INTERIM FINANCIAL REPORT
Six-month period from 1 January 2018 to 30 June 2018

This financial report has been prepared in accordance with Articles L.451-1-2 of the French Monetary and Financial Code and 222-4 to 222-6 of the AMF's General Regulation. It will be distributed in line with the standards in force. It is available on the Company's website at www.orpea-corp.com.

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Société anonyme [public limited company] with a Board of Directors and €80,732,904 in share capital – Registered office: 12 rue Jean Jaurès 92813 Puteaux Cedex

1. INTERIM BUSINESS REPORT

1.1 DEVELOPMENT AND NETWORK

During the first half of 2018, ORPEA continued to pursue its policy of international expansion, and it launched new plans to build facilities opening over the next few years, which will generate organic growth. ORPEA also made selective acquisitions of independent and smaller operators, plus two larger acquisitions in Germany and the Netherlands. In Germany, ORPEA acquired Inoges, Germany's leading provider of outpatient post-acute and rehabilitation care, which dovetails perfectly with Celenus Kliniken's in-patient offering. In the Netherlands, ORPEA acquired Dagelijks Leven, one of the top nursing home operators with a network of 800 beds in 40 facilities (including 220 beds under construction and due to open in 2018).

Acquisition of Inoges in Germany

Celenus Kliniken, an ORPEA subsidiary managing post-acute and rehabilitation facilities in Germany, acquired Inoges. Founded in 2003 by its current manager, Inoges is the German leader in outpatient rehabilitation (equivalent to day hospitals). Inoges has 30 locations (including 2 in-patient rehabilitation facilities) in urban areas close to hospitals, primarily in North Rhine-Westphalia, Hesse and Bavaria.

Over close to 15 years, Inoges has developed an innovative offering well-known for its quality via the highly reputed Salvea brand.
Outpatient rehabilitation has expanded at a very brisk pace in Germany (growth of 13% p.a. over the past 10 years), spurred on by both public authorities and private insurers, meeting increasingly strong demand from patients.

Inoges recorded 2016 revenue of €50 million. ORPEA acquired Inoges on 1 January 2018, and it has been consolidated from the same date.

For Celenus Kliniken, this acquisition represents a unique strategic opportunity to build on its existing in-patient rehabilitation offering and to harness synergies between the two businesses, plus fresh development opportunities in Germany.

Acquisitions in the Netherlands

As part of its European expansion strategy, ORPEA established a base in the Netherlands by acquiring one of the leading nursing home operators and a recognised expert in psychiatric care. With these two latest deals, the Group has secured additional organic growth potential for the coming years.

The country's long-term care sector boasts sound prospects:

- the population of over-80s is forecast to nearly triple by 2050
- the bed capacity rate per capita 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%

Founded in 2013, Dagelijks Leven is one of the leading nursing home operators with a network of 800 beds in 40 facilities (including 220 beds under construction and due to open in 2018). Its facilities were built recently (less than four years old) and are renowned among both residents and the supervisory authorities for the quality of the care and services they provide.

Dagelijks Leven possesses an attractive, highly standardised model:

- identically sized facilities (20 beds) attuned to the country's culture
- a unified per diem rate
- all support functions centralised
- an easily replicable and rapid development method requiring less than a year to go from the selection of land through to the opening of a new facility
- an expert management team that has created the model and will continue to contribute to its development

ORPEA acquired a majority shareholding in Dagelijks Leven on 7 June 2018.

In addition, ORPEA also acquired in early 2018 Woonzorgnet, a recognised expert in providing long-term psychiatric care with 162 beds in 7 facilities.

Other selective developments

The Group also continued to pursue its policy of selective acquisitions of independent facilities or small groups in service or at the project development stage, completing deals in France, Belgium, Italy and Poland, Switzerland, Germany and Portugal.
These selective developments are part and parcel of the Group's strategy for creating value.

1.2 BUSINESS GROWTH

The ORPEA group, a leading player in long-term care in Europe thanks to its network of specialised facilities comprising nursing homes (EHPADs) and medium-stay hospitals (post-acute care and psychiatric care), plus homecare service providers, recorded revenue growth of 10.0% in the first half of 2018.

This top-line growth was powered by the contribution made by acquisitions in international markets, including Inoges in Germany, Dr Dr Wagner in Austria and Anavita in the Czech Republic.

In parallel with this acquisition-led growth, the Group recorded healthy organic growth[1] of 5.2% in the first half. This firm performance, both in France and international markets, was underpinned by:

- consistently high occupancy rates in mature facilities across the network
- the ramp-up in facilities opened over the past two years, predominantly in large towns and cities or in areas with strong purchasing power
- the tight integration of groups acquired in recent years
- further openings of new capacity during the six-month period, consisting of both new facilities and extensions.

[1] Organic growth 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 revenues of redeveloped facilities or those where capacity was increased in the current or year-earlier period; 3. Revenues generated in the current period by facilities created in the current or year-earlier period, and the change in revenues at recently acquired facilities by comparison with the previous equivalent period.

	H1 2018	H1 2017	*Chg.*
France Benelux	**1,009.4**	959.6	*+5.2%*
Central Europe	**429.9**	382.9	*+12.3%*
Eastern Europe	**163.0**	113.0	*+44.3%*
Iberian Peninsula	**75.9**	69.6	*+9.1%*
Other countries	**0.9**	0.6	*+49.8%*
Total revenue	**1,678.9**	1,525.7	*+10.0%*
Organic growth			*+5.2%*

FRANCE BENELUX REGION

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 5.2% in the first half to €1,009.4 million.
This increase was driven primarily by organic growth.

Its healthy pace of organic growth largely derived from:

- the opening of new beds through a combination of new builds (Paris 16th arr.), redevelopments and transfers, plus extensions, including day 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 recognised standard of care, accommodation and services provided in ORPEA's facilities

CENTRAL EUROPE REGION

The Central Europe region encompasses operations in Germany, Switzerland and Italy. Revenue in the region posted a brisk increase of 12.3% to €429.9 million.
This rise derived from a healthy level of organic growth and from the contribution made by acquisitions, the largest being Inoges in Germany.

EASTERN EUROPE REGION

The Eastern Europe region is made up of operations in Austria, the Czech Republic and Poland. Revenue in the region surged 44.3% owing to a brisk pace of acquisitions. The driving force came from a selective acquisition in Poland and the contribution in the first half of 2018 made by the acquisitions completed in 2017 of the Dr Dr Wagner group in Austria and Anavita in the Czech Republic.

Iberian Peninsula region

The Iberian Peninsula region reflects operations in Spain. The region's revenue grew by 9.1% to €75.9 million on the back of a healthy level of organic growth following the successful integration of Sanyres and selective acquisitions.

Rest of the World region

Operations in China make up the Rest of the World region, with the €0.9 million in revenue deriving from the facility in Nanjing.

1.3 FIRST-HALF 2018 FINANCIAL RESULTS

(in millions of euros) (IFRS)	H1 2018	H1 2017[2]	Chg.
Revenue	**1,679.0**	1,525.7	*+10.0%*
EBITDAR[3]	**440.2**	406.6	*+8.3%*
Recurring EBITDA[4]	**289.6**	258.8	*+11.9%*
Recurring operating profit	**201.9**	188.0	*+7.4%*
Operating profit	**218.0**	201.9	*+8.0%*
Net financial cost	**-65.2**	-66.7	*-2.2%*
Profit before tax	**152.8**	135.0	*+13.1%*
Profit/(loss) attributable to owners of the parent	**107.6**	96.1	*+11.9%*

RECURRING OPERATING PROFIT

EBITDAR (EBITDA before rents) rose 8.3% to €440.2 million, accounting for 26.2% of revenue. That margin reflected improvement at existing operations and the short-term impact of expansion into new territories (China, Poland, Czech Republic) and of acquisitions (Inoges in Germany and Dr Dr Wagner in Austria, etc.).
A geographical analysis of the EBITDAR margin reveals a 50-basis point increase to 28.7% in the France Benelux region and a 60-basis point improvement to 21.9% in the Iberian Peninsula region. It contracted by 190 basis points in the Central Europe region to 24.8% as a result of acquisitions and the major emphasis on development and by 60 basis points in the Eastern Europe region to 17.5% following the various acquisitions.

Recurring EBITDA advanced by 11.9% to €289.6 million and accounted for 17.2% of revenue, a 20 basis point improvement on the first-half 2017 level. This rise reflected only a modest rise of 2.0% in rental expense to €150.7 million, compared with €147.7 million in the first half of 2017 thanks to the strategy of increasing real estate ownership.

After €87.7 million in depreciation, amortisation and charges to provisions (up 23.9% owing to the increase in the real estate portfolio), **recurring operating profit** rose 7.4% to €201.9 million, from €188.0 million in the first half of 2017.

[2] *Excluding the €137.9 million non-cash charge arising from the marking to market of the derivative embedded in the ORNANE bonds and their early redemption.*
[3] *EBITDAR = EBITDA before rents, includes provisions related to external charges and staff costs*
[4] *EBITDA = recurring operating profit before depreciation and amortisation, including provisions relating to external charges and staff costs*

Operating profit

Net non-recurring gains totalled €16.1 million, compared with €13.8 million in the first half of 2017. Those gains include the capital gain recorded on the sale of 11 facilities in France. Operating profit came to €218.0 million, compared with €201.9 million in the first half of 2017.

Net financial cost

Net financial cost came to €65.2 million, down 2.4% as a result of improvements to ORPEA's balance sheet structure.

Profit before tax

Profit before tax came to €152.8 million, up from €135.0 million in the first half of 2017.

Net profit

Consolidated companies' income tax expense came to €49.0 million.

Lastly, ORPEA's share in the profit/(loss) of associates and joint ventures contributed a profit of €4.3 million in the first half, up from €2.1 million in the year-earlier period.

Attributable net profit in the first half of 2018 grew 11.9% compared with the first half of 2017 to reach €107.6 million.

1.4 FINANCIAL STRUCTURE, DEBT AND REAL ESTATE PORTFOLIO

At 30 June 2018, the Group's equity attributable to owners of the parent stood at €2,748 million, down from €2,715 million at 31 December 2017.

Compared with at 31 December 2017, ORPEA's net debt rose €406 million to €4,819 million[5] amid a brisk pace of expansion, with the value of its real estate portfolio and intangible assets appreciating by more than €500 million.

At 30 June 2018, the Group's two principal debt covenant ratios were well below the authorised limits:

- financial leverage restated for real estate assets = 2.3x, compared with 2.1x at 31 December 2017)
- adjusted gearing = 1.5x compared with 1.4x at 31 December 2017

The proportion of net debt accounted for by real estate debt now stands at close to 85%. That strengthens ORPEA's financial structure, as this debt is backed by high-quality and low-volatility real estate assets operated by the Group.

The average cost of debt continued to fall, sinking to 3.0% in the first half of 2018. Net debt is still fully hedged against the risk of an increase in interest rates.

During the first half, ORPEA pressed ahead with its strategy of expanding its real estate portfolio. Its property ownership rate now stands at 47% vs. 45% at 31 December 2017.

At 30 June 2018, ORPEA's portfolio with its developed area of 1,947,000m^2 was worth a total of €5,344 million[6], an increase of over €300 million over the six-month period.

This strategic, resilient and high-quality asset base is increasingly diversified across the Group's geographical footprint.

1.5 CASH FLOW

In the first half of 2018, ORPEA's net cash generated by operating activities came to €189 million, compared with €168 million in the first half of 2017. That represented an increase of 12.5%, in line with the increase in recurring EBITDA.

Net cash used by investing activities, which includes investments in new builds and maintenance, acquisitions of real estate assets and intangible assets, net of real estate and intangible asset disposals, totalled €494 million, compared with €722 million in the first half of 2017. Real estate investments (new builds or acquisitions of buildings) accounted for 75% of these investments.

Net cash generated by financing activities came to €514 million, down from €569 million in the first half of 2017.

ORPEA held €822 million in cash at 30 June 2018, compared with €614 million at 31 December 2017.

[5] Excluding €28 million in liabilities associated with assets held for sale
[6] Excluding the impact of €28 million in real estate assets held for sale

1.6 ORPEA'S SHORT- AND MEDIUM-TERM OUTLOOK

SUBSEQUENT EVENTS:

Position in the Netherlands strengthened

Following on from the acquisitions of Dagelijks Leven and Woonzorgnet in the first half of 2018, ORPEA cemented its position in the Netherlands by purchasing Allerzorg and September, which generated combined revenue of over €50 million in 2017. The deal is still subject to clearance by the supervisory authorities.

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 7 facilities.

Further optimisation of the capital structure

As every year, ORPEA went ahead with a Schuldschein issue in July 2018. The €334 million raised from the 5- to 7-year maturities will be devoted to funding future development and will help extend the maturity of its debt through the redemption of shorter maturities.

LONG-TERM VISIBILITY

ORPEA is confidently reiterating its revenue target of over €3,400 million for 2018 (an 8.3% increase on 2017), plus an EBITDA margin equal to or above its 2017 level.

ORPEA is accelerating its strategy of selective international expansion by focusing on value-creating projects in prime locations across Europe and Latin America. ORPEA, currently a European group, intends to become a global player while maintaining the quality of the services it provides for the well-being of its residents and patients right across its network.
To execute its strategy of international expansion effectively, the Group is also making changes to its organisation, tightening up its controls and rolling out its expert teams across all the geographical territories it serves.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks remain identical to those presented on pages 59 to 73 in Chapter 2.6 of the 2017 registration document filed with the Autorité des Marchés Financiers on 16 May 2018 under no. D.18-0487.
We are not aware of any significant disputes or litigation liable to affect the Group's financial position at the date of the financial statements.

RELATED PARTIES

There have been no significant changes to the information presented on pages 164 to 168 in Chapter 4.8.3 of the Company's 2017 registration document.
Please also refer to Note 3.24 to the interim consolidated financial statements in this report.

2. FINANCIAL STATEMENTS

ORPEA

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

SA ORPEA *Société Anonyme* [public limited company] with share capital of €80,732,904
Registered on the Nanterre Trade and Companies Registry under no. 401 251 566/APE Code 853 D

Registered office: 12 rue Jean Jaurès - CS 10032 - 92813 Puteaux Cedex

Consolidated income statement

(in thousands of euros)	*Notes*	H1 2018		H1 2017
Revenue		**1,678,993**		**1,525,715**
Purchases used and other external expenses		(447,128)		(414,116)
Staff costs		(886,642)		(804,308)
Taxes other than on income		(64,488)		(57,690)
Depreciation, amortisation and charges to provisions		(87,691)		(70,766)
Other recurring operating income		13,749		13,467
Other recurring operating expense		(4,930)		(4,240)
Recurring operating profit		**201,865**	-	**188,062**
Other non-recurring operating income	*3.19*	98,265		64,752
Other non-recurring operating expense	*3.19*	(82,207)		(51,002)
Operating profit		**217,923**	-	**201,812**
Financial income	*3.20*	5,413		5,249
Financial expense	*3.20*	(70,576)		(71,992)
Financial expense arising from early redemption of the ORNANE bonds				(15,254)
Net financial cost		**(65,163)**	-	**(81,997)**
Change in FVO (*)				(101,000)
Pre-tax profit		**152,760**	-	**18,815**
Income tax expense	*3.21*	(48,995)		(41,009)
Income tax expense arising from early redemption of the ORNANE bonds				(21,633)
Share in profit/(loss) of associates and joint ventures	*3.4*	4,313		2,097
Consolidated net profit		**108,079**	-	**(41,730)**
Attributable to non-controlling interest		504		27
Attributable to owners of the parent		**107,574**	-	**(41,756)**
Net change in FVO				
Profit attributable to owners of the parent (excluding the impact of early redemption of the ORNANE bonds in FY 2017)		107,574		96,131
Number of shares		64,586,323		60,607,956
Basic earnings per share (€)		1.67		-0.69
Diluted earnings per share (€)		1.67		-0.69

(*) FVO: Fair value of the conversion right embedded in the ORNANE bonds

The accompanying notes are an integral part of the financial statements.

Statement of comprehensive income

(in thousands of euros)		H1 2018	H1 2017
Net profit for the year	*a*	**107,574**	**-41,756**
Change in exchange differences		2,555	
Available-for-sale financial assets			
Cash flow hedges		(15,008)	35,800
Extended income/(loss) from equity accounted entities			
Tax effect on items that may be reclassified to profit or loss		3,876	(10,355)
Total items that may be reclassified to profit or loss	*b*	(8,577)	25,445
Comprehensive income net of items that may be reclassified to profit or lo:	*a+b*	**98,997**	**-16,311**
Actuarial gains/(losses)		679	683
Revaluation of property assets			
Tax effect on items that will not be reclassified to profit or loss		(175)	(197)
Total items that will not be reclassified to profit or loss	*c*	504	485
Comprehensive income after items that will not be reclassified to profit or	*a+b+c*	**99,500**	**-15,826**
Other comprehensive income (net of tax)	*b+c*	**(8,073)**	**25,930**
Comprehensive income	*a+b+c*	**99,501**	**(15,826)**

Consolidated balance sheet

(in thousands of euros)	Notes	30-Jun-18	31-Dec-17
Assets			
Goodwill	3.1	1,134,942	1,012,943
Intangible assets, net	3.2	2,142,598	2,082,066
Property, plant and equipment, net	3.3	4,964,827	4,672,159
Properties under construction	3.3	378,707	369,415
Investments in associates and joint ventures	3.4	107,709	110,307
Non-current financial assets	3.5	37,415	39,932
Deferred tax assets	3.21	41,291	36,837
Non-current assets		**8,807,490**	**8,323,658**
Inventories		9,420	8,671
Trade receivables	3.6	241,323	203,964
Other assets, accruals and prepayments	3.7	525,175	481,586
Cash and cash equivalents	3.12	822,478	613,898
Current assets		**1,598,396**	**1,308,119**
Assets held for sale		**28,195**	**63,705**
Total assets		**10,434,081**	**9,695,482**
Liabilities and equity			
Share capital		80,733	80,691
Consolidated reserves		2,104,068	2,076,972
Revaluation reserves		455,160	467,714
Net profit for the year		107,574	89,789
Equity attributable to owners of the parent	3.9	**2,747,535**	**2,715,166**
Non-controlling interest		1,213	213
Total consolidated equity		**2,748,748**	**2,715,379**
Non-current financial liabilities	3.12	4,731,904	4,621,575
Provisions	3.11	126,053	122,273
Post-employment and related benefit obligations	3.11	73,714	72,185
Deferred tax liabilities	3.21	872,531	858,288
Non-current liabilities		**5,804,203**	**5,674,320**
Current financial liabilities	3.12	909,067	405,000
Provisions	3.11	37,217	48,706
Trade payables	3.14	238,312	227,206
Tax and payroll liabilities	3.15	309,035	269,967
Current income tax liabilities		10,218	2,974
Other financial liabilities, accruals and prepayments	3.16	349,086	288,225
Current liabilities		**1,852,935**	**1,242,077**
Debt associated with assets held for sale		**28,195**	**63,705**
Total equity and liabilities		**10,434,081**	**9,695,482**

The accompanying notes are an integral part of the financial statements.

Consolidated statement of cash flows

(in thousands of euros)	*Notes*	**H1 2018**	**H1 2017**
Cash flow from operating activities			
• Net profit of consolidated companies		107,574	(41,756)
• Elimination of non-cash income and expense related to operating activities (*)		68,566	144,682
Net financial cost	*3.20*	65,163	81,997
• Gains on asset disposals not related to operating activities, net of tax		(12,226)	(1,428)
Gross cash flow from operations generated by consolidated companies		**229,077**	**183,495**
• Change in the operating working capital requirement			
- Inventories		(679)	95
- Trade receivables	*3.6*	(38,349)	(37,791)
- Other receivables	*3.7*	13,672	34,123
- Tax and payroll liabilities	*3.15*	45,891	30,095
- Trade payables	*3.14*	21,037	5,384
- Other financial liabilities	*3.16*	(81,680)	(47,696)
Net cash generated by operating activities		**188,969**	**167,705**
Cash flow from investing and development activities			
• Property investments		(219,027)	(600,820)
• Disposals of property assets		19,027	16,417
• Acquisition of other non-current assets used in operations		(301,263)	(99,022)
• Current accounts and other movements		7,151	(38,649)
Net cash generated/(used by) investing activities		**(494,112)**	**(722,074)**
Net cash generated/(used by) financing activities			
• Net cash inflows/(outflows) related to bridging loans and bank overdrafts	*3.12*	(18,507)	16,802
• Proceeds from new finance leases	*3.12*	102,583	184,053
• Proceeds from other borrowings	*3.12*	906,363	748,748
• Repayments of other borrowings	*3.12*	(313,325)	(254,320)
• Repayments under finance leases	*3.12*	(98,228)	(59,629)
• Net financial cost and other movements	*3.20*	(65,163)	(66,743)
Net cash generated/(used by) financing activities		**513,723**	**568,911**
Change in cash and cash equivalents		**208,580**	**14,542**
Cash and cash equivalents at beginning of period		613,898	539,924
Cash and cash equivalents at end of period		**822,478**	**554,466**
Analysis of cash and cash equivalents at end of period		**822,478**	**554,466**
• Cash equivalents	*3.12*	132,701	35,816
• Cash	*3.12*	689,777	518,650

The accompanying notes are an integral part of the financial statements.

(*) Chiefly depreciation, amortisation, charges to provisions, deferred taxes, share in income of associates and excess of fair value of assets and liabilities acquired, and the redevelopment costs and non-recurring expenses arising from the acquisition of facilities.

Statement of changes in consolidated equity

(in thousands of euros) *except for the number of shares*	Number of shares	Share capital	Share premiums	Revaluation reserves	Other reserves	Profit or loss for year	Dividend payments	Total attributable to owners of the parent	Non-controlling interests	Total
31-Dec-17	**64,553,123**	**80,691**	**950,684**	**467,714**	**1,126,288**	**89,789**	**0**	**2,715,167**	**213**	**2,715,379**
Change in fair value of properties				(1,926)	1,926			0		0
Post-employment benefit obligations				504				504		504
Financial instruments				(11,132)				(11,132)		(11,132)
Exchange differences					2,555			2,555		2,555
Impact of the measurement of deferred taxes								0		0
Changes in fair value recognised directly in equity		**0**	**0**	**(12,554)**	**4,481**	**0**	**0**	**(8,073)**	**0**	**(8,073)**
Appropriation of net profit					18,744	(89,789)		(71,045)		(71,045)
Profit or loss in first-half 2018						107,574		107,574	504	108,078
Capital increase								0		0
Other					(63)			(63)	495	432
Bonus share allotment plan	33,200	42	(42)		3,976			3,976		3,976
Cancellation of treasury shares								0		0
30-Jun-18	**64,586,323**	**80,733**	**950,642**	**455,160**	**1,153,426**	**107,574**	**0**	**2,747,535**	**1,213**	**2,748,748**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

Notes to the condensed consolidated financial statements

Amounts are stated in thousands of euros unless otherwise stated

The ORPEA Group's interim condensed consolidated financial statements for the first half of 2018 were approved by the Board of Directors on 25 September 2018.

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 primarily operates nursing homes for the elderly and short-term post-acute and psychiatric hospitals.

Accounting standards

In accordance with EC Regulation 1606/2002 of 19 July 2002, the ORPEA Group has prepared its 2018 interim condensed 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.

They include International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), all of which are available on the European Commission's website (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

The interim condensed consolidated financial statements for the six-month period ended 30 June 2018 have been prepared in accordance with IAS 34 - Interim Financial Reporting, which allows a selection of notes to the financial statements to be presented. These condensed consolidated financial statements must be read together with the consolidated financial statements for FY 2017.

The accounting methods presented below have been applied consistently to all the periods presented in the consolidated financial statements.

The accounting principles used to prepare the interim condensed consolidated financial statements of the ORPEA Group are identical to those used to prepare the consolidated financial statements for the financial year ended 31 December 2017 and presented in the consolidated financial statements for that period.

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
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to IAS 40: Transfers of Investment Property
- IFRIC 22: Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Annual improvements to IFRS (2014-2016 cycle)

- IFRS 9: Financial Instruments – Arrangements Other than Hedging

The application of these new standards and amendments did not have a material impact on the financial statements for the period.

The Group did not apply any of the new standards or interpretations that were not mandatory with effect from 1 January 2018. These standards are:

Standards adopted by the European Union that are not mandatory for the financial year:

- IFRS 16: Leases
- IFRS 9: Financial Instruments – Hedging Arrangements: the Group continued to apply the provisions of IAS 39 at 30 June 2018
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
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- 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. The impact on the Group's financial statements of applying IFRS 16 from 1 January 2019 will be material owing chiefly to the real estate leases it has entered into.

The only seasonal effect is the number of business days, which is slightly lower in the first half of each calendar year than the second.

The consolidated financial statements and notes thereto are presented in euros.

2. SCOPE OF CONSOLIDATION

ORPEA's first-half 2018 revenue rose 10% compared with the first half of 2017, representing an increase of €153 million.

The Group has expanded through a combination of organic growth and acquisitions.

Organic revenue growth ran at 5.2% during the period.

During the first six months of the year, ORPEA opened several facilities after completing construction and redevelopment projects launched in prior periods. It also pushed ahead with its strategy of expanding through acquisitions of facilities in operation or at the project development stage.

Lastly, the Group purchased, directly or via companies, specific assets necessary for its expansion, such as intangible rights and operating properties. It also sold a number of facilities and properties.

Based on provisional estimates of the fair value of assets acquired and liabilities assumed, the total investment at their acquisition date breaks down as follows:

First-half 2018	Number of facilities	Number of beds	Goodwill (in millions of euros)	Intangible assets used in operations (in millions of euros)	Properties (in millions of euros)	Contingent liabilities (in millions of euros)	Other assets & other liabilities (1) (in millions of euros)	Deferred taxes (in millions of euros)	Cost (in millions of euros)
France Benelux	40	1,068	85	18	57	-8	-40	-8	99
Central Europe	5	486	39	12	6	-1	-6	-3	42
Iberian Peninsula	2	218	0	7	34	0	-18	-5	13
Eastern Europe	2	366	1	2	25	0	-19	-2	6
Other	0	0	0	0	0	0	0	0	0
Total	**49**	**2,138**	**125.0**	**39.9**	**121.5**	**-9.7**	**-83.5**	**-17.8**	**160.1**

(1) o/w intangible concession assets, where appropriate

In the first half of 2017, total investments at the date of their first-time consolidation were:

First-half 2017	Number of facilities	Number of beds	Goodwill (in millions of euros)	Intangible assets used in operations (in millions of euros)	Properties (in millions of euros)
France Benelux	2	115	14	6	0
Central Europe	4	283		20	19
Iberian Peninsula					
Eastern Europe	30	3,630	25	51	229
Other					
Total	**36**	**4028**	**39**	**76**	**249**

(1) o/w intangible concession assets, where appropriate

3. COMMENTARY ON THE FINANCIAL STATEMENTS

3.1 - Goodwill

The main movements during the period were as follows:

	France	International	Total
Net goodwill at beginning of period	393,021	619,923	1,012,943
Business combinations	783	124,262	125,045
Previous goodwill adjustments and deconsolidations	(4,555)	264	(4,292)
Exchange differences		1,246	1,246
Net goodwill at end of period	**389,248**	**745,695**	**1,134,942**

Business combinations include the provisional allocation of the goodwill arising on the acquisition of the sub-groups in the Netherlands and the Inoges sub-group in Germany.

The following groups of cash-generating units (CGUs) account for significant goodwill:

	30-Jun-18	31-Dec-17
Mediter Mieux Vivre sub-group acquired in 2010	87,010	87,010
Senevita sub-group	56,316	60,245
Longstanding operations in Germany	397,728	397,728
Dagelijks Leven sub-group	71,860	0
Other	522,029	467,961
Net goodwill at end of period	**1,134,942**	**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:

	30/06/2018			31/12/2017		
	Gross	\mort. Impair	Net	Gross	Amort. Impair.	Net
Operating licences	2,073,392	9,489	2,063,903	2,033,181	8,685	2,024,495
Advances and downpayments	1,945		1,945	2,642		2,642
Other intangible assets	106,440	29,690	76,750	111,159	25,454	85,705
Intangible assets held for sale			0	-30,776		-30,776
Total	2,181,777	39,179	**2,142,598**	2,116,205	34,139	2,082,066

At 30 June 2018, operating licences include the intangible assets used in operations considered to have an indefinite useful life in France, Belgium, Italy, Spain, Switzerland, Austria and Poland.

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 are as follows:

	30-Jun-18	31-Dec-17
Mediter Mieux Vivre sub-group acquired in 2010	187,125	195,153
Senevita sub-group	95,266	108,032
Senecura sub-group	123,989	123,989
Other	1,657,523	1,597,321
Net operating licences at end of period	**2,063,903**	**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.

Any impairment losses are recognised in Other non-recurring operating expense.

No indicators of impairment requiring impairment testing of the measurement of goodwill and intangible assets with an indefinite life were identified at 30 June 2018.

The following table shows movements in intangible assets (net) by category:

	Operating licences	Advances and downpayments	Other	Intangible assets held for sale	Total
At 31 December 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 December 2017	**2,024,496**	**2,642**	**85,705**	**(30,776)**	**2,082,066**
Increase	13,439	919	4,191		18,549
Decrease	(12,991)		(10,461)		(23,452)
Amortisation and charges to provisions	(777)		(3,545)		(4,322)
Reclassifications and other	(204)	(1,616)	(538)	30,776	28,418
Changes in scope	39,941		1,397		41,338
At 30 June 2018	**2,063,903**	**1,945**	**76,750**	**0**	**2,142,598**

Changes in the scope of consolidation derived chiefly from the acquisitions in France Benelux (€18 million), Central Europe (€12 million), Eastern Europe (€2 million), and Iberian Peninsula (€7 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 in intangible concession assets in Spain.

3.3 - Property, plant and equipment

3.3.1 - Change in property, plant and equipment and intangible assets under construction

Gross property, plant and equipment, including assets under construction, and accumulated depreciation break down as follows:

	30/06/2018			31/12/2017		
	Gross	Depr. Impair.	Net	Gross	Depr. Impair.	Net
Land	1,535,632	4,242	1,531,390	1,442,792	3,562	1,439,231
Buildings	3,885,089	742,171	3,142,918	3,591,986	629,206	2,962,780
Technical installations	401,771	254,824	146,947	371,898	234,694	137,204
Properties under construction	379,958	1,251	378,707	370,666	1,251	369,415
Other property, plant and equipment	383,502	211,735	171,767	332,588	166,714	165,874
Non-current assets held for sale	-28,195		-28,195	-32,929		-32,929
Total	6,557,758	1,214,224	**5,343,534**	6,077,001	1,035,427	**5,041,574**

Depreciation is recognised in profit or loss under Depreciation, amortisation and charges to provisions.
Any impairment losses are recognised in Other non-recurring operating expense.

Movements in the net carrying amount of property, plant and equipment break down by category of asset as follows:

	Land	Buildings	Technical installations	Properties under construction	Other	Property, plant and equipment held for sale	Total
At 31 December 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 December 2017	**1,439,231**	**2,962,780**	**137,204**	**369,415**	**165,873**	**(32,929)**	**5,041,574**
Acquisitions	64,414	121,073	32,009	69,932	12,131		299,559
Change in fair value							0
Disposals and retirements	(7,429)	(11,367)	(562)	(11,492)	(2,438)		(33,288)
Depreciation and charges to provisions	(672)	(57,083)	(20,069)		(6,329)		(84,153)
Reclassifications and other	1,054	52,475	(2,064)	(61,035)	(3,550)	4,734	(8,386)
Changes in scope	34,792	75,041	430	11,887	6,079		128,229
At 30 June 2018	**1,531,390**	**3,142,918**	**146,947**	**378,707**	**171,767**	**(28,195)**	**5,343,534**

The principal changes in the first half of 2018 include:

- investments necessary for the continuing operation of the facilities, investments in new buildings or extensions, properties and other items of property, plant and equipment acquired during the period through business combinations and those under construction
- disposals of operating properties in France

3.3.2 - 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		
	30-Jun-18	31-Dec-17
Gross revaluation reserves	690,169	692,765
Depreciation	-17,439	-17,439
Net revaluation reserves	**672,730**	**675,326**

The gross revaluation reserve for properties totalled €690 million at 30 June 2018, versus €693 million at 31 December 2017. The €3 million change reflected the sale of facilities in France previously revalued.

The corresponding tax expense, calculated at the statutory tax rate, amounted to €180 million in the year ended 30 June 2018.

3.3.3 - Finance leases

The gross value of lease-financed property, plant and equipment breaks down as follows:

	30-Jun-18	31-Dec-17
Land	260,109	255,409
Buildings	1,206,718	1,145,709
Lease-financed non-current assets	**1,466,827**	**1,401,118**

Most of the finance leases contain a purchase option.

The schedule of minimum payments due under finance leases is disclosed in Note 3.22.

3.3.4 - Operating leases

Rental payments break down as follows:

	H1 2018	H1 2017
Rental payments	150,682	147,725
Total rental expense	**150,682**	**147,725**

Operating leases consist of renewable leases with fixed rents adjustable mainly according to fixed rates.

Rental expenses amounted to €151 million, compared with €148 million in the first half of 2017.
This stability was primarily attributable to the rent savings achieved by acquiring properties that were previously leased and to the sale of certain facilities in France.
At comparable structure, rental expenses edged up 1.4%.

Minimum payments due under operating leases are disclosed in Note 3.22.

3.4 - Investments in associates and joint ventures

At 30 June 2018, investments in associates and joint ventures break down as follows:

Associates and joint ventures	Percentage ownership at 30 June 2018	Carrying amount of investments (in thousands of euros)
PCM (six care facilities)	45.0%	20,604
Cofinea (property company)	49.0%	5,011
IDS (property company)	49.9%	13,210
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	%- to 49.9%-own	10,266
	Total	86,032
Equity accounted profit/(loss) in previous financial years		17,363
Equity accounted profit/(loss) in current period		4,313
Investments in associates and joint ventures		107,709

In light of the value of the individual investments, existing cash flows with these companies and the ORPEA Group's global strategy in and outside France, management considers that these interests are not significant taken individually.

At 30 June 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	191,451
Current assets	48,312
Equity	43,988
Non-current liabilities	95,505
Current liabilities	95,966
Revenue	19,649
Equity accounted profit/(loss)	4,313
Other comprehensive income	-363
Net comprehensive income	3,945

3.5 - Non-current financial assets

Non-current financial assets break down as follows:

	30-Jun-18 Net	31-Dec-17 Net
Unconsolidated investments	9,725	10,399
Loans	20,692	21,987
Deposits and guarantees	6,998	7,545
Total	**37,415**	**39,931**

Unconsolidated 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.

3.6 - Trade receivables

	30-Jun-18	31-Dec-17
Trade receivables	241,323	203,964
Trade receivables	**241,323**	**203,964**

All trade receivables are payable within one month given the nature of the Group's business activities.

3.7 - Other assets, accruals and prepayments

	30-Jun-18	31-Dec-17
Development-related receivables	140,987	95,213
Receivables related to property disposals	24,438	24,181
VAT receivables	44,653	49,740
Advances and downpayments made	3,167	1,145
Shareholder advances (associates and related parties)	203,514	216,533
Interest rate derivatives	12,360	17,500
Currency derivatives	1,653	0
Miscellaneous receivables	46,725	37,702
Receivables from suppliers	8,779	7,950
Prepaid operating expenses	38,900	31,622
Total	**525,175**	**481,586**

Development-related receivables mainly comprise amounts paid on 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 under the Group's growth strategy.
In June 2018, the Group sold a total of €30.6 million in receivables. In sum, €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.

3.8 - Assets held for sale

Assets held for sale comprise €28 million in operating properties that the Group has decided to sell in a block or in lots to third-party investors.

3.9 - Equity

3.9.1 - Share capital

	30 June 2018	31-Dec-17
Total number of shares	64,586,323	64,553,123
Number of shares in issue	64,586,323	64,553,123
Nominal value of the share (€)	1.25	1.25
Share capital (€)	80,732,904	80,691,404
Treasury shares	29,011	36,030

Since 31 December 2016, the exercise of stock options has 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 Dec. 20'	**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 Dec. 20'	**64,553,123**	**80,691**	**950,684**
Appropriation of 2018 net profit			
Capital increase	33,200	42	(42)
Share capital at 30 June 20	**64,586,323**	**80,733**	**950,642**

3.9.2 - Earnings per share

Weighted average number of shares in issue

	30-Jun-18		30-Jun-17	
	Basic	Diluted	Basic	Diluted
Ordinary shares	64,568,164	64,568,164	60,607,956	60,373,582
Treasury shares	(7,019)	(7,019)	(45,699)	
Weighted average number of shares	**64,561,145**	**64,561,145**	**60,562,257**	**60,373,582**

Basic earnings per share

2	H1 2018		H1 2017	
	Basic	Diluted	Basic	Diluted
Net profit/(loss) attributable to owners of the parent	**1.67**	**1.67**	**(0.69)**	**(0.69)**

3.9.3 - Treasury shares

The General Meeting of the Shareholders authorised a share repurchase programme.

This programme has a number of aims, including to allow 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 30 June 2018, the Group held 29,011 shares in treasury.

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.

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.

For each plan, the fair value of the benefits provided to the grantees under IFRS 2 was measured by an actuary. This takes into account the market value of the shares, less a discount to reflect the fact that no dividend is paid until the end of the vesting period and that shares may not be sold for two years following the vesting date. The total expense is then calculated taking into account the probability that grantees will remain with the Group and the probable number of shares that they will be granted according to whether the performance criteria are satisfied.

The fair value of the four plans (excluding social security contributions) under IFRS 2 was estimated at €9.4 million. The amount expensed in the first half of 2018 was €0.9 million (excluding social security contributions).

3.10 - Dividends

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 in July 2018.

3.11 - Provisions

Provisions break down as follows:

(in thousands of euros)	01-Jan-18	Actuarial gains or losses	Reclassification	Additions during period	Reversals in the period (prov. used)	Reversals in the period (prov. not used)	Changes in scope and other	30-Jun-18
Prov. for liabilities and charges	69,511		(385)	9,157	(8,100)	(9,752)	3,200	63,631
Prov. for restructuring	101,467		394	331	(8,220)		5,668	99,639
Total	**170,979**	**0**	**8**	**9,488**	**(16,320)**	**(9,752)**	**8,868**	**163,270**
Post-employment ben. ob.	72,185	(679)	(8)	2,021	(674)		870	73,714

ORPEA and Clinea, as well as some of the Group’s subsidiaries, are undergoing tax audits. Most of the reassessments notified by the tax authorities have been challenged by these companies, and so no provisions have been set aside for these reassessments. Tax reassessments that are not challenged are recognised in the year in which they are received.

The current portion of provisions (i.e. due in less than one year) at 30 June 2018 totalled €37 million, breaking down into €18 million for employment disputes, €10 million for tax risks and €9 million for restructuring.

The provision for post-employment benefit obligations breaks down as follows:

(in thousands of euros)	30-Jun-18	31-Dec-17
France	33,079	34,246
International	40,635	37,939
Total	**73,714**	**72,185**

Movements in post-employment benefit obligations in France break down as follows:

	30-Jun-18			31-Dec-17		
(in thousands of euros)	Provision set aside	Profit or loss for year	Equity	Provision set aside	Profit or loss for year	Equity
Beginning of period	**(34,246)**			**(27,275)**		
Current service cost	(1,145)	(1,145)		(2,476)	(2,476)	
Interest cost (unwinding discount)	(205)	(205)		(327)	(327)	
Expected return on plan assets						
Employer contributions						
Actuarial gains and losses	679		679	(6,482)		(6,482)
Benefits paid	1,220			2,418		
Changes in scope	619			(104)		
Other	(1)			()		
End of period	**(33,079)**	**(1,351)**	**679**	**(34,246)**	**(2,803)**	**(6,482)**

Movements in post-employment benefit obligations outside France break down as follows:

(in thousands of euros)	30-Jun-18 Provision set aside	30-Jun-18 Profit or loss for year	30-Jun-18 Equity	31-Dec-17 Provision set aside	31-Dec-17 Profit or loss for year	31-Dec-17 Equity
Beginning of period	**(37,939)**			**(36,644)**		
Current service cost	(1,323)	(1,323)		(4,888)	(4,888)	
Interest cost (unwinding discount)						
Expected return on plan assets						
Employer contributions						
Actuarial gains and losses				6,375		6,375
Past service cost						
Changes in scope	(870)			(5,165)		
Other (exchange differences)	(303)			2,392		
Reclassification	(200)			(9)		
End of period	**(40,635)**	**(1,323)**		**(37,939)**	**(4,888)**	**6,375**

(*) *net of plan assets*

The main actuarial assumptions adopted at 30 June 2018 are as follows:

	30-Jun-18		31-Dec-17	
	France	International	France	International
Discount rate	1.20%	between 0.85% and 1.20%	1.20%	between 0.85% and 1.20%
Annual rate of salary increase taking account of inflation	2.50%	between 1.25% and 1.75%	2.50%	between 1.25% and 1.75%
Expected rate of return on plan assets	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	

Actuarial gains and losses recognised over the period in equity reflect the update to the discount rate applied in France. The actuarial assumptions in respect of post-employment benefit obligations outside France were not adjusted at 30 June.

3.12 - Financial liabilities and cash

ORPEA's net debt breaks down as follows:

(in thousands of euros)	**Net 30 June 2018**	**Net 31 December 2017**
Bond issues	1,102,303	772,312
Finance lease obligations	1,024,430	1,020,075
Bridging loans	305,867	324,374
Other borrowings and financial liabilities	3,236,566	2,973,518
Total gross debt (*)	**5,669,166**	**5,090,280**
Cash	(689,777)	(568,158)
Cash equivalents	(132,701)	(45,740)
Total net debt (*)	**4,846,688**	**4,476,382**

(*) o/w debt associated with assets held for sale

Movements in financial liabilities in the first half of 2018 were as follows:

(in thousands of euros)	31-Dec-17	Increase	Decrease	Changes in scope	**30-Jun-18**
Bond issues	772,312	397,022	(67,031)		**1,102,303**
Finance lease obligations	1,020,075	69,045	(98,228)	33,538	**1,024,430**
Bridging loans	324,374	139,657	(158,164)		**305,867**
Other borrowings and financial liabilities	2,973,518	477,295	(246,294)	32,047	**3,236,566**
Total gross debt (*)	5,090,279	1,083,019	(569,717)	65,585	**5,669,166**
Cash and cash equivalents	(613,898)	(208,580)			**(822,478)**
Total net debt (*)	**4,476,382**	874,439	(569,717)	65,585	**4,846,688**
Debt associated with assets held for sale	(63,705)	35,510			**(28,195)**
Net debt excluding debt associated with assets held for sale	4,412,677	909,949	(569,717)	65,585	**4,818,493**

(*) o/w debt associated with assets held for sale

Debt net of cash breaks down by maturity as follows:

	30-Jun-18	Less than 1 year (*)	1 to 5 years	Over 5 years
Bond issues	1,102,303	223,351	110,000	768,952
Finance lease obligations	1,024,430	145,353	475,824	403,253
Bridging loans	305,867	275,443	30,424	0
Other borrowings and financial liabilities	3,236,566	293,115	2,180,628	762,823
Total gross debt (*)	**5,669,166**	937,262	2,796,876	1,935,028
Cash and cash equivalents	(822,478)	(822,478)		
Total net debt (*)	**4,846,688**	114,784	2,796,876	1,935,028

(*) o/w debt associated with assets held for sale

Debt maturing in more than one year and less than five breaks down as follows:

	1 to 5 years	2020	2021	2022	2023
Bond issues	110,000	20,000	20,000	0	70,000
Finance lease obligations	475,824	131,928	129,167	108,499	106,230
Bridging loans	30,424	24,970	4,556	898	0
Other borrowings and financial liabilities	2,180,628	586,363	465,056	553,791	575,418
Total gross debt per year	**2,796,876**	763,261	618,779	663,188	751,648

ORPEA's financing policy

ORPEA uses the three main types of financing:

- Financing for operating properties under finance leases or bank loans repayable over a typical period of 12 years

- Financing for the acquisition of facilities in service, operating licences, etc., mainly provided by bank loans repayable over a term of five or seven years

- Financing for properties recently acquired or under redevelopment or construction provided by bridging loans.
  Bridging loans comprise financing lines dedicated to a specific project and general bank credit lines. These real estate projects are intended either to be sold to third parties or to be kept by the Group, in which case they are usually refinanced subsequently under finance leases.

Bank covenants

Since 31 December 2006, certain loans arranged by the Group, other than property leases, are subject to the following contractually agreed covenants:

$$R1 = \frac{\text{consolidated net debt (excluding property debt)}}{\text{Consolidated EBITDA - 6\% of property debt}}$$

and

$$R2 = \frac{\text{Consolidated net debt}}{\text{Equity + quasi equity (i.e. deferred tax liabilities linked to the measurement of intangible assets used in operations under IFRS in the consolidated financial statements)}}$$

At 30 June 2018, these two ratios were at 2.3x and 1.5x respectively, within the required limits of 5.5x for R1 and 2.0x for R2 at 30 June 2018.

Bond issues

In addition to the bond issues arranged previously and presented in Note 3.12 to the financial statements at 31 December 2017, the ORPEA Group completed the placement during the first quarter of 2018 of an inaugural public 7-year bond issue of €400 million (due in March 2025) with an annual fixed-rate coupon of 2.625%.
The issue fits with the financing strategy the Group has implemented since 2012 of diversifying its funding sources. Following on from its private bond placements and Schuldschein issues, the public market will further expand its base of credit investors.

Cash and cash equivalents

At 30 June 2018, ORPEA's cash and cash equivalents consisted of €132,701 thousand in short-term investments in non-speculative time deposit accounts with prime financial institutions and €689,777 thousand in cash at bank.

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 a very large proportion of its floating rate-rate consolidated 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 financial instruments include:

- interest rate swaps under which the counterparty receives mainly three-month Euribor rate and pays a fixed rate specific to each contract
- and interest rate options (caps, collars, etc.)

The Group applies hedge accounting under IAS 39, and these transactions qualify as cash flow hedges. Unrealised gains and losses arising from the remeasurement of these derivatives at fair value are recognised in equity at the year end.
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 rates should a counterparty default. The Group's analysis did not identify any material impact arising from this risk.

Interest rate derivatives:

At 30 June 2018, the derivatives portfolio includes 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 the first half 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)	2,798	3,005	2,997	3,000	2,992
Interest rate	0.9%	0.7%	0.7%	0.6%	0.6%

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 €(59.1) million at 30 June 2018, were recognised in full under interest rate hedging reserves in equity.
In addition, Senecura has commitments arising from trading derivatives (not part of the Group's portfolio of cash flow hedges) that it entered into prior to its takeover by the ORPEA Group. The year-end value of these commitments was €(0.3) million.

Accumulated changes in the fair value of these hedging derivatives, which came to €(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.

Including the impact of hedging arrangements:

- a 1% (100 basis point) rise in the yield curve would increase the Group's financial expense by €1 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)	30-Jun-18	31-Dec-17
Revaluation reserve at beginning of period	(44,083)	(83,119)
Change in fair value during the period recognised in equity	2,168	69,994
Change in fair value over the period recognised in profit or l	(17,176)	(30,958)
Impact on comprehensive income for the period	(15,008)	39,036
Revaluation reserve at end of period	**(59,091)**	**(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 30 June 2018
Currency forwards (CHF)	85,797	(371)
Currency forwards (CZK)	53,361	1,529
Currency forwards (PLN)	23,094	494
Total	**162,252**	**1,653**

All these currency hedging instruments have a maturity date in the third quarter of 2018.

3.13.3 - Value of non-derivative financial assets

(in thousands of euros)	30-Jun-18	31-Dec-17
Investments in unconsolidated subsidiaries	9,725	10,399
Other non-current financial assets	20,692	21,987
Short-term investments	132,701	45,740
Non-derivative financial instruments	**163,118**	**78,126**

3.14 - Trade payables

	30-Jun-18 Net	31-Dec-17 Net
Trade payables	238,312	227,206
Trade payables	**238,312**	**227,206**

3.15 - Tax and payroll liabilities

The increase in tax and payroll liabilities reflects the Group's robust expansion.

3.16 - Other financial liabilities, accruals and prepayments

	30-Jun-18 Net	31-Dec-17 Net
Development-related liabilities	63,654	78,812
Security deposits	58,598	58,278
Commitments to carry out work on buildings sold	777	885
Customer accounts in credit	985	1,046
Other prepaid income	13,942	18,021
Interest rate derivatives	71,730	62,011
Advances and downpayments received on orders in progress	20,166	19,685
Shareholder advances (associates and related parties)	0	5,869
Dividend payments	71,045	0
Miscellaneous expenses	48,190	43,619
Total	**349,086**	**288,225**

Security deposits mainly comprise the sums paid by residents at the beginning of their stay.

3.17 - Liabilities associated with assets held for sale

Debt associated with assets held for sale reflects the debt financing for these assets.

3.18 - Segment reporting

	H1 2018	H1 2017
Revenue		
France Benelux	1,009,351	959,625
Central Europe	429,865	382,920
Eastern Europe	163,031	112,994
Iberian Peninsula	75,891	69,547
Other	856	630
Total	**1,678,993**	**1,525,715**
Recurring operating profit before rents and before depreciation, amortisation and charges to provisions		
France Benelux	289,780	270,326
Central Europe	106,590	102,287
Eastern Europe	28,530	20,478
Iberian Peninsula	16,648	14,771
Other	(1,310)	(1,309)
Total	**440,238**	**406,553**
Assets		
France Benelux	7,896,606	6,841,244
Outside France Benelux	2,537,476	2,320,580
Total	**10,434,081**	**9,161,824**
Liabilities excluding equity		
France Benelux	5,430,372	5,044,048
Outside France Benelux	2,254,961	2,082,714
Total	**7,685,333**	**7,126,761**

The costs of acquiring segment assets are disclosed in Note 2.

3.19 - Other non-recurring operating income and expense

(in thousands of euros)	H1 2018	H1 2017
Income from real estate transactions	27,345	19,394
Expenses on real estate transactions	(20,119)	(17,217)
Reversals of provisions	2,358	2,346
Charges to provisions	(11,107)	(10,091)
Other income	68,562	43,012
Other expenses	(50,982)	(23,694)
Other non-recurring operating income and expense	**16,058**	**13,750**

Other non-recurring operating income and expense mainly comprises €24 million in net gains on disposals of real estate and intangible assets, €11 million in net gains and losses related to acquisitions as part of business combinations and €(13) million in expenses associated with the redevelopment of recently acquired facilities and other development costs, plus €(6) million in miscellaneous costs.

Profit on property development projects recognised under the percentage of completion method includes:

(in thousands of euros)	**H1 2018**	**H1 2017**
Disposal price	6,550	7,522
Cost price	(2,938)	(7,024)
Profit recognised on disposals of off-plan properties	**3,612**	**499**

3.20 - Net financial cost

	H1 2018	**H1 2017**
Interest on bank debt and other financial liabilities	(45,561)	(49,580)
Interest on items held under finance leases	(7,839)	(6,643)
Net losses on interest rate derivatives	(17,176)	(15,769)
Expense arising from early redemption of the ORNANE bonds		(15,254)
Financial expense	**(70,576)**	**(87,246)**
Interest income	106	81
Capitalised financial expenses (*)	5,307	5,168
Net income on interest rate derivatives		
Financial income	**5,413**	**5,249**
Net financial cost	**(65,163)**	**(81,997)**

(*) Based on a rate of 3.8% at 30 June 2018 and at 31 December 2017

3.21 - Income tax expense

ORPEA SA has elected to form a tax consolidation group with its at least 95%-held French subsidiaries. All subsidiaries that meet this condition are included in the tax consolidation group except for those acquired during the first half of 2018.

(in thousands of euros)	**H1 2018**	**H1 2017**
Current income tax	(41,164)	(38,695)
Deferred income tax	(7,831)	(23,947)
Total	**(48,995)**	**(62,642)**

Deferred tax assets/(liabilities) break down by type of temporary difference as follows:

(in thousands of euros)	H1 2018	H1 2017
Fair value of intangible assets	(435,863)	(431,668)
Fair value of property, plant and equipment (*)	(366,635)	(358,201)
Finance leases	(112,808)	(100,641)
Temporary differences	(5,372)	(4,220)
Tax loss carryforwards	41,291	36,837
Deferral of capital gains on disposals	359	433
Employee benefits	9,576	9,598
CVAE deferred tax (**)	(4,570)	(4,733)
Financial instruments and other	42,782	31,143
Total	**(831,240)**	**(821,451)**

(*) o/w €180 million in deferred taxes related to the revaluation of properties (see Note 3.3.

(**) 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 assets used in operations came to €436 million at 30 June 2018. These intangible assets are not held for sale.

The deferred taxes recognised on the balance sheet break down as follows:

(in thousands of euros)	30-Jun-18	31-Dec-17
Assets	41,291	36,837
Liabilities	(872,531)	(858,288)
Net	**(831,240)**	**(821,450)**

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)	H1 2018	H1 2017
Effective tax rate:	**31.19%**	**299.54%**
- Impact of the ORNANE bonds		-272.10%
- Permanent differences	-0.21%	-1.12%
- Business combinations	3.36%	10.73%
- Impact of the reduced rate	0.34%	0.87%
- Impact of associates	0.95%	0.61%
- Impact of foreign companies	1.13%	0.35%
- Other	0.47%	1.45%
- CVAE value-added levy on businesses	-2.80%	-5.90%
Statutory rate	**34.43%**	**34.43%**

3.22 - Commitments and contingent liabilities

3.22.1 - Off-balance sheet commitments

Debt-related commitments

(in thousands of euros)	30-Jun-18	31-Dec-17
Contractual obligations	1,641,833	1,556,881
Contractual obligations	**1,641,833**	**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 lease-financed non-current assets at 30 June 2018 break down as follows:

(in thousands of euros)	Minimum future payments
Less than 1 year	143,339
1 to 5 years	430,061
Over 5 years	288,681
Total lease commitments	**862,081**

Operating lease commitments at 30 June 2018 break down as follows:

(in thousands of euros)	Minimum future payments
Less than 1 year	299,213
1 to 5 years	1,196,852
Over 5 years	1,894,202
Total lease commitments	**3,390,267**

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

Respective commitments subject to conditions precedent have been entered into 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 entered into concerning the potential acquisition of a 100% interest in 49.9%-held Immobilière de Santé:

- ORPEA has received a promise from the other shareholders to sell 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 entered into concerning the potential acquisition of a 100% interest in 25.1%-held Inoges:

- ORPEA has received a promise from the other shareholders to sell 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

ORPEA has granted Belgian company Intorp, a lease payment guarantee covering four properties leased by its Belgian subsidiaries.

Lastly, ORPEA plans to acquire with effect from 1 January 2019 the 51% interest held by the SIS Group in operations in Brazil and Portugal.

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 real estate 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 cover its exposure to risks.

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 (*)	**30 June 2018**	**31 December 2017**	**30 June 2018**	**31 December 2017**
Held-to maturity investments			**0**	**0**	**0**	**0**
Bonds and negotiable debt securities	Cash and cash equivalents					
Loans and receivables			**780,175**	**697,582**	**780,175**	**697,582**
Short-term loans	Short-term loans					
Long-term loans	Non-current financial assets	2	20,692	21,987	20,692	21,987
Receivables related to asset disposals	Non-current financial assets	2	24,438	24,181	24,438	24,181
Deposits and guarantees	Receivables related to asset disposals in the short term		6,998	7,545	6,998	7,545
Other receivables	Other receivables	2	486,724	439,905	486,724	439,905
Trade receivables	Trade receivables	2	241,323	203,964	241,323	203,964
Available-for-sale financial assets			**0**	**0**	**0**	**0**
Investments in unconsolidate	Non-current financial assets					
Other						
Financial assets at fair value			**836,491**	**631,398**	**836,491**	**631,598**
Interest rate derivatives	Other receivables	2	12,360	17,500	12,360	17,500
Currency derivatives	Other receivables	2	1,653	0	1,653	200
Open-ended investment funds and mutual funds	Cash and cash equivalents	1	132,701	45,740	132,701	45,740
Cash	Cash and cash equivalents	1	689,777	568,158	689,777	568,158
Financial assets			**2,306,443**	**1,328,980**	**2,306,443**	**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 in an active market, for which fair value is measured using directly observable market inputs other than Level 1 inputs

(*) Level 3: financial assets and liabilities not quoted in an active market, for which fair value is measured using inputs not based on observable market data.

(in thousands of euros)	Classification	Level (*)	Carrying amount 30 June 2018	Carrying amount 31 December 2017	Fair value 30 June 2018	Fair value 31 December 2017
Financial liabilities at fair value			**71,730**	**62,011**	**71,730**	**62,011**
Currency derivatives	Other financial liabilities					
Interest rate derivatives	Other financial liabilitie	2	71,730	62,011	71,730	62,011
Change in the fair value of the conversion right embedded in		2		0	0	0
Other bonds	Other financial liabilities					
Financial liabilities at amortised cost			**6,184,834**	**5,543,700**	**6,192,267**	**5,545,913**
Bonds convertible into, exchangeable for or redeemable in shares	Non-current and current financial liabilities	1	1,102,303	772,312	1,109,736	774,525
Bank borrowings	Non-current and current financial liabilities	2	3,542,433	3,297,893	3,542,433	3,297,893
Finance lease obligations	Non-current and current financial liabilities	2	1,024,430	1,020,075	1,024,430	1,020,075
Other financial liabilities	Current liabilities	2	277,356	226,214	277,356	226,214
Trade payables	Trade payables	2	238,312	227,206	238,312	227,206
Financial liabilities			**6,256,564**	**5,605,711**	**6,263,997**	**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 in an active market, for which fair value is measured using directly observable market inputs other than Level 1 inputs
(*) Level 3: financial assets and liabilities not quoted in an active market, for which fair value is measured using inputs not based on observable market data.

3.24 - 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 the period, the main impacts were as follows:

- Advances granted by ORPEA to its associates and joint ventures and to related parties amounted to €203.5 million at 30 June 2018
- ORPEA Group leases certain operating premises from related parties within the meaning of IAS 24 - Related Party Disclosures. These lease payments amounted to €5 million in over the period.

3.25 - Subsequent events

ORPEA pushed ahead with its expansion, including the acquisition of facilities in Spain, and cemented its positions in the Netherlands (acquisitions of Allerzorg and September), Italy, Switzerland and Portugal.

In July 2018, the Group also arranged a €334 million Schuldscheindarlehen-type issue.

3.26 - Scope of consolidation at 30 June 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
NIORPEA	100%	100%	Full

3 - STATEMENT BY THE PERSONS RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

To the best of our knowledge, we certify that the condensed consolidated financial statements for the six-month period now ended 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 interim business report presents a true and fair view of the major events that occurred during the first six months of the financial year, their impact on the interim financial statements, the main related-party transactions, and a description of the main risks and uncertainties related to the remaining six months of the financial year.

Puteaux, 8 October 2018

Yves Le Masne
Chief Executive Officer

4 - STATUTORY AUDITORS' REPORT

This is a free translation into English of the statutory auditors' review report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' review report also includes information relating to the specific verification of information in the group management report.
The statutory auditors' review report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

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Statutory Auditors' Report
on the interim financial reporting

Six-month period from 1 January 2018 to 30 June 2018

To the Shareholders,

In accordance with the assignment entrusted to us by the Annual General Meeting, and pursuant to Article L.451-1-2 III of the French Monetary and Financial Code, we have:

- conducted a limited review of the accompanying interim condensed consolidated financial statements of ORPEA for the period from 1 January to 30 June 2018
- verified the information provided in the interim business report.

The Board of Directors was responsible for preparing these interim condensed consolidated financial statements. Our role is to express a conclusion on those financial statements based on our limited review.

I - Conclusion on the financial statements

We conducted our limited review in accordance with the professional standards applicable in France. A limited review consists of making inquiries, primarily of the persons responsible for financial and accounting matters, and on applying analytical procedures. These tasks are less extensive than those required for an audit in accordance with the professional standards applicable in France. Accordingly, the assurance that the financial statements taken as a whole do not contain any material misstatements in connection with a limited review is moderate assurance. This level of assurance is less than that obtained from an audit.

Based on our review, nothing has come to our attention that causes us to believe that these interim condensed consolidated financial statements have not been prepared in all material respects in accordance with IAS 34 under IFRS as adopted by the European Union applicable to interim financial reporting.

II - Specific verifications

We have also verified the information provided in the interim business report commenting on the interim condensed consolidated financial statements covered by our limited review. We have nothing to report concerning the fairness and consistency of this information with the interim condensed consolidated financial statements.

Paris and Paris-La Défense, 8 October 2018
The Statutory Auditors

Saint-Honoré BK&A	Deloitte & Associés
Emmanuel Klinger	Jean-Marie Le Guiner