life goes on with us

INTERIM FINANCIAL REPORT
Six-month period from 1 January 2017 to 30 June 2017

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 €75,759,945 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 2017, ORPEA continued to pursue its policy of international expansion through selective acquisitions of independent and smaller operators, plus two larger acquisitions in Austria and the Czech Republic. ORPEA acquired Dr. Dr. Wagner, a leading player in healthcare facilities with 1,812 beds, which extended the Austrian subsidiary's leadership position. In the Czech Republic, ORPEA acquired Anavita, making it the country's leading operator.

Acquisition of Anavita in the Czech Republic

Founded in 2008, Anavita is one of the leading operators of nursing homes in the Czech Republic. It has a network of 6 facilities with 932 beds (including one 256-bed facility under construction).
These large (average of 155 beds) and recently built (2.5 years old on average) nursing homes are located in major cities.
Anavita's revenue totalled €7.0 million in 2016, and this amount is expected to double once all six facilities have opened and reached cruising speed.
ORPEA acquired Anavita on 1 April 2017, and it has been consolidated from the same date.
ORPEA also acquired full ownership of the corresponding property portfolio.

This deal has made ORPEA the number one private nursing home operator in the Czech Republic, with 1,716 beds (including 830 under construction) in 12 facilities.

Acquisition of Dr. Dr. Wagner in Austria

Founded by Dr. Wagner, its current manager, the Dr. Dr. Wagner group is a leading player in the Austrian market for healthcare facilities, with a presence in post-acute and rehabilitation hospitals and in nursing homes. The Group possesses 18 facilities with a total of 1,812 beds across 5 regions of Austria. This network boasts all the characteristics ORPEA looks for – a good reputation (patient and resident satisfaction rate of 96%), recently-built premises (new builds or redevelopments over the past 10 years), including a real-estate ownership rate of 80%, and attractive locations.

The Dr. Dr. Wagner group posted revenue of €60.0 million in 2016. This acquisition was completed in late May 2017.

The deal will round out SeneCura's geographical coverage of Austria and extend its range of care and services across the entire spectrum of long- and medium- term care.

Via its SeneCura local subsidiary, ORPEA has bolstered its leadership in the Austrian private nursing home sector, where it now operates 77 facilities with 6,807 beds (279 under construction).

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 proposal stage.
For example, the Group acquired a facility in Italy, two high-end facilities in Vienna (Austria) and nursing home businesses in Switzerland, which will need to be restructured.
These selective developments are part and parcel of the Group's strategy for creating value.

Network of 79,838 beds in 775 facilities

At 30 June 2017, including Anavita in the Czech Republic and Dr. Dr. Wagner in Austria, ORPEA's network consisted of 79,838 beds at 775 facilities in 10 countries.

	Number of facilities	Number of beds	% number of beds	o/w Operating beds excluding beds under redevelopment	o/w beds under redevelopment	o/w beds under construction
France	357	33,122	41.5%	30,713	1,030	1,379
Germany	165	16,824	21.1%	14,518	0	2,306
Austria	77	6,807	8.5%	6,588	0	219
Belgium	60	7,389	9.3%	5,412	239	1,738
China	1	140	0.2%	140	0	0
Spain	45	7,857	9.8%	7,697	0	160
Italy	16	1,738	2.2%	1,271	60	407
Poland	10	1,174	1.5%	704	0	470
Czech Republic	12	1,716	2.1%	886	0	830
Switzerland	32	3,071	3.8%	2,538	0	533
TOTAL	**775**	**79,838**	**100.0%**	**70,467**	**1,329**	**8,042**

With 46,716 beds outside France accounting for 59% of the total network, ORPEA has delivered on its goal of expanding its international footprint. ORPEA boasts a major growth pipeline, with 9,371 beds under construction or redevelopment.

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 10.5% in the first half of 2017.

This top-line growth was powered by the contribution made by acquisitions in international markets:

- throughout the first half of 2017: Sanyres in Spain and Spitex in Switzerland
- throughout the second quarter of 2017: 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 5.5% 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, including in France, Germany, Italy and Belgium, consisting of both new facilities and extensions.

(€ m) IFRS	Half-year		
	H1 2017	H1 2016	*Chg.*
France	**877.7**	835.9	*+5.0%*
% of total revenue	*58%*	*61%*	
Outside France	**648.0**	544.6	*+19.0%*
% of total revenue	*42%*	*39%*	
Germany	260.5	246.6	
Austria	102.3	83.6	
Belgium	81.9	79.6	
China	0.7	-	
Spain	69.5	34.5	
Italy	24.4	23.8	
Poland	6.0	5.3	
Switzerland	98.0	70.6	
Czech Republic	4.7	0.6	
Total revenue	**1,525.7**	1,380.5	*+10.5%*
Organic growth[1]			*+5.5%*

Business trends in France in the first half of 2017

The ORPEA Group’s revenue in France grew by a further 5.0% in the first half to €877.7 million, accounting for 58% of the Group’s consolidated total.
This increase was driven primarily by organic growth. In line with the Group’s international expansion strategy, the acquisitions it made were very limited in their scale.

Its encouraging pace of organic growth largely derived from:

- the opening of around 300 beds through a combination of new builds (Auxerre), redevelopments and transfers, plus extensions, including day post-acute and rehabilitation hospitals
- the ramp-up in facilities opened over the past 18 months

[1] Organic growth is calculated based on an equivalent number of days to 2016 and reflects the following factors: 1. The year-on-year change in the revenue of existing facilities as a result of changes in their occupancy rates and per diem rates 2. The year-on-year change in the revenue of redeveloped facilities or those where capacity has been increased in the current or year-earlier period 3. Revenue generated in the current period by facilities created in the current or year-earlier period, and the change in revenue at recently acquired facilities by comparison with the previous equivalent period.

- 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

BUSINESS TRENDS OUTSIDE FRANCE IN THE FIRST HALF OF 2017

International expansion was the main driver of the Group's growth. It generated a €19.0 million increase in revenue to €648.0 million in the first half of 2017. ORPEA's international operations now account for 42% of its consolidated revenue.

In **Germany**, revenue rose 5.6% to €260.5 million from €246.6 million in the first half of 2016, with the ramp-up in new openings and the improved performance of recently acquired businesses. The Group opened three new facilities accounting for around 250 beds in Germany during the first six months of the year.

In **Austria**, revenue rose 22.4% to €102.3 million from €83.6 million in the first half of 2016, largely as a result of the selective acquisitions now consolidated.

In **Belgium**, the Group's revenue posted a moderate increase of 2.9% to €81.9 million, up from €79.6 million in the first half of 2016, owing to numerous additional redevelopments and new openings in progress, including a new facility in Liège that opened during the period.

In **China**, the facility opened in 2016 is gradually ramping up and recorded revenue of €0.7 million in the first half of 2017.

In **Spain**, first-half 2017 revenue came to €69.5 million, up from €34.5 million in the first half of 2016. This hefty increase reflected the first-time consolidation of Sanyres, which was acquired at 1 July 2016, adding 3,300 beds in 18 facilities.

In **Italy**, interim revenue totalled €24.4 million, compared with €23.8 million in the first half of 2016. A new facility opened in Belgirate on Lake Maggiore, and that will boost top-line performance over the next few periods.

In **Poland**, revenue posted an increase of 13.2% to €6.0 million from €5.3 million in the first half of 2016.

In **Switzerland**, first-half revenue came to €98.0 million, up from €70.6 million in the previous half-year period. This 38.8% revenue increase reflected the firm performance of longstanding operations, the ramp-up in the new Senevita facilities opened over the past 18 months and, crucially, the integration of Spitex, the private homecare and services network for the elderly, which was acquired in late 2016.

In the **Czech Republic**, revenue totalled €4.7 million, compared with €0.6 million in the first half of 2016, as a result of the ramp-up in recently opened facilities and, most significantly, Anavita's contribution from the second quarter of 2017.

1.3 - FIRST-HALF 2017 FINANCIAL RESULTS

(€ m) - IFRS	H1 2017	H1 2016	Chg.
Revenue	**1,525.7**	1,380.5	*+10.5%*
EBITDAR[2]	**406.6**	368.5	*+10.3%*
Recurring EBITDA[3]	**258.8**	220.5	*+17.4%*
Recurring operating profit	**188.1**	163.6	*+15.0%*
Operating profit	**201.9**	168.1	*+20.1%*
Net interest expense	**-82.0**	-53.5	*+53.2%*
Profit before tax	**18.8**	114.6	*-83.6%*
Profit/(loss) attributable to owners of the parent	**-41.8**	75.5	*n/a*
Profit attributable to owners of the parent excluding the impact of the early redemption of the ORNANE bonds[4]	**96.1**	75.5	*+27.1%*

RECURRING OPERATING PROFIT

EBITDAR (EBITDA before rents) rose +10.3% to €406.6 million, accounting for 26.6% of revenue, almost stable compared with the 26.7% posted in the first half of 2016. This stable EBITDAR performance was achieved despite brisk expansion, with a negative contribution from the new countries (China, Poland and the Czech Republic, where critical mass has not yet been achieved), and the lower margins generated by recently acquired businesses (Spitex, Sanyres and Anavita).
An analysis by country shows that the EBITDAR margin firmed up in France (+100 basis points), Austria (+100 basis points) and Belgium (+30 basis points), was stable in Italy, and contracted slightly in Spain (down 10 basis points as a result of the first-time consolidation of Sanyres), Poland (-10 basis points owing to organisational improvements), Germany (-90 basis points as a result of organisational improvements and new openings) and Switzerland with the integration of Spitex, a homecare business generating thinner margins.

Recurring EBITDA advanced by +17.4% to €258.8 million and accounted for 17.0% of revenue – a 100 basis point improvement on the first-half 2016 level. This rise reflected stable rental expense of €147.7 million, compared with €148.0 million in the first half of 2016 thanks to the strategy of increasing real estate ownership. The 0.4% increase in rents

[2] EBITDAR = EBITDA before rents, includes provisions related to external charges and staff costs
[3] EBITDA = recurring operating profit before depreciation and amortisation, including provisions relating to external charges and staff costs
[4] 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. This charge will be offset in full in the second half of 2017 by an increase in equity of around €385 million. The exact amount will be determined when the ORNANE bonds are converted in October 2017.

at comparable structure and additional rents linked to new openings and acquisitions were more than offset by savings achieved through acquisitions of properties.

After €70.8 million in depreciation, amortisation and charges to provisions (+24.2% owing to the increase in the real estate portfolio), **recurring operating profit** rose 15.0% to €188.1 million, from €163.6 million in the first half of 2016.

Operating profit

Net non-recurring gains totalled €13.8 million, compared with €4.6 million in the first half of 2016. Operating profit came to €201.9 million, compared with €168.2 million in the first half of 2016.

Net interest expense

Net interest expense came to €82.0 million, €15.3 million of which was attributable to the impact of the early redemption of the ORNANE bonds.
Excluding this effect, net interest expense increased 24.8% as a result of the numerous real estate acquisitions completed over the past 12 months.

Profit before tax

Early redemption of the ORNANE bonds triggered a €116.3 million expense recognised in profit before tax, which totalled €18.8 million.
Excluding the impact of the early redemption of the ORNANE bonds, profit before tax came to €135.1 million, up from €114.6 million in the first half of 2016.

Net profit

The income tax expense incurred by consolidated companies came to €62.6 million, consisting of €21.6 million in deferred taxes arising from the early redemption of the ORNANE bonds, compared with €40.4 million in the first half of 2016.

Lastly, ORPEA's share in the profit/(loss) of associates and joint ventures contributed a profit of €2.1 million in the first half, up from €1.4 million in the year-earlier period.

The attributable net loss for the first half 2017 totalled €41.8 million.
Adjusted for the impact of the early redemption of the ORNANE bonds, first-half 2017 profit attributable to ORPEA's owners came to €96.1 million, up 27.1% from €75.5 million in the first half of 2016.

1.4 FINANCIAL STRUCTURE, DEBT AND REAL ESTATE PORTFOLIO

At 30 June 2017, the Group's equity stood at €2,035 million.

ORPEA had €4,366 million[5] in net debt, compared with €3,680 million at 31 December 2016, chiefly as a result of additions to the real estate portfolio. After early redemption of the ORNANE bonds in new shares, net debt would stand at an estimated €4,142 million[4].

At 30 June 2017, the Group's two principal debt covenant ratios were well below the authorised limits:

- financial leverage restated for real estate assets = 2.3x, unchanged after early redemption of the ORNANE bonds in October 2017 (authorised level of 5.5x) and compared with at 31 December 2016
- adjusted gearing = 1.8x and 1.5x after early redemption of the ORNANE bonds in October 2017 (authorised level of 2.0x) compared with 1.5x at 31 December 2016

The proportion of net debt accounted for by real estate debt now stands at 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 3.1% in the first half of 2017. Irrespective of the direction of interest rates, it is set to fall to 2.9% by 2024.

During the first half of 2017, ORPEA continued pursuing its strategy of increasing the size of its real estate portfolio, chiefly in Austria, Italy and the Czech Republic. Its property ownership rate now stands at 43% vs. 39% at 31 December 2016.

At 30 June 2017, ORPEA's portfolio with its developed area of 1,755,000m^2 was worth a total of €4,633 million[6], an increase of close to €545 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 2017, ORPEA's net cash generated by operating activities came to €168 million, compared with €140 million in the first half of 2016, representing an increase of 19.3%, 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 disposals, totalled €722 million, up from €271 million in the first half of 2016. Real estate investments (new builds or acquisitions of buildings) accounted for over 80% of these investments.

Net cash generated by financing activities came to €569 million, up from €270 million in the first half of 2016.

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[5] Excluding €90 million in liabilities associated with assets held for sale
[6] Excluding the impact of €40 million in real estate assets held for sale

ORPEA held €554 million in cash at 30 June 2017, compared with €658 million at 30 June 2016.

1.6 ORPEA'S SHORT- AND MEDIUM-TERM OUTLOOK

- **SUBSEQUENT EVENTS:**

Expansion in Brazil and Portugal
After 30 June 2017, ORPEA announced on 4 September 2017 that it is expanding into two new countries, Brazil and Portugal, as part of a joint venture with the SIS group.

In Brazil, 2,000 beds are already under construction in areas with strong purchasing power, including Sao Paulo, Rio de Janeiro, Belo Horizonte and Fortaleza.
In Portugal, around 10 facilities together accounting for 1,000 beds, are currently under construction in strategic locations in Lisbon, Cascais and Porto.

ORPEA has decided to partner with the SIS group to establish itself and expand in these two countries. The SIS group is a family-owned company that holds all the shareholdings and businesses belonging to Philippe Austruy, a well-known entrepreneur and a pioneer in Europe's private health and long-term care sector.

ORPEA and SIS have set up two joint ventures – one in Portugal and the other in Brazil – in which ORPEA owns 49% of capital with an option to buy out the remainder exercisable over the next few years. All the development projects are considered and reviewed jointly by SIS' and ORPEA's teams, with ORPEA taking charge of operational management. In keeping with its real estate strategy, ORPEA will ultimately have at least majority ownership (over 50%) of the real estate of the facilities to be built in each country.

Early redemption of the ORNANE 2020 bonds
On 4 September 2017, ORPEA announced that it would redeem early all its ORNANE bonds (bonds convertible into new shares and/or exchangeable for existing shares with a repayment option in cash and/or new shares, hereinafter "the ORNANE bonds") due on 1 January 2020, issued on 17 July 2013 and still outstanding to date.

ORNANE bondholders who so wished needed to exercise their conversion right by 5:00 p.m. on 22 September 2017 at the latest, in line with the arrangements available on the ORPEA website: www.orpea-corp.com, under Publications/Other regulated information.

The basic principle with the ORNANE bonds is that the performance component is paid in shares and the nominal amount is repaid in either cash or shares, as the Company deems fit. Should it decide to make the nominal repayment in shares following the exercise by the ORNANE bondholders of their conversion right, the total number of shares to be created remains unchanged throughout the life of the ORNANE bonds (unless the conversion ratio linked to the dividend, which currently stands at 1.068, is adjusted), irrespective of any changes in the share price.

At 4 September 2017, 3,695,897 ORNANE bonds remained outstanding, i.e. 86.75% of the initial tranche, with a value of around €172 million. In addition, upon the exercise of the conversion right, the ORNANE bonds, including the nominal value, will be redeemed in new shares. The Company will thus issue a maximum of 3,947,218 new shares.

This deal will enable ORPEA to:

- strengthen its balance sheet by reducing its gearing through the twin impact of the reduction in debt and increase in equity
- lower its financial expense
- enhance its borrowing capacity so that the Group can accelerate its expansion through acquisitions of operating and related real estate

Long-term visibility

The Group is confident in its ability to meet its targets for 2017:
- revenue of over €3,125 million (growth in excess of 10%)
- improved profitability
- a higher real estate ownership rate

The Group is now very well-equipped to continue pursuing international expansion and profitable growth, with:
- the ramp-up in performance of its long-established territories, now delivering firm margins
- its highly effective organisation, with expert local management teams, an international management structure that has been strengthened significantly in recent years and high-performance IT systems
- fresh opportunities for value-creating development projects in countries and regions with relatively undeveloped capacity, such as Brazil, Eastern Europe and China
- a growth pipeline of over 12,000 beds under construction or redevelopment (including 3,000 beds in Brazil and Portugal)

ORPEA will continue to pursue its strategy of creating value by:
- building new facilities in prime locations
- making selective acquisitions with potential for value creation
- continuing to make additions to its real estate portfolio, while retaining ownership of properties in prime locations to underpin its long-term profitability

Principal risks and uncertainties

The principal risks remain identical to those presented on pages 155 to 167 in Chapter 5.5 of the 2016 registration document filed with the Autorité des Marchés Financiers on 19 May 2017 under no. D.17-0542.

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 95 to 99 in Chapter 3.5 of the Company's 2016 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 2017

SA ORPEA *Société Anonyme* [public limited company] with share capital of €75,759,945
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

onsolidated income statement

(€ thousand)	Notes	First-half 2017	First-half 2016
evenue		**1,525,715**	**1,380,501**
Purchases used and other external expenses		(414,116)	(401,716)
Staff costs		(804,308)	(710,936)
Taxes other than on income		(57,690)	(56,771)
Depreciation, amortisation and charges to provisions		(70,766)	(57,017)
Other recurring operating income		13,467	13,258
Other recurring operating expense		(4,240)	(3,764)
Recurring operating profit		**188,062**	**163,556**
Other non-recurring operating income	3.19	64,752	69,932
Other non-recurring operating expense	3.19	(51,002)	(65,362)
Operating profit		**201,812**	**168,126**
Financial income	3.20	5,249	6,968
Financial expense	3.20	(71,992)	(60,483)
Financial expense arising from early redemption of the ORNANE bonds	3.11	(15,254)	
Net interest expense		**(81,997)**	**(53,515)**
Change in FVO (*)	3.12	(101,000)	
re-tax profit		**18,815**	**114,611**
Income tax expense	3.21	(41,009)	(40,411)
Income tax expense arising from early redemption of the ORNANE bonds	3.11	(21,633)	
Share in profit/(loss) of associates and joint ventures	3.4	2,097	1,317
onsolidated net profit/(loss)		**(41,730)**	**75,517**
Attributable to non-controlling interest		27	7
Attributable to owners of the parent		**(41,756)**	**75,510**
Profit attributable to owners of the parent excluding the impact of early redemption of the ORNANE bonds		96,131	75,510
Number of shares		60,607,956	60,273,691
Basic earnings per share (€)		-0.69	1.25
Diluted earnings per share (€)		-0.69	1.25

(*) 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

(€ thousand)		First-half 201	irst-half 201
Net profit/(loss) for the year	*a*	**-41,756**	**75,510**
Change in exchange differences			
Available-for-sale financial assets			
Cash flow hedges		35,800	(33,223)
Extended income/(loss) from equity accounted entities			
Tax effect on items that may be reclassified to profit or loss		(10,355)	11,439
Total items that may be reclassified to profit or loss	*b*	25,445	(21,784)
Comprehensive income net of items that may be reclassified to profit o	*a+b*	**-16,311**	**53,726**
Actuarial gains/(losses)		683	(5,335)
Revaluation of property assets			
Tax effect on items that will not be reclassified to profit or loss		(197)	1,837
Total items that will not be reclassified to profit or loss	*c*	485	(3,498)
Comprehensive income after items that will not be reclassified to profit	*a+b+c*	**-15,826**	**50,228**
Other comprehensive income (net of tax)	*b+c*	**25,930**	**(25,283)**
Comprehensive income	*a+b+c*	**(15,826)**	**50,228**

Consolidated balance sheet

(€ thousand)			30-Jun-17	31-Dec-16 (*)
Assets		*Notes*		
	Goodwill	*3.1*	1,015,351	982,106
	Intangible assets, net	*3.2*	2,003,616	1,889,176
	Property, plant and equ	*3.3*	4,185,913	3,681,859
	Properties under const	*3.3*	447,470	442,643
	Investments in associate	*3.4*	77,987	62,235
	Non-current financial a	*3.5*	37,061	34,248
	Deferred tax assets	*3.21*	41,269	38,424
	Non-current assets		**7,808,667**	**7,130,690**
	Inventories		10,733	8,369
	Trade receivables	*3.6*	193,251	148,330
	Other assets, accruals a	*3.7*	504,620	407,689
	Current income tax assets			
	Cash and cash equivaler	*3.11*	554,466	539,924
	Current assets		**1,263,070**	**1,104,312**
	Assets held for sale		**90,087**	**140,020**
Total assets			**9,161,824**	**8,375,022**
Equity and liabilities		*Notes*		
	Share capital		75,760	75,342
	Consolidated reserves		1,664,492	1,433,636
	Revaluation reserves		336,342	310,410
	Net profit/(loss) for the year		-41,756	293,533
	Equity attributable to	*3.9*	**2,034,838**	**2,112,921**
	Non-controlling interest		226	199
	Total consolidated equity		**2,035,063**	**2,113,120**
	Non-current financial li	*3.11*	4,027,876	3,801,254
	Change in the fair value	*3.12*		74,793
	Provisions	*3.10*	133,713	143,108
	Post-employment and re	*3.10*	65,174	63,919
	Deferred tax liabilities	*3.21*	874,149	797,067
	Non-current liabilities		**5,100,913**	**4,880,141**
	Current financial liabilit	*3.11*	892,750	418,531
	Change in the fair value	*3.12*	175,793	
	Provisions	*3.10*	45,488	25,304
	Trade payables	*3.14*	213,670	232,019
	Tax and payroll liabilitie	*3.15*	262,890	226,587
	Current income tax liabilities			15,041
	Other liabilities, accrua	*3.16*	345,170	324,259
	Current liabilities		**1,935,761**	**1,241,921**
	Debt associated with assets held for sale		**90,087**	**140,020**
Total equity and liabilities			**9,161,824**	**8,375,022**

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

(*) See Note to §1 on Comparability of the financial statements

Consolidated statement of cash flows

(€ thousand)	Notes	First-half 2017	First-half 2016
Cash flow from operating activities			
● Net profit/(loss) of consolidated companies		(41,756)	75,510
● Elimination of non-cash income and expense related to operating activities (*)		144,682	52,820
Net interest expense	3.20	81,997	53,515
● Gains on asset disposals not related to operating activities, net of tax		(1,428)	(5,762)
Gross cash flow from operations generated by consolidated companies		**183,495**	**176,083**
● Change in the operating working capital requirement			
- Inventories		95	(10)
- Trade receivables	3.6	(37,791)	(2,984)
- Other receivables	3.7	34,123	(10,743)
- Tax and payroll liabilities	3.15	30,095	23,300
- Trade payables	3.14	5,384	(28,702)
- Other liabilities	3.16	(47,696)	(16,561)
Net cash generated by operating activities		**167,705**	**140,383**
Cash flow from investing and development activities			
● Property investments		(600,820)	(263,863)
● Property disposals		16,417	54,026
● Acquisition of other operating non-current assets		(99,022)	(68,440)
● Current accounts and other movements		(38,649)	7,288
Net cash generated/(used by) investing activities		**(722,074)**	**(270,989)**
Cash flow from financing activities			
● Net cash inflows/(outflows) related to bridging loans and bank overdrafts	3.11	16,802	123,265
● Proceeds from new finance leases	3.11	184,053	73,640
● Proceeds from other borrowings	3.11	748,748	313,345
● Repayments of other borrowings	3.11	(254,320)	(122,802)
● Repayments under finance leases	3.11	(59,629)	(64,266)
● Net interest expense and other movements	3.20	(66,743)	(53,515)
Net cash generated/(used by) financing activities		**568,911**	**269,667**
Change in cash and cash equivalents		**14,542**	**139,061**
Cash and cash equivalents at beginning of period		539,924	518,925
Cash and cash equivalents at end of period		**554,466**	**657,986**
Analysis of cash and cash equivalents at end of period		**554,466**	**657,986**
● Cash equivalents	3.11	35,816	26,928
● Cash	3.11	518,650	631,058
● Bank overdrafts			

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

(€ thousand) *except for the number of shares*	Number of shares	Share capital	Share premiums	Revaluation reserves	Other reserves	Profit or loss	Total attributable to owners of the parent	Non-controlling interests	Total
31 December 2015	**60,273,691**	**75,342**	**620,175**	**251,223**	**736,145**	**126,634**	**1,809,519**	**190**	**1,809,710**
Change in fair value of properties				39,342			39,342		39,342
Post-employment benefit obligations				(1,748)			(1,748)		(1,748)
Financial instruments				(407)			(407)		(407)
Exchange differences							0		0
Impact of the measurement of deferred taxes				22,000			22,000		22,000
Changes in fair value recognised directly in equity		**0**	**0**	**59,187**	**0**	**0**	**59,187**	**0**	**59,187**
Appropriation of net profit/(loss)			(40,069)		112,457	(126,634)	(54,246)		(54,246)
2016 net profit (*)						293,533	293,533	9	293,542
Exercise of stock options							0		0
							0		0
							0		0
Capital increase							0		0
Consideration for Mediter contributions							0		0
Bonus share allotment plan					8,455		8,455		8,455
Cancellation of treasury shares					(3,527)		(3,527)		(3,527)
31 December 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							0		0
Post-employment benefit obligations				485			485		485
Financial instruments				25,445			25,445		25,445
Exchange differences							0		0
Impact of the measurement of deferred taxes							0		0
Changes in fair value recognised directly in equity		**0**	**0**	**25,930**	**0**	**0**	**25,930**	**0**	**25,930**
Appropriation of net profit/(loss)			(32,000)		265,002	(293,533)	(60,531)		(60,531)
Profit/(loss) in first-half 2017						(41,756)	(41,756)	27	(41,729)
							0		0
							0		0
							0		0
Capital increase							0		0
Other	252,015	315	(315)				0		0
Bonus share allotment plan	82,250	103	(103)		(1,727)		(1,727)		(1,727)
Cancellation of treasury shares							0		0
30 June 2017	**60,607,956**	**75,760**	**547,688**	**336,342**	**1,116,805**	**(41,756)**	**2,034,838**	**226**	**2,035,063**

(*) See Note to §1 on Comparability of the financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2017

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 2017 were approved by the Board of Directors on 26 September 2017.

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 2017 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 2017 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 2016.

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 2016 and presented in the consolidated financial statements for that period.

The Group did not apply any new standards or interpretations that were not mandatory with effect from 1 January 2017. These standards are:

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

- IFRS 15: Revenue from Contracts with Customers
- IFRS 9: Financial Instruments

Standards not yet adopted by the European Union:

- Amendments to IAS 12: Income Taxes
- Amendments to IAS 7: Statement of Cash Flows: Disclosures

- IFRS 14: Regulatory Deferral Accounts
- IFRS 16: Leases
- Clarifications of IFRS 15: Revenue from Contracts with Customers
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Annual improvements to IFRS (2014-2016 cycle)
- IFRIC 22: Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40: Transfers of Investment Property
- IFRIC 23: Uncertainty over Income Tax Treatments

The impact of these standards and amendments is currently being analysed.

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.

Comparability of the financial statements

Adjustment of the provisional allocation of Sanyres' goodwill during the window period:

IFRS 3 allows adjustments to be made to the items initially recognised as a result of a business combination for a period of up to one year from the acquisition date when new information comes to light about facts and circumstances that existed at the acquisition date. These adjustments are made retrospectively as if they had been made at the acquisition date.

ORPEA took control of the Sanyres group on 1 July 2016. Based on the allocation of the cost of acquisition to the assets acquired and liabilities assumed, negative goodwill of €15 million was recognised provisionally in the financial statements for the financial year ended 31 December 2016.

The initial recognition of this business combination was incomplete, pending an external appraisal of the real estate assets held by Sanyres. That appraisal was conducted during 2017, leading to a remeasurement of the value of these assets by around €49 million.

In accordance with IFRS 3, the comparative balance sheet at 31 December 2016 was adjusted as follows:

(€ million)		31 December 2016 Reported	Adjustments IFRS 3	31 December 2016 Adjusted
Assets	*Notes*			
Goodwill	*3.1*	982		982
Intangible assets, net	*3.2*	1,889		1,889
Property, plant and equipment, net	*3.3*	3,632	49	3,682
Properties under construction	*3.3*	443		443
Other non-current assets		135		135
Non-current assets		**7,081**	**49**	**7,131**
Current assets		**1,104**		**1,104**
Assets held for sale		**140**		**140**
Total assets		**8,326**	**49**	**8,375**

Equity and liabilities	*Notes*			
Share capital		75		75
Consolidated reserves		1,434		1,434
Revaluation reserves		310		310
Net profit for the year		256	37	294
Equity attributable to owners of the parent	*3.9*	**2,076**	**37**	**2,113**
Non-controlling interest		0		0
Total consolidated equity		**2,076**	**37**	**2,113**
Non-current financial liabilities and provisions		4,083		4,083
Deferred tax liabilities	*3.21*	785	12	797
Non-current liabilities		**4,868**	**12**	**4,880**
Current liabilities		**1,242**		**1,242**
Debt associated with assets held for sale		**140**		**140**
Total liabilities		**8,326**	**49**	**8,375**

2. SCOPE OF CONSOLIDATION

ORPEA's first-half 2017 revenue rose 10.5% compared with the first half of 2016, representing an increase of €145 million.

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

Organic revenue growth ran at 5.5% during the period.

During the first six months of 2017, the Group opened new facilities in and outside France following completion of construction and redevelopment projects launched in during previous years – two facilities in France, three in Germany, one in Italy and one in Belgium.

ORPEA also continued to pursue its policy of acquisitions by purchasing facilities in operation or at the proposal stage:

- a facility at Mougins (4 beds) and assumption of full control of the AP5 group with its 111-bed hospital in France
- a facility located at Mestre (120 beds) in Italy
- the Dr. Dr. Wagner group with its 18 facilities (1,812 beds) and the Fischl group with its two facilities (289 beds) in Austria
- the Anavita group of six facilities (932 beds) and Grand Park group with its four facilities (597 beds) in the Czech Republic
- three nursing homes businesses (163 beds) in Switzerland

ORPEA also stepped up its development by acquiring a 49% interest in a Dutch group and a German group, as well as purchasing a 25% interest in an Austrian group.

Lastly, the Group purchased, directly or via companies, specific assets necessary for its expansion, such as intangible rights and operating properties.

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

	Number of facilities	Number of beds	Operating intangible assets (€ million)	Goodwill and other intangible assets not yet assigned (€ million)	Properties (€ million)
France	2	115	6	14	0
Outside France	34	3,913	70	25	248
Italy	*1*	*120*	*5*		*19*
Switzerland	*3*	*163*	*15*		
Austria	*20*	*2,101*	*51*	*4*	*180*
Czech Republic	*10*	*1,529*		*21*	*49*
Total	36	4,028	76	39	249

Deferred tax liabilities recognised in respect of these acquisitions amounted to approximately €38 million.

In the first half of 2016, total investments at the date of their first-time consolidation were:

	Number of facilities	Number of beds	Operating intangible assets (€ million)	Goodwill and other intangible assets not yet assigned (€ million)	Properties (€ million)
France			1		
Outside France	41	4,027	36	37	71
Italy					
Switzerland	*1*	*31*	*3*		
Germany	*25*	*2,487*		*37*	*1*
Austria	*5*	*343*	*14*		
Poland	*7*	*704*	*11*	*0*	*16*
Belgium			*1*		*27*
Spain	*3*	*462*	*7*		*27*
Total	41	4,027	37	37	71

3. COMMENTARY ON THE FINANCIAL STATEMENTS

3.1 - Goodwill

The main movements during the period were as follows:

	France	Outside France	Total
Net goodwill at beginning of period	379,979	602,128	982,106
Business combinations	13,616	25,730	39,346
Previous goodwill adjustments and deconsolidations		(6,100)	(6,100)
Exchange differences			0
Net goodwill at end of period	**393,595**	**621,758**	**1,015,351**

The business combinations include the provisional allocation of the goodwill arising on the acquisition of the CGUs in Austria and the Czech Republic.

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

	30 June 2017	31 December 2016
Mediter Mieux Vivre group acquired in 2010	87,652	87,652
Senevita group	60,245	61,349
German operations	399,040	395,420
Other	468,414	437,684
Net goodwill at end of period	**1,015,351**	**982,106**

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 June 2017			31 December 2016		
	Gross	Amort. Impair.	Net	Gross	,mort. Impair	Net
Operating licences	1,974,385	8,229	1,966,156	1,884,042	8,229	1,875,812
Advances and downpayments	2,440		2,440	2,278		2,278
Other intangible assets	108,456	23,681	84,776	107,606	23,130	84,476
Intangible assets held for sale	-49,756		-49,756	-73,391		-73,391
Total	2,035,526	31,910	**2,003,616**	1,920,535	31,359	**1,889,176**

At 30 June 2017, operating licences include the intangible operating assets 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 June 2017	31 December 2016
Mediter Mieux Vivre CGU acquired in 2010	195,850	195,850
Senevita CGU	116,905	102,056
Senecura CGU	123,989	123,989
Other	1,529,411	1,453,917
Net operating licences at end of period	**1,966,156**	**1,875,812**

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 2017.

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 2015	**1,782,064**	**2,235**	**40,309**	**(73,391)**	**1,751,217**
Increase	13,082	24	4,360		17,465
Decrease	(37,244)		(861)		(38,105)
Amortisation and charges to provisions			(4,663)		(4,663)
Reclassifications and other	2,750	19	1,530		4,299
Changes in scope	115,162		43,801		158,963
At 31 December 2016	**1,875,812**	**2,278**	**84,476**	**(73,391)**	**1,889,176**
Increase	14,542	162	313		15,017
Decrease			(6)		(6)
Amortisation and charges to provisions	(394)		(1,498)		(1,893)
Reclassifications and other		(0)	699	23,635	24,334
Changes in scope	76,196		792		76,987
At 30 June 2017	**1,966,156**	**2,440**	**84,776**	**(49,756)**	**2,003,616**

Changes in the scope of consolidation derived chiefly from the acquisitions in Austria (€51 million), Switzerland (€15 million), France (€6 million) and Italy (€5 million).

Advances and downpayments recognised in intangible assets mainly comprise prepayments in connection with contractually agreed acquisitions of operating licences.

Other intangible assets include €28 million in intangible concession assets acquired in Spain in 2012 and €44 million in 2016 as a result of the acquisition of the Sanyres group.

3.3 - 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 June 2017			31 December 2016		
	Gross	eprec. Impai	Net	Gross	eprec. Impai	Net
Land	1,198,820	3,250	1,195,570	1,099,600	3,021	1,096,579
Buildings	3,325,504	567,381	2,758,123	2,875,300	504,824	2,370,476
Technical installations	339,231	216,493	122,737	322,851	198,614	124,237
Properties under construction	448,721	1,251	447,470	443,894	1,251	442,643
Other property, plant and equipment	317,401	167,588	149,814	316,690	159,493	157,196
Non-current assets held for sale	-40,331		-40,331	-66,629		-66,629
Total	5,589,347	955,963	**4,633,383**	4,991,705	867,203	**4,124,502**

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 2015	**950,747**	**1,925,529**	**126,469**	**436,301**	**132,677**	**(126,609)**	**3,445,115**
Acquisitions	42,235	224,623	48,501	211,949	40,123		567,431
Change in fair value	60,000						60,000
Disposals and deconsolidations	(1,276)	(8,820)	(66)	(56,763)	(6,885)		(73,809)
Depreciation and charges to provisions	(177)	(78,784)	(31,259)		(24,789)		(135,008)
Reclassifications and other	24,928	129,426	(19,942)	(150,102)	14,320	59,980	58,609
Changes in scope	20,122	178,502	533	1,257	1,750		202,165
At 31 December 2016	**1,096,579**	**2,370,476**	**124,237**	**442,643**	**157,196**	**(66,629)**	**4,124,502**
Acquisitions	51,881	173,139	6,814	103,918	10,172		345,924
Change in fair value							0
Disposals and deconsolidations	(4,617)	(551)	(63)	(26,639)	(190)		(32,059)
Depreciation and charges to provisions	(250)	(50,665)	(16,462)		(8,050)		(75,428)
Reclassifications and other	6,527	62,655	(1,666)	(72,452)	(9,980)	26,298	11,381
Changes in scope	45,449	203,069	9,878	1	666		259,063
At 30 June 2017	**1,195,570**	**2,758,123**	**122,737**	**447,470**	**149,814**	**(40,331)**	**4,633,383**

The principal changes in the first half of 2017 include:

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

3.3.2 - Revaluation of operating properties

The revalued amount of operating properties was not reviewed at 30 June 2017.

3.3.3 - Finance leases

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

	30 June 2017	31 December 2016
Land	257,038	239,755
Buildings	1,095,539	1,000,271
Lease-financed non-current assets	**1,352,577**	**1,240,026**

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:

	First-half 201	irst-half 201
Rents	147,725	147,967
Total rental expense	**147,725**	**147,967**

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

Rental expenses amounted to €148 million, as in the first half of 2016.
This stability was primarily attributable to the rent savings achieved by acquiring properties that were previously leased.
At comparable structure, rental expenses edged up less than 1%.

The schedule of minimum payments due under operating leases are disclosed in Note 3.22.

3.4 - Investments in associates and joint ventures

At 30 June 2017, investments in associates and joint ventures break down as follows:

Associates and joint ventures	Percentage ownership at 30 June 2017	Carrying amount of investment s (€ thousand)
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%	6,754
Woonzorgnet (psychiatric care)	49.0%	5,591
Other	25% to 49.9%	11,082
Total		62,252
Equity accounted profit/(loss) in previous financial years		13,637
Equity accounted profit/(loss) in current period		2,097
Profit/(losses) recorded by previously equity accounted Medibelge		
Investments in associates and joint ventures		77,987

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.

3.5 - Non-current financial assets

Non-current financial assets break down as follows:

	30 June 2017 Net	31 December 2016 Net
Non-consolidated investments	9,577	7,845
Loans	19,255	19,441
Security deposits and guarantees	8,229	6,962
Total	**37,061**	**34,248**

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.

3.6 - Trade receivables

	30 June 2017	31 December 2016
Trade receivables	193,251	148,330
Trade receivables	**193,251**	**148,330**

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

In June 2017, the Group sold a total of €34.3 million in receivables. A total of €32.6 million was derecognised in respect of this sale, reflecting the financing received. The remaining €1.7 million held as security continues to be recognised on the balance sheet.

At the end of 2016, €57 million in receivables were sold and derecognised.

3.7 - Other assets, accruals and prepayments

	30 June 2017	31 December 2016
Development-related receivables	127,366	83,444
Receivables related to property disposals	21,534	23,138
VAT receivables	40,852	35,039
Advances and downpayments made on orders	4,529	4,705
Shareholder advances (associates and related parties)	203,796	176,913
Interest rate derivatives	17,500	
Other receivables	56,185	50,648
Receivables from suppliers	5,784	7,846
Prepaid operating expenses	27,074	25,956
Total	**504,620**	**407,689**

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 forming part of the Group's growth strategy.

3.8 - Assets held for sale

Assets held for sale comprise €40 million in operating properties that the Group has decided to sell in a block or in lots to third-party investors plus €50 million in associated operating licences.

3.9 - Equity

3.9.1 - Share capital

	30 June 2017	31 December 2016
Total number of shares	60,607,956	60,273,691
Number of shares in issue	60,607,956	60,273,691
Nominal value of the share (€)	1.25	1.25
Share capital (€)	75,759,945	75,342,114
Treasury shares	34,579	56,819

Since 31 December 2015, the exercise of stock options has had the following impact on share capital and share premiums:

(€ thousand)	Total number of shares	Share capital	Share premiums
Share capital at 31 Dec. 2015	**60,273,691**	**75,342**	**620,175**
Appropriation of 2015 net profit			(40,069)
Capital increase			
Share capital at 31 Dec. 2016	**60,273,691**	**75,342**	**580,106**
Appropriation of 2016 net profit			(32,000)
Capital increase	334,265	418	(418)
Share capital at 30 June 2017	**60,607,956**	**75,760**	**547,688**

3.9.2 - Earnings per share

Weighted average number of shares in issue

	30 June 2017		30 June 2016	
	Basic	Diluted	Basic	Diluted
Ordinary shares	60,607,956	60,373,582	60,273,691	60,239,983
Treasury shares	(45,699)		(33,708)	
Weighted average number of share	**60,562,257**	**60,373,582**	**60,239,983**	**60,239,983**

Basic earnings per share

(€)	First-half 2017		First-half 2016	
	Basic	Diluted	Basic	Diluted
Net profit/(loss) attributable to c	**(0.69)**	**(0.69)**	**1.25**	**1.25**

3.9.3 - ORNANE bonds

During the second half of 2013, ORPEA issued 4,260,631 bonds convertible into new shares and/or exchangeable for existing shares (ORNANE bonds).

A total of 12 ORNANE bonds were converted in 2015 and 100 in 2016. No new shares were issued, since existing shares held in treasury were remitted instead.

During the first half of 2017, 564,622 ORNANE bonds were exercised, leading to delivery of 29,342 treasury shares and the issue of 252,015 new shares.

Most recently, ORPEA decided to redeem early all the outstanding ORNANE bonds. This decision was announced on 4 September 2017. At that date, 3,695,897 ORNANE bonds remained outstanding, or 86.75% of the initial tranche, with a value of around €172 million. In addition, upon the exercise of the conversion right, the ORNANE bonds, including the nominal value, will be redeemed in new shares. The Company will thus issue a maximum of 3,947,218 new shares.

The financial impact on the consolidated financial statements at 30 June 2017 is presented in Note 3.11.

3.9.4 - Treasury shares

The General Meeting of the Shareholders 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 30 June 2017, the Group held 34,579 shares in treasury.

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 grantees became definitive on 10 April 2017. For Category B grantees, it will become definitive on 10 April 2018, provided they are still with the Group. Grantees are not permitted to transfer the shares they receive under this plan for two years following the definitive vesting date.

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

The fair value of the plan (excluding social security contributions) under IFRS 2 was estimated at €6.7 million. The amount expensed in the first half of 2017 was €2.2 million (excluding social security contributions).

3.9.5 - Dividends

The General Meeting of the Shareholders on 22 June 2017 approved payment of a dividend in respect of the 2016 financial year of €1 per share, representing a total payout of €60,531,156 made in late July 2017.

3.10 - Provisions

Provisions break down as follows:

(€ thousand)	01 January 2017	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 June 2017
Prov. for liabilities and charg	72,906		(9)	7,392	(987)	(18,415)	6,293	67,179
Prov. for restructuring	95,506			1,552	(6,635)		21,598	112,021
Total	168,411	0	(9)	8,944	(7,622)	(18,415)	27,890	179,201
Post-employment ben. ob.	63,919	(683)	9	988	(37)		978	65,174

In October 2016, the *Conseil d'Etat* [France's supreme administrative court] issued a ruling confirming the Group's assessment concerning the application of the rules for calculating VAT on a pro rata basis. It had lodged a complaint with the French tax authorities concerning the tax reassessments issued in respect of the 2010-2013 financial years. The court found in ORPEA's favour and granted it a €20 million total rebate in July 2017. Accordingly, €14 million of the corresponding provision was reversed.

Other changes in provisions derived chiefly from changes in the scope of consolidation.

ORPEA and Clinea, as well as some of the Group's subsidiaries, are currently 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.

At 30 June 2017, short-term provisions totalling €45.5 million include a €18.6 million provision for employment disputes, a €18.5 million provision for VAT and a €8.5 million restructuring provision.

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

(€ thousand)	**30 June 2017**	**31 December 2016**
France	26,869	27,275
Outside France	38,305	36,644
Total	**65,174**	**63,919**

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

(€ thousand)	30 June 2017 Provision set aside	30 June 2017 Profit or loss	30 June 2017 Equity	31 December 2016 Provision set aside	31 December 2016 Profit or loss	31 December 2016 Equity
Beginning of period	**(27,275)**			**(23,480)**		
Current service cost	(1,039)	(1,039)		(2,403)	(2,403)	
Interest cost (unwinding discount)	(363)	(363)		(265)	(265)	
Expected return on plan assets						
Employer contributions						
Actuarial gains and losses	683		683	(3,234)		(3,234)
Benefits paid	1,125			2,106		
Other	(1)					
Changes in scope						
End of period	**(26,869)**	**(1,402)**	**683**	**(27,275)**	**(2,668)**	**(3,234)**

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

(€ thousand)	30 June 2017 Provision set aside	30 June 2017 Profit or loss	30 June 2017 Equity	31 December 2016 Provision set aside	31 December 2016 Profit or loss	31 December 2016 Equity
Beginning of period	**(36,644)**			**(27,736)**		
Current service cost	(674)	(674)		(2,454)	(2,454)	
Interest cost (unwinding discount)				(111)	(111)	
Expected return on plan assets						
Employer contributions				381	381	
Actuarial gains and losses				530		530
Past service cost						
Changes in scope	(978)			(4,047)		
Other (exchange differences)						
Reclassification	(9)			(3,206)		
End of period	**(38,305)**	**(674)**		**(36,644)**	**(2,184)**	**530**

(*) *net of plan assets*

The main actuarial assumptions adopted at 30 June 2017 are as follows:

	30 June 2017		31 December 2016	
	France	Outside France	France	Outside France
Discount rate	1.70%	between 0.85% and 1.20%	1.50%	between 0.85% and 1.20%
Annual rate of salary increase taking account of inflation	1.50%	between 1.25% and 1.75%	1.50%	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.

3.11 - Financial liabilities and cash

ORPEA's net debt breaks down as follows:

(€ thousand)	**Net 30 June 2017**	**Net 31 December 2016**
Bonds	765,998	723,842
Finance lease obligations	1,009,942	885,518
Bridging loans	478,826	462,024
Other borrowings and financial liabilities	2,755,947	2,288,421
Total gross debt (*)	**5,010,713**	**4,359,805**
Cash	(518,650)	(504,108)
Cash equivalents	(35,816)	(35,816)
Total net debt (*)	**4,456,247**	**3,819,881**

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

Movements in financial liabilities in the first half of 2017 were as follows:

(€ thousand)	31 December 2016	Increase	Decrease	Changes in scope	30 June 2017
Bonds	723,842	68,445	(26,289)		**765,998**
Finance lease obligations	885,518	66,838	(59,629)	117,215	**1,009,942**
Bridging loans	462,024	255,775	(238,973)		**478,826**
Other borrowings and financial liabilities	2,288,421	649,633	(228,031)	45,924	**2,755,947**
Total gross debt (*)	4,359,805	1,040,691	(552,922)	163,139	**5,010,713**
Cash and cash equivalents	(539,924)	(14,542)			**(554,466)**
Total net debt (*)	**3,819,881**	1,026,149	(552,922)	163,139	**4,456,247**
Debt associated with assets held for sale	(140,020)	49,933			**(90,087)**
Net debt excluding debt associated with assets held for sale	3,679,861	1,076,082	(552,922)	163,139	**4,366,160**

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

Debt net of cash breaks down by maturity as follows:

	30 June 2017	Less than 1 year (*)	1 to 5 years	Over 5 years
Bonds	765,998	270,571	275,617	219,810
Finance lease obligations	1,009,942	119,100	447,991	442,851
Bridging loans	478,826	178,010	300,816	0
Other borrowings and financial liabilities	2,755,947	415,156	1,820,985	519,806
Total gross debt (*)	**5,010,713**	982,837	2,845,409	1,182,467
Cash and cash equivalents	(554,466)	(554,466)		
Total net debt (*)	**4,456,247**	428,381	2,845,409	1,182,467

(*) 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	2019	2020	2021	2022
Bonds	275,617	235,924	19,887	19,806	
Finance lease obligations	447,991	135,774	114,675	106,798	90,744
Bridging loans	300,816	108,387	148,975	23,556	19,898
Other borrowings and financial liabilities	1,820,985	371,404	456,742	549,448	443,391
Total gross debt per year	**2,845,409**	851,489	740,279	699,608	554,033

ORPEA's financing policy

ORPEA uses the three main types of financing:

- Financing for operating properties through 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

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

At 30 June 2017, these two ratios were at 2.3x and 1.8x respectively, within the required limits of 5.5x for R1 and 2.0x for R2 at 30 June 2017.

Bond issues

ORNANE bonds: On 9 July 2013, ORPEA issued bonds convertible into new shares and/or exchangeable for existing shares (ORNANE bonds) carrying dividend rights from 17 July 2013. The maturity date of the ORNANE bonds is 1 January 2020. A full description of the characteristics of these bonds can be found in the securities note approved by the AMF under no. 13-338 on 9 July 2013.

The 4,260,631 bonds have a nominal value of €46.56 each, putting their total nominal value at €198 million.
A fixed coupon rate of 1.75% p.a. is payable semi-annually in arrears during the life of the bonds.
Bondholders have a contractual option to convert their bonds into cash or new shares, in line with the arrangements set forth in the securities note, from the issue date up until the 18th trading day (exclusive) prior to 1 January 2020. ORPEA may, however, exercise a right of early redemption if the share price exceeds 130% of the nominal value of the bond, but solely on or after 1 February 2017.
The conversion right constitutes a derivative for the purposes of IAS 39, with any change in its fair value being recognised in profit or loss.
ORPEA holds a call option on its ORNANE bonds that is activated if the share price moves above 130% of the reference price, but the exercise period is shorter. In the event of their ORNANE bonds being called by ORPEA, bondholders hold a cross call option enabling them to lock in their gains.

In the financial statements at 30 June 2017, the effects of the early redemption decision made by management are as follows:

- A €15.3 million financial expense linked to the accelerated amortisation of the financial liability,
- A €101 million charge linked to the change in the fair value of the embedded derivative during the first half of the year,
- A €21.6 million deferred tax expense reflecting the reversal of deferred taxes that arose on the previous remeasurements of the embedded derivative.

The total expense arising on the ORNANE bonds in the first half was thus €142.7 million, including the €4.8 million in interest that accrued in the period based on the original schedule.

Other bond issues:
In addition to the bond issues arranged previously and presented in detail in Note 3.12 to the financial statements for the financial year ended 31 December 2016, the ORPEA Group raised €50 million through an issue of 500 bonds at a unit price of €100,000 during the first half of 2017.

Cash and cash equivalents
At 30 June 2017, ORPEA's cash and cash equivalents consisted of €35,816 thousand in short-term investments in non-speculative time deposit accounts with prime financial institutions and €518,650 thousand in bank balances in credit.

3.12 Change in the fair value of the conversion right embedded in the ORNANE bonds

Changes in the fair value of the conversion right embedded in the ORNANE bonds since their launch have been as follows:

	(€ thousand)
Change in 2013	4,893
Change in 2014	25,100
Change in 2015	43,000
Change in 2016	1,800
Change in the first half of 2017	101,000
Total change since inception	**175,793**

(*) See Note to §3.11 on the ORNANE bonds

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 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 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 2017, 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 2017, the maturity profile of the interest rate derivatives was as follows:

	Maturity profile				
	2017	2018	2019	2020	2021
Average notional amount (€ million)	2,210	2,576	2,993	2,986	2,988
Interest rate	1.2%	1.1%	0.8%	0.7%	0.6%

At the end of 2016, the maturity profile of the interest rate derivatives was as follows:

	Maturity profile				
	2017	2018	2019	2020	2021
Average notional amount (€ million)	2,230	2,212	2,201	2,194	2,197
Interest rate	1.2%	1.2%	0.8%	0.8%	0.6%

Accumulated changes in the fair value of these hedging derivatives, which came to € (47.3) million at 30 June 2017, were recognised in full under interest rate hedging reserves in equity.
In addition, Senecura holds trading derivatives (excluding the Group's cash flow hedging portfolios) set up prior to the takeover by the ORPEA Group, the value of which was €(1.1) million at 30 June 2017.

Accumulated changes in the fair value of these hedging derivatives, which came to €(83.1) million at 31 December 2016, 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 derivatives

The fair value of derivatives 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 €2.7 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

(€ thousand)	30 June 2017	31 December 2016
Revaluation reserve at beginning of period	(83,119)	(82,498)
Change in fair value during the period recognised in equity	51,569	27,426
Change in fair value over the period recognised in profit or loss	(15,769)	(28,047)
Impact on comprehensive income for the period	35,800	(621)
Revaluation reserve at end of period	**(47,319)**	**(83,119)**

3.13.2 - Value of non-derivative financial assets

(€ thousand)	30 June 2017	31 December 2016
Participating interests	9,577	7,845
Other non-current financial assets	19,255	19,441
Short-term investments	35,816	35,816
Non-derivative financial instruments	**64,648**	**63,102**

3.14 - Trade payables

	30 June 2017 Net	31 December 2016 Net
Trade payables	213,670	232,019
Trade payables	**213,670**	**232,019**

3.15 - Tax and payroll liabilities

The increase in tax and payroll liabilities reflects the Group's robust expansion. The growth in the Group's headcount was a key factor contributing to this rise.

3.16 - Other liabilities, accruals and prepayments

	30 June 2017 Net	31 December 2016 Net
Development-related liabilities	83,089	96,379
Security deposits	56,551	55,075
Commitments to carry out work on buildings sold	1,027	1,093
Client accounts in credit	1,068	1,205
Other prepaid income	17,684	20,104
Interest rate derivatives	65,944	84,393
Advances and downpayments received on orders in progress	21,927	19,783
Dividends	60,531	
Shareholder advances (associates and related parties)	653	12,420
Miscellaneous liabilities	36,695	33,808
Total	**345,170**	**324,259**

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 these assets.

3.18 - Segment reporting

	First-half 2017	First-half 2016
Revenue		
France	877,748	835,927
Belgium	81,877	79,620
Spain	69,547	34,468
Italy	24,426	23,828
Switzerland	98,000	70,628
Germany	260,494	246,625
Austria	102,320	84,104
Czech Republic	4,652	
Poland	6,022	5,300
China	630	
Total	**1,525,715**	**1,380,501**
Recurring operating profit before rents and before depreciation, amortisation and charges to provisions		
France	256,919	236,934
Belgium	14,234	13,617
Spain	14,771	7,437
Italy	4,207	4,108
Switzerland	34,935	28,365
Germany	63,145	61,994
Luxembourg	(827)	
Austria	20,220	15,330
Czech Republic	(602)	
Poland	858	754
China	(1,309)	
Total	**406,553**	**368,540**
Assets		
France	5,775,842	4,852,537
Outside France	3,385,982	2,959,429
Total	**9,161,824**	**7,811,967**
Liabilities excluding equity		
France	4,181,389	4,235,733
Outside France	2,945,371	1,774,062
Total	**7,126,761**	**6,009,795**

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

3.19 - Other non-recurring operating income and expense

(€ thousand)	First-half 2017	First-half 2016
Income from real estate transactions	19,394	50,066
Expenses on real estate transactions	(17,217)	(43,108)
Reversals of provisions	2,346	3,686
Charges to provisions	(10,091)	(4,859)
Other income	43,012	16,180
Other expenses	(23,694)	(17,396)
Other non-recurring operating income and expense	**13,750**	**4,571**

Other non-recurring operating income and expense mainly comprises €2 million in net gains on disposals of property assets, €37 million in net gains and losses related to acquisitions as part of business combinations and €(19) 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:

(€ thousand)	First-half 2017	First-half 2016
Disposal price	7,522	21,432
Cost price	(7,024)	(16,296)
Profit recognised on disposals of off-plan properties	**499**	**5,135**

3.20 - Net interest expense

	First-half 2017	First-half 2016
Interest on bank debt and other financial liabilities	(49,580)	(38,083)
Interest on items held under finance leases	(6,643)	(6,727)
Net losses on interest rate derivatives	(15,769)	(15,673)
Expense arising from early redemption of the ORNANE bonds	(15,254)	
Financial expense	**(87,246)**	**(60,483)**
Interest income	81	88
Capitalised financial expenses (*)	5,168	6,880
Net income on interest rate derivatives		
Financial income	**5,249**	**6,968**
Net interest expense	**(81,997)**	**(53,515)**

(*) Based on a rate of 3.8% at 30 June 2017, compared with 4% at 30 June 2016, on facilities under constructio

3.21 - Income tax expense

ORPEA SA has elected to form a tax consolidation group with all 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 2017.

(€ thousand)	First-half 2017	First-half 2016
Current income tax	(38,695)	(34,311)
Deferred income tax	(23,947)	(6,101)
Total	**(62,642)**	**(40,411)**

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

(€ thousand)	30 June 2017	30 June 2016
Fair value of intangible assets	(456,135)	(443,302)
Fair value of property, plant and equipment	(338,717)	(317,701)
Finance leases	(104,303)	(93,605)
Temporary differences	(4,542)	(4,587)
Tax loss carryforwards	41,269	38,424
Deferral of capital gains on disposals	538	612
Employee benefits	10,137	10,137
CVAE deferred tax (**)	(5,396)	(5,477)
Financial instruments and other	24,269	56,857
Total	**(832,880)**	**(758,642)**

(*) o/w €152 million in deferred taxes related to the revaluation of propert

(**) 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 €456 million at 30 June 2017. These intangible assets are not held for sale.

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

(€ thousand)	30 June 2017	31 December 2016
Assets	41,269	38,424
Liabilities	(874,149)	(797,067)
Net	**(832,880)**	**(758,642)**

The difference between the statutory tax rate, i.e. 34.43% in 2017, and the effective tax rate in the income statement, breaks down as follows:

(€ thousand)	**First-half 2017**	**First-half 2016**
Effective tax rate:	**299.54%**	**34.86%**
- Impact of the ORNANE bonds	-272.10%	
- Permanent differences	-1.12%	-1.42%
- Business combinations	10.73%	4.17%
- Impact of the reduced rate	0.87%	1.04%
- Impact of associates	0.61%	0.43%
- Impact of foreign companies	0.35%	1.53%
- Other	1.45%	0.24%
- CVAE value-added levy on businesses	-5.90%	-6.42%
Statutory rate	**34.43%**	**34.43%**

3.22 - Commitments and contingent liabilities

3.22.1 - Off-balance sheet commitments

Debt-related commitments

	30 June 2017	**31 December 2016**
Contractual obligations	1,653,605	1,528,334
Contractual obligations	**1,653,605**	**1,528,334**

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 2017 break down as follows:

	Minimum future payments
Less than 1 year	115,003
1 to 5 years	407,981
Over 5 years	655,640
Total lease commitments	**1,178,624**

Operating lease commitments at 30 June 2017 break down as follows:

	Minimum future payments
Less than 1 year	297,780
1 to 5 years	1,191,118
Over 5 years	2,982,385
Total lease commitments	**4,471,283**

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 30 June 2017, contractual commitments to acquire facilities, operating licences and land, subject to a number of conditions precedent being met, amounted to €2 million.

The following respective commitments have 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 entered into concerning the potential acquisition of a 100% interest in 49.9%-held Immobilière de Santé:
- ORPEA received a promise to sell from the other shareholders between 1 July 2018 and 30 June 2019
- ORPEA gave 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 49%-held Woonzorgnet:
- ORPEA received a promise to sell between 1 January 2018 and the fifth business day after 1 July 2018 or between 1 January 2019 and the fifth business day after 1 July 2019.
- ORPEA gave a promise to buy between 1 January 2018 and the fifth business day after 1 July 2018 or between 1 January 2019 and the fifth business day after 1 July 2019.

ORPEA granted Belgian company Intorp a lease payment guarantee covering four properties let to Belgian subsidiaries.

Commitments received

The Group was 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 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	
(€ thousand)	Classification	Level (*)	**30 June 2017**	**31 December 2016**	**30 June 2017**	**31 December 2016**
Held-to maturity investments			**0**	**0**	**0**	**0**
Bonds and negotiable debt securities	Cash and cash equivalents					
Loans and receivables			**707,855**	**582,422**	**707,855**	**582,422**
Short-term loans	Short-term loans					
Long-term loans	Non-current financial assets	2	19,255	19,441	19,255	19,441
Receivables related to asset disposals	Non-current financial assets	2	21,534	23,138	21,534	23,138
Security deposits and guarantees	Receivables related to asset disposals in the short term		8,229	6,962	8,229	6,962
Other receivables	Other receivables	2	465,586	384,551	465,586	384,551
Trade receivables	Trade receivables	2	193,251	148,330	193,251	148,330
Available-for-sale financial assets			**0**	**0**	**0**	**0**
Participating interests	Non-current financial assets					
Other						
Financial assets at fair value			**571,966**	**539,924**	**571,966**	**539,924**
Interest rate derivatives	Other receivables		17,500		17,500	
Currency derivatives						
Open-ended investment funds and mutual funds	Cash and cash equivalents	1	35,816	35,816	35,816	35,816
Cash	Cash and cash equivalents	1	518,650	504,108	518,650	504,108
Financial assets			**1,798,471**	**1,122,346**	**1,798,471**	**1,122,346**

(*) 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 input

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

(€ thousand)	Classification	Level (*)	Carrying amount 30 June 2017	Carrying amount 31 December 2016	Fair value 30 June 2017	Fair value 31 December 2016
Financial liabilities at fair value			**224,237**	**159,186**	**224,237**	**159,186**
Currency derivatives	Other financial liabilities					
Interest rate derivatives	Other financial liabilities	2	48,444	84,393	48,444	84,393
Change in the fair value of the conversion right embedded		2	175,793	74,793	175,793	74,793
Other bonds	Other financial liabilities					
Financial liabilities at amortised cost			**5,521,109**	**4,831,690**	**5,639,740**	**4,943,358**
Bonds convertible into, exchangeable for or redeemable in shares	Non-current and current financial liabilities	1	765,998	723,842	884,628	835,510
Bank borrowings	Non-current and current financial liabilities	2	3,234,773	2,750,445	3,234,773	2,750,445
Finance lease obligations	Non-current and current financial liabilities	2	1,009,942	885,518	1,009,942	885,518
Other financial liabilities	Current financial liabilities	2	296,726	239,866	296,726	239,866
Trade payables	Trade payables	2	213,670	232,019	213,670	232,019
Financial liabilities			**5,745,346**	**4,990,876**	**5,863,977**	**5,102,544**

(*) 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

(*) 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

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 €204 million at 30 June
- Advances granted to ORPEA by its associates and joint ventures and by related parties amounted to €0.7 million at 30 June 2017.
- ORPEA Group leases certain operating premises from related parties within the meaning of IAS 24 - Related Party Disclosures. These lease payments amounted to €8 million in over the period.

3.25 - Subsequent events

ORPEA has continued its development by forming a joint venture with the SIS group to establish a presence in Brazil and Portugal

The Company announced the early redemption of the ORNANE bonds on 4 September 2017 and stated its intention of issuing new shares to cover the exercise of bondholders' conversion rights.

In July 2017, the Group also arranged a Schuldscheindarlehen-type loan in the amount of €224 million and completed a €150 million bond issue in the Euro PP market.

3.26 - Scope of consolidation at 30 June 2017

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
Celenus	100%	100%	Full
Senecura	100%	100%	Full
MEDI-System	100%	100%	Full
CEESCH	100%	100%	Full
GCSE	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, 9 October 2017

Yves Le Masen
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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Société Anonyme [public limited company]
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92813 Puteaux Cedex

Statutory Auditors' Report
on the interim financial reporting

Six-month period from 1 January 2017 to 30 June 2017

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 2017
- 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 Neuilly-sur-Seine, 9 October 2017
The Statutory Auditors

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