informed opinion and to pass judgement on the management and operation of the Company.

The nature of these documents and the conditions for them to be sent or made available to shareholders are laid down in the regulations.

7.1.5 RIGHTS, PRIVILEGES AND RESTRICTIONS ATTACHED TO SHARES

Articles 7, 11, 12, 13 and 30 of the Company's Articles of Association lay down the arrangements for double voting rights, the form and transfer of shares, disclosures of notifiable interests, and the appropriation and distribution of profits.

Furthermore, shareholders shall have, in proportion to the amount of their shares, a pre-emption right to subscribe for shares issued for cash consideration as part of a capital increase. The General Meeting of Shareholders (or the Board of Directors acting under the authority of the General Meeting) that approves the capital increase may disapply the pre-emption right, in view of the report by the Board of Directors and the report by the Statutory Auditor(s).

ARTICLE 7 – SHARE CAPITAL

The share capital amounts to eighty million seven hundred and sixty-nine thousand seven hundred and ninety-six euros and twenty-five euro cents (€80,769,796.25).

It is made up of sixty-four million six hundred and fifteen thousand eight hundred and thirty-seven (64,615,837) shares, each with a nominal value of €1.25, all of which belong to the same class and are fully paid-up.

That said, all fully-paid shares that have been registered in the same shareholder's name for at least two years, in accordance with and subject to the restrictions laid down in Article L. 225-123 of the French Commercial Code shall carry double voting rights.

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.

ARTICLE 11 – FORM OF SHARES

I. – Shares shall be held either in registered or bearer form, as the shareholder elects, subject to statutory or regulatory requirements that may require registered form in certain cases.

II. – Irrespective of their form, shares shall be held in accounts kept under the terms and conditions provided for in Decree No. 83-359 of 2 May 1983.

Ownership of the shares is evidenced by an account entry:

- at the authorised financial intermediary of their choosing for bearer shares;
- at the Company and should they so wish, at authorised intermediary of their choosing for registered shares.

ARTICLE 12 – TRANSFER OF SHARES

Any transfer or transmission of shares in either registered or bearer form shall take place by means of a transfer from one account to another.

ARTICLE 13 – OWNERSHIP OF SHARE CAPITAL

All shareholders must comply with the statutory disclosure requirements, if, acting alone or in concert, they come to hold a percentage of the share capital or voting rights laid down in the French Commercial Code.

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.

ARTICLE 30 – PROFITS AND LOSSES

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

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

The shareholders shall 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.

The General Meeting shall have the option to offer shareholders the choice between payment of all or part of the interim dividend or dividend in cash and/or in the Company's shares, while complying with statutory and regulatory requirements.

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

7.2 INFORMATION ON THE SHARE CAPITAL

7.2.1 CHANGES IN AND OWNERSHIP OF THE SHARE CAPITAL AND VOTING RIGHTS

At 31 December 2018, the Company's share capital stood at €80,732,903.75, made up of 64,586,323 shares with a par value of €1.25, fully paid up and belonging to the same class. The total unadjusted number of voting rights was 83,364,095 and the number of exercisable voting rights was 83,324,949. 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.

The table below shows changes in the share capital, voting rights and their ownership between 31 December 2016 and 31 December 2018.

	31/12/2018[1]				31/12/2017[2]				31/12/2016			
Shareholders	Number of shares	% of the share capital	Number of voting rights	% of voting rights	Number of shares	% of the share capital	Number of voting rights	% of voting rights	Number of shares	% of the share capital	Number of voting rights	% of voting rights
J.C. Marian	3,894,000	6.03%	7,788,000	9.34%	4,133,109	6.40%	8,266,218	9.80%	4,133,109	6.86%	8,266,218	10.22%
CPPIB	9,374,186	14.51%	18,245,038	21.89%	9,193,192	14.24%	18,245,038	21.64%	8,870,854	14.72%	17,663,707	21.83%
FFP Invest	3,261,353	5.05%	6,522,706	7.82%	3,811,353	5.90%	7,622,706	9.04%	3,811,353	6.32%	7,622,706	9.42%
Sofina Group	2,380,000	3.68%	4,760,000	5.71%	2,380,000	3.69%	4,760,000	5.64%	3,180,000	5.28%	6,360,000	7.86%
Treasury shares	39,146	0.06%	-	0.00%	36,030	0.06%	-	0.00%	8,731	0.01%	-	0.00%
Free float	45,637,638	70.66%	46,048,351	55.24%	44,999,439	69.71%	45,429,720	53.88%	40,269,644	66.81%	40,997,323	50.67%
TOTAL	**64,586,323**	**100.00%**	**83,364,095**	**100.00%**	**64,553,123**	**100.00%**	**84,323,682**	**100.00%**	**60,273,691**	**100.00%**	**80,909,954**	**100.00%**

(1) In 2018, the Company's share capital was increased by €41,500 through the issue of 33,200 new shares following the bonus allotment of shares to certain senior managers.
(2) In 2017, the Company's share capital was increased by €5,349,290 through the issue of 4,279,432 new shares following the conversion of the 2013 ORNANE bonds and the bonus allotment of shares to executive officers and certain senior managers.

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

On 4 May 2019, the Company's share capital was increased by €36,892.50 from €80,732,903.75 to €80,769,796.25 following the bonus allotment of shares to executive officers.

7.2.2 FINANCIAL INSTRUMENTS CONFERRING RIGHTS TO THE SHARE CAPITAL

STOCK OPTIONS, BONUS SHARE ALLOTMENTS AND EMPLOYEE SHARE OWNERSHIP

Over the past three years, the Board of Directors has approved the introduction of several bonus share allotment plans for executive officers and for certain senior managers. The allotment of bonus shares is contingent upon satisfaction of exacting performance conditions and aims to reward a high level of performance, retain the loyalty of key managers and align the interests of senior executives with those of shareholders. The table below shows the main features of these plans.

Information on bonus share allotments[1]	Plan No. 2	Plan No. 3	Plan No. 4	Plan No. 5	Plan No. 6
Date of General Meeting	06/11/2015	23/06/2016	23/06/2016	23/06/2016	28/06/2018
Date of Board meeting	10/02/2016	04/05/2017	13/12/2017	13/12/2017	28/06/2018
Maximum total number of bonus shares that may be allotted	33,200	29,514	13,000	13,000	44,701
Vesting date of the shares	10/04/2018	04/05/2019	13/12/2020	13/12/2021	28/06/2021
End date of holding period	10/04/2020	04/05/2021	13/12/2021	13/12/2021	28/06/2021
Performance conditions	Revenue and EBITDA[2]	Total shareholder return (increase in share price + dividend)[3]	Revenue and EBITDA[4]	Revenue, EBITDA and organic growth[5]	Total shareholder return (increase in share price + dividend)[6]
Number of shares vested at 31 December 2018	33,200	N/A	N/A	N/A	N/A
Total number of shares cancelled or voided	-	N/A	N/A	N/A	N/A
Bonus shares allotted not yet vested at 31 December 2018	N/A	29,514[7]	13,000	13,000	44,701

(1) Information about plan No. 1 is shown in the 2017 Registration Document (page 249).
(2) Revenue and EBITDA targets set in the 2015 and 2016 budgets as presented to ORPEA's Board of Directors.
(3) Should ORPEA's total shareholder return (increase in share price plus dividends) exceed the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, by 10% or more during FY 2017 and FY 2018, all the bonus ORPEA shares will be allotted definitively.
Should ORPEA's total shareholder return (increase in share price plus dividends) be equal to or below the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, during FY 2017 and FY 2018, no bonus ORPEA shares will be allotted.
Should ORPEA's total shareholder return (increase in share price plus dividends) exceed the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, by between 0% and 10% during FY 2017 and FY 2018, the number of bonus ORPEA shares to be allotted to each allottee will be calculated proportionally on a straight-line basis between those two points. Where a full number of ORPEA shares is not produced by this calculation, the number will be rounded down.
The reference period used to assess when this condition is met is the 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.
(4) Revenue and EBITDA targets set in the 2018 and 2019 budgets as presented to ORPEA's Board of Directors.
(5) Revenue and EBITDA targets set in the 2018 and 2019 budgets as presented to ORPEA's Board of Directors, average rate of organic growth in 2018 and 2019, average EBITDA in 2018 and 2019.
(6) Should ORPEA's total shareholder return (increase in share price plus dividends) exceed the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, by 10% or more during FY 2018, FY 2019 and FY 2020, all the bonus ORPEA shares will be allotted definitively.
Should ORPEA's total shareholder return (increase in share price plus dividends) be equal to or below the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, during FY 2018, FY 2019 and FY 2020, no bonus ORPEA shares will be allotted.
Should ORPEA's total shareholder return (increase in share price plus dividends) exceed the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, by between 0% and 10% during FY 2018, FY 2019 and FY 2020, the number of bonus ORPEA shares to be allotted to each allottee will be calculated proportionally on a straight-line basis between those two points. Where a full number of ORPEA shares is not produced by this calculation, the number will be rounded down.
The reference period used to assess when this condition is met is the average of ORPEA's share price performance over the period from 1 January 2021 to 30 April 2021, plus the dividend in respect of FY 2020, compared with the same average over the period from 1 January 2018 to 30 April 2018, plus the dividend paid in respect of FY 2017.
(7) Details of the (bonus) shares that vested on 4 May 2019 with Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, are provided in Table 9 in the Appendix to the AFEP-MEDEF Code.

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

8 Additional information

8.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

8.1.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

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, I certify that to the best of my 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 in this Registration Document 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.

Puteaux, 10 May 2019

8.1.3 INVESTOR RELATIONS CONTACTS

ORPEA

Yves Le Masne – Chief Executive Officer – Tel.: +33 (0)1 47 75 78 07

Steve Grobet – Head of Investor Relations – 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 Emmanuel Klinger
  140, rue du Faubourg-Saint-Honoré – 75008 Paris

Saint-Honoré BK&A was first appointed at the General Meeting of Shareholders of 27 June 2008 for a term of six years. It was reappointed at the Annual General Meeting of Shareholders of 25 June 2014 for a term of six years ending at the close of the Ordinary General Meeting to be held to approve the 2019 financial statements.

- Deloitte & Associés
  Represented by Jean-Marie Le Guiner
  6, place de la Pyramide, 92908 Paris-La Défense Cedex

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 close of the Annual General Meeting held to approve the 2009 financial statements.

Deloitte & Associés was reappointed at the Annual General Meeting of Shareholders of 23 June 2016 for a term of six years ending at the close of the Annual General Meeting to be 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 close 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

Reappointed at the same time and for the same term as Deloitte & Associés, replacing Françoise Vainqueur, joint alternate Statutory Auditor, who resigned for personal reasons.

8.3 DOCUMENTS ON DISPLAY

This Registration Document is available for download from ORPEA's (www.orpea-corp.com) and the AMF's (www.amf-france.org) websites. Copies of this Registration Document are available upon request from the Company.

During the period of validity of this Registration Document, ORPEA's Articles of Association, its annual and consolidated financial statements, and its press releases on financial and regulatory matters are available from its website.

ORPEA's legal and financial documents that must be made available to shareholders in accordance with the regulations in force may be viewed either on the Company's website or at the Company's registered office.

8.4 CROSS-REFERENCE TABLE

The following cross-reference table identifies the information required by Annex I of EU Regulation No. 809/2004 of 29 April 2004 with references to the pages of this Registration Document on which the relevant disclosures are made.

Heading		Pages
22:	**MATERIAL CONTRACTS**	**N/A**
23:	**THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**	**N/A**
23.1 –	Identity of any person acting as an expert	N/A
23.2 –	Confirmation that the information from the expert has been accurately reproduced	N/A
24:	**DOCUMENTS ON DISPLAY**	**275**
25:	**INFORMATION ON HOLDINGS**	**216/231/246 to 248**

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ORPEA
GROUP

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