INTERIM FINANCIAL REPORT

Six-month period from 1 January 2021 to 30 June 2021

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.

CONTENTS

1 - INTERIM BUSINESS REPORT PAGE 2

1.1 – Highlights

1.2 – Business growth

1.3 – H1 2021 financial results

1.4 – Balance sheet, debt and real-estate portfolio

1.5 – Cash flows

1.6 – The ORPEA Group's short- and medium-term outlook

2 - FINANCIAL STATEMENTS PAGE 10

Income statement

Balance sheet

Cash flow statement

Statement of changes in equity

Notes to the financial statements

3 - STATEMENT BY THE PERSON RESPONSIBLE FOR THE INTERIM REPORT PAGE 60

4 - STATUTORY AUDITORS' REPORT PAGE 61

1. INTERIM BUSINESS REPORT

1.1 HIGHLIGHTS

Covid-19: the sanitary situation is under control thanks to the success of the vaccination campaign

Driven by the global vaccination campaign launched at the end of the 2020 financial year, the sanitary situation saw a marked improvement with a sharp and rapid fall in the number of positive cases among patients, residents and employees. This decrease, which has been clear since February, has continued in a significant manner, stabilising during Q2 at a very low number of positive cases among patients and residents (less than 0.2%). At the end of June 2021, almost none of the Group's facilities had a case of Covid-19. Moreover, the cases recorded were, for the most part, asymptomatic.
Thus at 20 September 2021, more than 90% of residents and 85% of employees were fully vaccinated (this figure standing at 99% in France).

This change of paradigm, coupled with constant care and caution, has allowed facilities to become safe places again, where the virus is not circulating and social interactions have regained their importance: meals in the restaurant, events, entertainment, outside trips, and visits with friends and family in bedrooms have been possible again and have driven a recovery in nursing homes admissions.

Development

During H1 2021, the ORPEA Group has completed 2 selective external growth transactions which will perfectly complement the geographical network and care pathway in the countries in question, i.e. Ireland and Switzerland. Moreover, these acquisitions have common characteristics which highlight ORPEA's approach in terms of acquisition-led growth:

- Quality assets, most of which are recent, in excellent locations;
- An excellent reputation with regard to the quality of care provided to residents and patients at local and national level;
- Medium-sized groups, which are easier to integrate and meet ORPEA's strict financial criteria.

Acquisition of the remaining 50% stake in Brindley Healthcare
After having acquired 50% of the share capital in July 2020, ORPEA acquired during H1 2021 the remaining 50% stake in Brindley Healthcare's share capital. Founded in 2000, this Group operates 10 facilities (574 beds) across 6 counties adjacent to Dublin, and generated 2020 revenue of €25 million.

Acquisition of Sensato AG
Founded in 2008, Sensato AG is one of the leading private Swiss groups with a network of 7 modern facilities (443 beds) in the north and northwest of the country (cantons of Aargau, Bern and Thurgau) and a dual offering of nursing homes and senior assisted-living facilities, providing strong geographical complementarity as well as the potential for synergies with the existing ORPEA care network (Senevita) in Switzerland.

The acquisition of Sensato AG perfectly corresponds with ORPEA's value creation criteria: quality and excellence in care, modern buildings built less than 5 years ago and in excellent locations. Moreover, with almost a third of the network in the roll-out phase, Sensato offers significant potential for increasing business volume and optimising operational performance.

In 2020, Sensato AG posted revenue of €20 million. Thanks to this acquisition, ORPEA has strengthened its position as the second largest player in Switzerland with a total network of 47 facilities and 4,367 beds.

Continued organic growth with the opening of new beds
Since the beginning of the 2021 financial year, ORPEA has continued its premiumisation strategy which focuses on the creation of new facilities at the heart of large cities. In this regard, the Group opened 1,276 new beds which will contribute to future organic growth.

1.2 BUSINESS GROWTH

	H1 2021	H1 2020	*Chg.*	
France Benelux	1,277.8	1,136.6	***+12.4%***	
Central Europe	516.4	499.6	***+3.3%***	
Eastern Europe	192.7	170.3	***+13.1%***	
Iberian peninsula and Latam	81.1	96.4	***-16.0%***	
Rest of the world	1.5	1.5	***N/A***	
Total revenue	2,069.5	1,904.4	***+8.7%***	
Of which organic growth[1]			***+5.2%***	

Composition of the geographical zones: France Benelux (France, Belgium, Netherlands, Ireland, United Kingdom), Central Europe (Germany, Italy and Switzerland), Eastern Europe (Austria, Poland, the Czech Republic, Slovenia, Latvia, Croatia, Russia), Iberian Peninsula and Latam (Spain, Portugal, Brazil, Uruguay, Mexico, Colombia, Chile), Rest of the world (China).

In H1 2021 ORPEA posted revenue of €2,069.5 million, an increase of +8.7%.

[1] The Group's organic revenue growth includes: 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 during the current or year-earlier period, and the change in revenue of recently acquired facilities by comparison with the previous equivalent period.

The Group therefore achieved organic growth of +5.2% for H1, notably thanks to strong momentum in new nursing home admissions and record activity levels at mental health facilities, mostly due to the psychological consequences of the various restrictions imposed over the last 18 months.

- **FRANCE BENELUX**

The France Benelux geographical zone includes operations in France, Belgium, the Netherlands, Ireland and the United Kingdom. Revenue growth in this region reached +12.4% at €1,277.8 million. This performance was driven by the excellent momentum from the recovery in activities in nursing homes and hospitals, coupled with the contribution from acquisitions carried out in 2020 in France (Clinipsy, consolidated since 1 July 2020, and Sinoué since 1 April 2020) and in Ireland (Brindley Healthcare, consolidated since 1 January 2021).
This geographical zone represents almost 62% of the Group's business at the end of H1 2021.

- **CENTRAL EUROPE**

The Central Europe geographical zone encompasses operations in Germany, Italy and Switzerland. This region posted an increase of +3.3% at €516.4 million, driven by the premiumisation of its offering, notably in Germany. In 2020, Germany and Switzerland were less affected by the first wave of the Covid-19 pandemic.
Central Europe is the Group's second-largest geographical zone in terms of revenue and represented 25% of the Group's business during H1 2021.

- **EASTERN EUROPE**

The Eastern Europe geographical zone is made up of operations in Austria, Poland, the Czech Republic, Slovenia, Latvia, Croatia and Russia. Revenue in this region climbed an impressive +13.1% to €192.7 million. As post-acute and rehabilitation hospitals in Austria were closed during Q2 2020, this increase was mainly due to the return to normal levels of activity within these facilities.
This geographical region represented 9% of the Group's business over the period.

- **IBERIAN PENINSULA AND LATAM**

The Iberian Peninsula and Latam geographical zone includes business in Spain, Portugal, Brazil, Mexico and Uruguay. Revenue for this region, which is mainly generated in Spain and in particular in Madrid and Barcelona which were hit hard by the first wave of the Covid-19 pandemic in 2020, was down -16.0% at €81.1 million. Nursing homes have yet to see a return to pre-pandemic levels of activity.
This geographical zone represented 4% of the Group's business at the end of H1 2021.

- **REST OF THE WORLD**

Operations in China make up the Rest of the world region, with €1.5 million in revenue deriving from the facility in Nanjing.

1.3 H1 2021 FINANCIAL RESULTS

In €m	H1 2021	H1 2020	Chg. H1 2021/ H1 2020	H1 2021 Restated for IFRS 16	H1 2020 Restated for IFRS 16
Revenue	**2,069.5**	**1,904.2**	***+8.7%***	**2,069.5**	**1,904.2**
Purchases used and other external expenses	-373.8	-342.7	*+9.1%*	-377.1	-342.7
Staff costs	-1,181.2	-1,080.0	*+9.0%*	-1,177.2	-1,080.0
Taxes other than on income	-79.7	-72.3	*+15.8%*	-83.8	-72.3
Other recurring operating income and expense	80.1	44.3	*N/A*	80.1	44.3
EBITDAR	**514.9**	**453.4**	***+13.6%***	**511.6**	**453.4**
Rental expenses	-15.5	-14.4	*+7.7%*	-186.2	-169.5
EBITDA	**499.4**	**439.0**	***+13.8%***	**325.5**	**283.9**
Depreciation, amortisation and charges to provisions	-268.7	-242.3	*+10.9%*	-123.5	-112.6
Recurring operating profit	**230.7**	**196.8**	***+17.3%***	**202.0**	**171.3**
Other non-recurring operating income and expense	11.6	15.3	*N/A*	11.2	15.3
Operating profit	**242.3**	**212.1**	***+14.2%***	**213.2**	**186.6**
Net interest expense	-109.2	-113.3	*-3.7%*	-70.0	-79.8
Profit before tax	**133.1**	**98.8**	***+34.9%***	**143.2**	**106.8**
Income tax expense	-30.9	-28.3	*+9.2%*	-33.2	-30.2
Share in profit/(loss) of associates and joint ventures	-0.3	1.8	*N/A*	-0.3	1.8
Attributable to non-controlling interest	-0.5	-0.8	*N/A*	-0.5	-0.8
Net profit attributable to ORPEA's shareholders	**102.4**	**73.0**	***+40.3%***	110.1	79.1

RECURRING OPERATING PROFIT

EBITDAR (EBITDA before rental expenses) was up +13.6% at €514.9 million, representing a margin of 24.9%, due mainly to the marked growth in the Central Europe region which posted a margin that exceeded that prior to the Covid-19 pandemic (26.6%). Moreover, the Iberian peninsula and Latam region stood out, thanks to a significant increase in profitability (EBITDAR margin of 19.8%, i.e. +970 bps), despite a decline in activity levels. The Eastern Europe region also enjoyed a steady improvement in its EBITDAR margin from 10.7% in H1 2020 to 15.2% in H1 2021, thanks to the reopening of Austrian clinics which were closed during Q2 2020. The EBITDAR margin for the France Benelux region stood at 26.0% compared with 27.0% in H1 2020, due to lower occupancy rates in nursing homes in France and Belgium.
The whole of H1 continued to be affected by the pandemic, with a gross Covid-19 impact of €133 million (loss of business, additional costs relating to personal protective equipment and staff bonuses). Taking into account compensations received, net costs stood at €35 million, representing a decrease of 34% compared with H1 2020; these compensations are recognised in recurring operating profit, whether as an income in "other products" for those related to loss of business or as a reduction in costs for those related to additional costs.

H1 2021 **EBITDA** was up +13.8% at €499.4 million, representing a margin of 24.1%, up 100 bps compared with H1 2020.

Recurring operating profit stood at €230.7 million (+17.3%) after depreciation, amortisation and charges to provisions of €268.7 million (+10.9%) reflecting the growth of the real-estate portfolio held by the Group.

OPERATING PROFIT

Net non-recurring gains were €11.6 million, compared with €15.3 million in H1 2020. Operating profit was €242.3 million, compared with €212.1 million in H1 2020, representing an improvement of +14.2%.

NET INTEREST EXPENSE

Net interest expense was down 3.7% at €109.2 million. This decline confirms the attractiveness of the financing conditions obtained in recent quarters.

PROFIT BEFORE TAX

Profit before tax totalled €133.1 million, up +34.9% from €98.8 million in H1 2020.

NET PROFIT

Consolidated companies' income tax expense came to €30.9 million, compared with €28.3 million in H1 2020.
Lastly, ORPEA's share in the profit/(loss) of associates represented -€0.3 million in H1, compared with €1.8 million in the previous half.
Net profit attributable to ORPEA's shareholders was up by a sharp +40.3% over H1 2021 at €102.4 million.

1.4 BALANCE SHEET, DEBT AND REAL-ESTATE PORTFOLIO

At 30 June 2021, Group equity attributable to ORPEA's shareholders was €3,569 million, compared with €3,495 million at 31 December 2020.

Net debt stood at €6,841 million[2] at 30 June 2021, compared with €6,156 million at 31 December 2020. This increase reflects the high level of H1 investments made by ORPEA in both real-estate and operating assets.

At 30 June 2021, the Group's two principal debt ratios governing debt remained below the limits:

- financial leverage restated for real estate assets (restated for IFRS 16) = 3.8 versus 3.4 at 31 December 2020, with a cap at 5.5;
- restated gearing (restated for IFRS 16) = 1.7 versus 1.6 at 31 December 2020, with a cap at 2.0.

Both ratios, factoring in the impact of IFRS 16, stood at 1.7 for restated financial leverage and 1.8 for restated gearing and were therefore below the authorised cap.

The proportion of net debt accounted for by real estate debt stood at 86% compared with 87% at 31 December 2020.

The average cost of financial debt was 2.20% over H1 2021, 20 basis points lower than in 2020. Net debt is still fully hedged against the risk of an increase in interest rates.

[2] Excluding €475 million in bridging loans relating to assets held for sale at 30 June 2021, which will be repaid using the proceeds from the disposal of assets held for sale.

ORPEA continued its debt diversification and disintermediation strategy during H1 2021. In March 2021, the Group completed its first sustainable bond issue in the amount of €500 million over 7 years, with a fixed-rate coupon of 2.00%.

At 30 June 2021, ORPEA's real-estate portfolio had a total surface area of 2.32 million sq. m and a value of €7,432 million[3], representing an improvement of +€463 million over the period, with new properties in Ireland, Austria and France. ORPEA now owns the property for 47% of its facilities.

With current healthcare real estate investment momentum strong, ORPEA is also the leading healthcare real estate company in Europe, with 95% of its assets located in major Western European countries. The real estate capitalisation rate is stable at 5.3%.

The application of IFRS 16 led to the recognition on the balance sheet of rights-of-use relating to current leases in the amount of €2,832 million compared with €2,817 million at 31 December 2020, whereas on the liabilities side of the balance sheet, the discounted value of future rental expenses stood at €3,020 million, of which €2,743 million maturing in more than one year and €277 million in less than one year.

1.5 CASH FLOWS

In H1 2021, ORPEA's cash flow generated by operating activities was €394 million, compared with €406 million in H1 2020.
Net cash used in investing activities, which includes investments in construction projects and maintenance, acquisitions of real-estate assets and intangible assets, net of real estate and intangible asset disposals, was negative and totalled €805 million, compared with €660 million in H1 2020. Real estate investments (construction projects or acquisitions of buildings) accounted for 49% of these investments.

Net cash generated by financing activities was positive at €471 million, compared with €317 million in H1 2020.

ORPEA held €949 million in cash at 30 June 2021, compared with €889 million at 31 December 2020.

[3] Excluding the impact of €475 million in real-estate assets held for sale at 30 June 2021.

1.6 THE ORPEA GROUP'S SHORT- AND MEDIUM-TERM OUTLOOK

SUBSEQUENT EVENTS:

Acquisition of Hestia in Spain

Hestia Alliance Group, founded in 1992, offers a comprehensive range of post-acute care, palliative care, long stays and mental health services in 14 facilities, 60% of which are located in Madrid and Barcelona and 14% in the Balearic Islands. The Hestia network, one of the largest in the country with 2,131 beds, has an excellent reputation for quality care and offers strong complementarity with the ORPEA network in Spain. The management team will remain in contact with the Group and will continue to share its know-how and experience with ORPEA in Spain.

Hestia posted revenue of €70 million in 2020. As part of this transaction, ORPEA has also acquired 7 buildings. Hestia will be consolidated at the end of 2021 or, at the latest, at the beginning of 2022.

This acquisition thus significantly strengthens ORPEA's positioning in the post-acute care and rehabilitation and mental health sectors in Spain and provides a new development platform for these activities, for which there is a growing need.

Issue of a €395-million Schuldschein

As has been the case every year for almost a decade, on 5 July 2021 ORPEA issued a Schuldschein (a private placement governed by German law) worth €395 million, one of the highest amounts recorded in 2021 in this market.

The Group can now take advantage of highly favourable market conditions on 5-, 6- and 7-year maturities at attractive prices.

Sixty percent of the proceeds from the issue will be used to finance the Group's further expansion and the remaining 40% to actively manage its financial structure, with the refinancing of 2022 maturities.

STRATEGY AND OUTLOOK

During H1 2021, ORPEA consolidated its position as world leader in long-term care, with 1,156 facilities, representing 116,514 beds, of which 90,155 are open, and a record growth pipeline of 26,359 beds under construction.

More than ever, the Group's strategy remains focused on the quality of care and services provided to its residents and patients, as well as the safety and well-being of its employees.

Faced with the demographic challenges of the years ahead and thanks to its innovative, high-quality and highly diversified care offering for all vulnerabilities at various stages of life, ranging from children and teenagers in mental health, to autonomous seniors in assisted-living facilities and at home, and highly-dependent elderly persons in nursing homes, the Group is well positioned to continue its assertive and value-creating growth strategy. This strategy draws on both selective, value-creating acquisitions and the opening of new facilities in prime locations in major European and Latin American towns and cities.

The Group has confidently reiterated its revenue growth target for 2021 of more than +7.5% (> €4,215 million), coupled with further EBITDAR margin growth in H2 2021.

Principal risks and uncertainties

The principal risks remain identical to those presented on pages 71 to 92 in Chapter 3 of the 2020 Universal Registration Document filed with the Autorité des Marchés Financiers on 12 May 2021 under no. D.21-0454.
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 226 to 228 in Chapter 5.8.3 of the Company's 2020 Universal Registration Document.
Please also refer to Note 3.25 to the interim consolidated financial statements in this report.

2. FINANCIAL STATEMENTS

ORPEA

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

SA ORPEA Société Anonyme (public limited company) with share capital of €80,789,156
Registered on the Nanterre Trade and Companies Registry under no. 401 251 566/APE 853 D

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

Consolidated Income Statement

in thousands of euros	*Notes*	30-Jun-21	30-Jun-20
REVENUE	*3.18*	**2,069,538**	**1,904,154**
Purchases used and other external expenses		(389,340)	(357,126)
Staff costs		(1,181,211)	(1,079,957)
Taxes other than on income		(79,745)	(72,324)
Depreciation, amortisation and charges to provisions		(268,727)	(242,250)
Other recurring operating income and expense		80,137	44,263
Recurring operating profit	*3.20*	**230,652**	**196,759**
Other non-recurring operating income	*3.21*	74,675	63,447
Other non-recurring operating expense	*3.21*	(63,046)	(48,143)
OPERATING PROFIT		**242,281**	**212,063**
Financial income		9,800	7,478
Financial expense		(118,960)	(120,734)
Net finance cost	*3.22*	**(109,160)**	**(113,257)**
PROFIT BEFORE TAX		**133,121**	**98,806**
Income tax expense	*3.23*	(30,893)	(28,330)
Share in profit/(loss) of associates and joint ventures	*3.5*	(349)	1,775
NET PROFIT OF CONSOLIDATED GROUP		**101,879**	**72,251**
Attributable to non-controlling interest		(479)	(767)
Attributable to ORPEA's shareholders		**102,357**	**73,018**

Number of shares		64,631,325	64,615,837
Basic earnings per share (in euros)		1.58	1.13
Diluted earnings per share (in euros)		1.55	1.12

The notes are an integral part of the financial statements

Statement of comprehensive income

in thousands of euros		30-Jun-21	30-Jun-20
Net profit for the financial year	***a***	**102,357**	**73,018**
Change in currency differences		13,463	(52,232)
Available-for-sale financial assets			
Cash flow hedging		39,396	(33,416)
Comprehensive income of equity associates			
Tax effect on items that may be reclassified to profit or loss		(10,174)	8,630
Total items that may be reclassified to profit or loss	***b***	42,685	(77,018)
Comprehensive income after items that may be reclassified to profit or los	***a+b***	**145,042**	**-4,000**
Actuarial gains and losses		2,164	
Revaluations of properties		(20,661)	
Tax effect on items that will not be reclassified to profit or loss		4,777	
Total items that will not be reclassified to profit or loss	***c***	(13,720)	0
Comprehensive income after items that will not be reclassified to profit or	***a+b+c***	**131,322**	**-4,000**
Other comprehensive income (after tax)	***b+c***	**28,965**	**(77,018)**
Comprehensive income	***a+b+c***	**131,322**	**(4,000)**

Consolidated Balance Sheet

in thousands of euros	*Notes*	30-Jun-21	31-Dec-20
Assets			
Goodwill	*3.1*	1,652,777	1,494,270
Net intangible assets	*3.1*	2,943,876	2,881,430
Net property, plant and equipment	*3.3*	6,511,139	6,154,741
Property under construction	*3.3*	920,885	814,562
Right of use of assets	*3.4*	2,831,896	2,817,216
Investments in associates and joint ventures	*3.5*	161,699	187,047
Non-current financial assets	*3.6*	91,437	90,952
Deferred tax assets	*3.23*	124,284	116,111
Non-current assets		**15,237,993**	**14,556,329**
Inventories		18,477	19,824
Trade receivables	*3.7*	274,616	233,223
Other assets, accruals and prepayments	*3.8*	791,284	718,290
Cash and cash equivalents	*3.12*	948,831	888,836
Current assets		**2,033,208**	**1,860,173**
Assets held for sale	*3.9*	**475,000**	**550,000**
TOTAL ASSETS		**17,746,201**	**16,966,502**

in thousands of euros	*Notes*	30-Jun-21	31-Dec-20
Equity and liabilities			
Share capital		80,789	80,789
Consolidated reserves		2,427,425	2,311,027
Revaluation difference		958,780	943,278
Income for the financial year		102,357	160,046
Equity attributable to ORPEA's shareholders	*3.10*	**3,569,351**	**3,495,140**
Non-controlling interests		-4,445	-5,181
Equity of consolidated group		**3,564,906**	**3,489,959**
Long-term financial debts excluding bridging loans	*3.12*	6,291,130	6,037,080
Long-term bridging loans	*3.12*	448,754	449,540
Long-term lease commitments	*3.14*	2,742,514	2,720,246
Provisions	*3.11*	79,322	91,713
Provisions for pensions and similar commitments	*3.11*	102,396	99,243
Deferred tax liabilities and other non-current liabilities	*3.23*	1,433,510	1,445,331
Non-current liabilities		**11,097,626**	**10,843,153**
Short-term financial debts excluding bridging loans	*3.12*	1,458,378	1,008,159
Short-term bridging loans	*3.12*	66,283	47,631
Short-term lease commitments	*3.14*	277,299	266,285
Provisions	*3.11*	22,077	23,867
Trade payables	*3.15*	313,691	310,420
Tax and payroll liabilities	*3.16*	342,200	310,905
Current tax liability		36,024	34,675
Other financial liabilities, accruals and prepayments	*3.17*	567,717	631,448
Current liabilities		**3,083,669**	**2,633,390**
TOTAL EQUITY AND LIABILITIES		**17,746,201**	**16,966,502**

The notes are an integral part of the financial statements

Consolidated Cash Flow Statement

The consolidated cash flow statement is prepared using the indirect method, in other words it presents a reconciliation of operating profit with cash generated from operating activities during the financial year.
As the Group finances a major share of its buildings through lease agreements, cash flow from financing activities represent advances from lessors and their repayments and are recognized as “Receipts from new leases” and “Repayments of leases”.
Opening and closing cash and cash equivalents include cash and other investments less any overdraft facilities that are not considered as bridge financing for operating properties recently acquired or in the course of construction or redevelopment.

in thousands of euros	*Notes*	30-Jun-21	30-Jun-20
Cash flow from operating activities			
● Net profit of the consolidated group		102,357	73,018
● Elimination of non-cash income and expenses from operations (*)		91,171	75,498
IFRS 16 rental costs		142,435	127,142
Net finance cost	*3.22*	69,922	79,801
Financial expense from lease commitment	*3.22*	39,238	33,456
● Capital gains on disposals not related to activity, net of tax		0	0
Cash flow from operations of integrated companies		**445,123**	**388,915**
● Change in working capital requirements related to activity			
- Inventories		1,347	(1,850)
- Trade receivables	*3.7*	(41,392)	9,263
- Other receivables	*3.8*	(57,739)	(109,982)
- Tax and payroll liabilities	*3.16*	48,722	58,569
- Suppliers	*3.15*	(685)	28,937
- Other debt	*3.17*	(1,195)	31,896
Net cash generated by/(used in) operating activities		**394,181**	**405,748**
Cash flow from investing and development activities			
● Real estate investments		(454,045)	(362,093)
● Disposals of real estate		29,099	1,123
● Other acquisitions and changes		(379,779)	(299,115)
Net cash generated by/(used in) investing activities		**(804,725)**	**(660,085)**
Cash generated by/(used in) financing activities			
● Net receipts - (net disbursements) related to bridging loans and bank overdrafts	*3.12*	17,866	260,965
● Receipts from new leases	*3.12*	54,450	48,566
● Receipts from other borrowings	*3.12*	970,983	679,721
● Repayments of lease liabilities		(142,435)	(127,142)
● Repayments of other loans	*3.12*	(245,173)	(355,640)
● Repayments of leases	*3.12*	(75,992)	(75,863)
● Net finance cost and other changes	*3.22*	(109,160)	(113,257)
Net cash generated by/(used in) financing activities		**470,539**	**317,350**
Change in cash		**59,995**	**63,013**
Cash at start of period		888,836	838,741
Cash at end of period		**948,831**	**901,754**
Cash on balance sheet		**948,831**	**901,754**
● Cash equivalents	*3.12*	10,305	12,260
● Cash	*3.12*	938,526	889,494

The notes are an integral part of the financial statements

(*) Of which mainly depreciation, amortisation, provisions, deferred taxes, share of income of equity associates, acquirer’s excess in fair value of assets and liabilities, restructuring expenses, non-current costs incurred in connection with the acquisition of facilities.

Changes in consolidated equity

in thousands of euros except for the number of shares	Number of shares	Share capital	Share premiums	Revaluation differences	Other reserves	Net income	Total attributable to ORPEA's shareholders	Minority interests	Total
31-déc-19	**64,615,837**	**80,770**	**950,605**	**552,021**	**1,196,655**	**233,990**	**3,014,041**	**(2,918)**	**3,011,123**
Change in value of properties				422,501			422,501		422,501
Post-employment benefit obligations				(6,458)			(6,458)		(6,458)
Financial instruments				(24,786)			(24,786)		(24,786)
Exchange rate differences					(56,455)		(56,455)	235	(56,220)
Impact of valuation of deferred taxes							0		0
Change in value recognised directly in equity		**0**	**0**	**391,257**	**(56,455)**	**0**	**334,801**	**235**	**335,037**
Reclassifications					2,016		2,016	(2,016)	0
Allocation of net income					233,990	(233,990)	0		0
Net income 31 December 2020						160,046	160,046	(747)	159,299
OCEANEs					(2,573)		(2,573)		(2,573)
Others					(38,177)		(38,177)	265	(37,912)
Others (IFRS 16)					19,973		19,973		19,973
Free share allocation plan	15,488	19	(19)		5,011		5,011		5,011
Cancellation of treasury shares							0		0
31-déc-20	**64,631,325**	**80,789**	**950,586**	**943,278**	**1,360,441**	**160,046**	**3,495,141**	**(5,181)**	**3,489,958**
Change in value of properties				(15,325)			(15,325)		(15,325)
Post-employment benefit obligations				1,605			1,605		1,605
Financial instruments				29,222			29,222		29,222
Exchange rate differences					13,463		13,463	(283)	13,180
Impact of valuation of deferred taxes							0		0
Change in value recognised directly in equity		**0**	**0**	**15,502**	**13,463**	**0**	**28,965**	**(283)**	**28,682**
Reclassifications							0		0
Allocation of net income					101,879	(160,046)	(58,168)		(58,168)
Net income 30 June 2021						102,357	102,357	(479)	101,878
Others					(1,618)		(1,618)	1,498	(120)
Free share allocation plan					2,674		2,674		2,674
Cancellation of treasury shares							0		0
30-juin-21	**64,631,325**	**80,789**	**950,586**	**958,780**	**1,476,841**	**102,357**	**3,569,351**	**(4,445)**	**3,564,906**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 30 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES 17
1.1 Accounting standards 17
1.2 Basis of accounting 18
1.3 Use of estimates 18
1.4 Consolidation principles 19
1.5 Business combinations 19
1.6 Currency in which the consolidated financial statements are prepared 21
2. HIGHLIGHTS OF THE FINANCIAL YEAR 21
2.1 The Covid-19 pandemic 21
2.2 Scope of consolidation 21
3. COMMENTARY ON THE FINANCIAL STATEMENTS 23
3.1 Goodwill and Intangible assets 23
3.2 Periodic impairment testing 26
3.3 Property, plant and equipment 27
3.4 Right of use of assets 31
3.5 Investments in associates and joint ventures 33
3.6 Non-current financial assets 34
3.7 Trade receivables 34
3.8 Other assets, accruals and prepayments 35
3.9 Assets held for sale 36
3.10 Equity 36
3.11 Provisions 39
3.12 Financial liabilities and cash 41
3.13 Financial instruments 45
3.14 Lease commitments 48
3.15 Trade payables 49
3.16 Tax and payroll liabilities 49
3.17 Other financial liabilities, accruals and prepayments 49
3.18 Revenue 49
3.19 Segment reporting 50
3.20 Recurring operating profit 52
3.21 Other non-recurring operating income and expense 52
3.22 Net finance cost 53
3.23 Income tax expense 54
4. ADDITIONAL INFORMATION 56
4.1 Commitments and contingent liabilities 56
4.2 Analysis of financial assets and liabilities in accordance with IFRS 7 57
4.3 Related-party transactions 58
4.4 Subsequent events 58
4.5 Scope of consolidation at 30 June 2021 59

Notes to the consolidated financial statements

Amounts are stated in thousands of euros unless otherwise stated

The ORPEA Group's interim condensed consolidated financial statements for H1 2021 were approved by the Board of Directors on 21 September 2021.

1. SIGNIFICANT ACCOUNTING POLICIES

ORPEA S.A. is a French company that has its registered office at 12 rue Jean Jaurès, 92800 Puteaux, France. It is the parent company of a group that operates in the temporary and permanent care sector, primarily through nursing homes for the elderly, post-acute and psychiatric hospitals, and home care. It also provides home care services and non-medical residential services.

1.1 Accounting standards

In accordance with EC Regulation 1606/2002 of 19 July 2002, the ORPEA Group has prepared its 2021 interim 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 accounting principles applied at 30 June 2021 are in line with those applied to the consolidated financial statements at 31 December 2020, except for the standards and/or amendments adopted by the European Union subject to mandatory application as of 1 January 2021.

The Group's interim condensed consolidated financial statements for the six-month period ending 30 June 2021 have been prepared in accordance with IAS 34 – Interim Financial Reporting. As they are condensed consolidated financial statements, they do not include all the information required under IFRS for annual financial statements and must therefore be read together with the Group's consolidated financial statements for the financial year ended 31 December 2020. The latter are presented in the Universal Registration Document no. D.21-0454 filed with the AMF on 12 May 2021.

The new mandatory standards and interpretations for periods beginning on or after 1 January 2021 and applicable to the ORPEA Group are:

- Amendments to IFRS 3 – Definition of a Business;
- Amendments to references to the IFRS conceptual framework;
- Amendments to IAS 16 and IAS 37;
- Amendments to IFRS 9 and IFRS 7 – Interest Rate Benchmark Reform;
- Amendments to IFRS 16 – Covid-19-Related Rent Concessions.

These amendments did not have a material impact on the Group's consolidated financial statements.

The Group did not apply any of the new standards or interpretations that were not mandatory at 1 January 2021. These standards include:

Standards not yet adopted by the European Union (application date subject to adoption by the EU):

- Annual Improvements to IFRS Standards 2018-2020 Various provisions (1 January 2022);
- Amendments to IFRS 3: Business Combinations — Reference to the Conceptual Framework (1 January 2022);
- Amendments to IAS 16 — Property, Plant and Equipment — Proceeds before Intended Use (1 January 2022);
- Amendments to IAS 37 — Provisions, contingent liabilities and contingent assets (1 January 2022);
- Amendments to IAS 1 — Presentation of financial statements — Classification of Liabilities as Current or Non-Current (1 January 2023);
- Amendments to IAS 8 — Definition of accounting estimates (1 January 2023);
- Amendments to IAS 12 — Income Taxes (1 January 2023)
- IFRS 17 — Insurance Contracts (1 January 2023).

A detailed analysis of these standards and amendments is under way, but it is not expected to have a material impact on the Group's financial statements.

Adoption of IAS 16 for measuring property assets

As of the financial statements for the financial year ended 31 December 2007, ORPEA elected to measure real estate comprising land and buildings owned and operated by the Group using the fair value revaluation method set out in IAS 16, which it believes gives a more accurate view of the value of its real-estate portfolio.
Details are provided in Note 3.3.

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

1.2 Basis of accounting

The financial statements are prepared according to the historical cost principle except for the fully or jointly-owned properties operated by the Group, which are measured at fair value (see Note 3.3), and derivative financial instruments (see Note 3.13).
Assets held for sale are measured at the lower of their net carrying amount and fair value less costs to sell.
Financial liabilities are measured at amortised cost.
The carrying amount of hedged assets and liabilities recognised on the balance sheet are adjusted to take account of changes in the fair value of the hedged risks.

1.3 Use of estimates

The preparation of Financial Statements in accordance with IFRS requires estimates and assumptions to be made which have an impact on the amounts appearing in these Financial Statements. These estimates are based on an assumption of going concern and are established according to the information available at the time. Estimates may be revised if the circumstances on which they were based change or in the event new information comes to light. Actual results may differ from these estimates.

The consolidated financial statements were prepared by reference to the current environment, notably in regard the estimates presented below:

- future cash flow and discount rate assumptions used for the impairment testing of goodwill, intangible assets, and property, plant and equipment (IAS 36);
- the valuation of share-based payments (IFRS 2);
- the measurement of provisions (IAS 37);
- the assessment of post-employment benefit obligations (IAS 19);
- the estimate of lease terms and the discount rate for future rent (IFRS 16);

- the valuation of certain financial instruments at fair value (IFRS 9);
- the remeasurement of real-estate assets at fair value (IAS 16).

Due to the current public health crisis, the Group has carried out an in-depth review of these assumptions and estimates.

1.4 Consolidation principles

Entities over which the Group has exclusive control, either directly or indirectly, are fully consolidated.
Partnerships classified as joint activities are consolidated on a line-by-line basis according to share actually contributed by the Group. Partnerships classified as joint ventures are consolidated using the equity method.
Companies over which the Group directly or indirectly exercises significant influence are accounted for using the equity method. Significant influence is presumed to exist when the Group owns more than 20% of the voting rights.

They are recognised at cost including any goodwill on the date of their consolidation.
Their carrying amount includes the Group's share of their net results after acquisition. If the Group's share of their losses exceeds its interest in the entity, the Group discontinues recognising its share of any further losses unless it has an obligation to recapitalise the entity or make payments on its behalf.

Acquisitions and disposals made during the financial year are included in the consolidated financial statements from the date on which control or significant influence is acquired to the date on which it ceases.

The consolidated financial statements are drawn up on the basis of the financial statements of all consolidated entities at 30 June.

1.5 Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 — Business Combinations, published in January 2008 by the International Accounting Standards Board (IASB) and adopted early by the Group at 1 January 2009.

Acquisitions of business operations are generally conditional upon the Group obtaining a licence as the new operator from the supervisory authorities. Other conditions precedent may be added on a case-by-case basis.
In such cases, the acquisition and its consolidation are accounted for when the conditions precedent have been met.

A business combination is accounted for only as of the date on which control is acquired.

If an equity interest in the entity was held prior to acquiring control, it is remeasured at fair value and any difference is recognised in non-recurring operating profit.

Transaction costs, such as intermediaries' fees, advisory, legal, accounting, appraisal and other fees, and associated taxes and duties, are recognised in profit or loss for the period as non-recurring operating expenses.

Identifiable assets, liabilities and contingent liabilities of the acquired entity which meet the conditions for recognition set out in IFRS 3 are measured at fair value except for assets (or disposal groups) that qualify as non-current assets held for sale under IFRS 5, which are recognised and measured at fair value less costs to sell.

On first-time consolidation of an acquired entity, the Group has twelve months in which to determine the fair value of identifiable assets, liabilities and contingent liabilities acquired.

In light of current regulations, licences to operate hospitals and nursing homes are recognised and measured as identifiable intangible assets on the date of acquisition.

Licences for facilities acquired in Belgium and Italy have been recognised as intangible assets since 1 July 2007, since 2014 for new facilities acquired in Spain and Switzerland, in 2015 for facilities acquired in Austria, in 2017 for Poland and the Czech Republic, in 2018 for Portugal and Germany, in 2019 for the Netherlands and in 2020 for Slovenia, Latvia and Ireland.
Operating licences for certain foreign facilities do not meet the definition of an identifiable intangible asset and are accordingly not measured separately and are included in goodwill.

Properties are measured at fair value taking account of their specific characteristics.

The Group also assess any potential risks and obligations (social, fiscal, real estate and others) arising from due diligence on acquisitions.

The difference between the cost of an acquisition and the Group's interest in the fair value of identifiable assets and liabilities acquired on the acquisition date is recognised as goodwill. Goodwill is measured in the functional currency of the acquired entity and recognised as an asset on the balance sheet. It is not amortised but tested for impairment whenever there is objective evidence that it might be impaired and at least once a year at the end of the financial year. Any impairment losses are recognised in profit and loss under "Other non-recurring operating expense". Impairment losses for recognised goodwill cannot be subsequently reversed.

If the fair value of assets, liabilities and contingent liabilities acquired is higher than the cost of the acquisition, the negative goodwill is recognised immediately in profit or loss under "Other non-recurring operating income".(see Section 3.21).

Since the adoption of IFRS 3 as revised, non-controlling interests in consolidated subsidiaries may be measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets.
This option is available on a transaction-by-transaction basis.

Goodwill arising on entities accounted for by the equity method is included in "Investments in associates and joint ventures" .

Upon disposal of a subsidiary, jointly-controlled entity or facility, the corresponding goodwill is included when determining the gain or loss on disposal to be presented in non-current operating profit.

1.6 Currency in which the consolidated financial statements are prepared

The consolidated financial statements are prepared in euros.

Financial statements of subsidiaries with a different functional currency are translated into euros as follows:

- at the official rate on the balance sheet date for assets and liabilities;
- at the average rate for the financial year for income statement and cash flow statement items.

Any resulting translation differences are recognised as a component of consolidated equity under “Consolidated reserves” in the “Translation reserve” line item.

Subsidiaries with a functional currency other than the euro are the Swiss, Polish, Czech, Chinese, UK, Croatian, Mexican, Brazilian, Uruguay and Chilean subsidiaries.

2. HIGHLIGHTS OF THE FINANCIAL YEAR

2.1 The Covid-19 pandemic

Against the backdrop of the Covid-19 pandemic, the Group maintained its level of business on the whole in 2021 (see 3.18 below).

The Group received compensation for the decline in business and additional costs incurred in the amount of €98 million (see 3.20 below).
Additional costs of €46 million (personal protective equipment, staff bonuses etc.) were incurred and partly offset by the various financial support schemes implemented by local governments in the amount of €29 million (see 3.20 below).

The Group forecasts strong growth for the year, mainly thanks to the vaccination of almost 91% of the residents and patients at the majority of its facilities.

The Group does not expect any impact on its cash position for 2021, in particular as ORPEA SA issued a public non-convertible 7-year bond for €500 million on 1 April 2021 and a new €395 million Schuldschein in July 2021.

2.2 Scope of consolidation

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

The Group also 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, the total investment at their acquisition date breaks down as follows:

H1 2021	Goodwill (in €m)	Operating intangible assets (in €m)	Properties (in €m)	Contingent liabilities (in €m)	Other assets & liabilities (1) (in €m)	Deferred taxes (in €m)	Purchase price (in €m)	Revenue H1 2021 (in €m)	Net income H1 2021 (in €m)
France Benelux	88	47	58	-2	-37	-11	136	26	-1
Central Europe	39	5	19	-4	-6	-2	48	14	0
·rian Peninsula Latin America									
Eastern Europe	26	3	43	-2	-12	-5	12	9	1
Others									
Total	**153**	**55**	**120**	**-8**	**-55**	**-18**	**196**	**49**	**0**

(1) of which concession intangible assets, if any

The Group carries out regular acquisitions as part of its external growth strategy.

During H1, the Group has completed the following transactions: acquisition of 100% stakes in the sub-groups France Seniors in France and Brindley in Ireland, nursing homes and hospitals in Austria, Croatia, Italy, Switzerland and the Netherlands and, finally, in a school in Austria.

Other non-recurring income and expense relating to acquisitions as part of business combinations are presented in Note 3.21.

In H1 2020, total investments at the date of their first-time consolidation were:

H1 2020	Goodwill (in €m)	Operating intangible assets (in €m)	Properties (in €m)	Contingent liabilities (in €m)	Other assets & liabilities (1) (in €m)	Deferred taxes (in €m)	Purchase price (in €m)	Revenue H1 2020 (in €m)	Net income H1 2020 (in €m)
France Benelux	0	173	115	-3	1	-46	205	53	8
Central Europe	37	12	0	-1	-22	-2	24	13	1
·rian Peninsula Latin America	6	0	7	-1	-1	-1	11	1	0
Eastern Europe	1	3	19	-1	-5	-2	14	3	0
Others									
Total	**45**	**187**	**142**	**-7**	**-27**	**-50**	**253**	**69**	**10**

(1) of which concession intangible assets, if any

3. COMMENTARY ON THE FINANCIAL STATEMENTS

3.1 Goodwill and Intangible assets

The recognition of operating licences as intangible assets is based on the existence of highly-regulated markets.

Depending on the degree of regulations, as well as the recognition of active markets in the geographical regions in which the Group operates, licences are either recognised as goodwill if they cannot be allocated, or recorded directly as Intangible assets under IAS 38.

Intangible assets therefore mainly include operating licences for beds in nursing homes, post-acute and psychiatric hospital at facilities operated in France, Belgium, Switzerland, Spain, Italy, Austria, Poland, the Czech Republic, Portugal, the Netherlands, Germany (hospitals only), Slovenia and Ireland.

The useful life of these licences is considered as indefinite, in line with the sector's niche position. This position is based on the following observations, which are supported by the Group's past experience:

- The probability of a withdrawal or failure to renew licences is low as the Group ensures that it operates its facilities in line with the conditions and standards required by the various supervisory authorities;
- The costs incurred to ensure the renewal of licenses is not material.

These intangible assets are maintained at cost. Cost is equal to the price actually paid when acquired separately or at fair value when acquired as part of a business combination.

Fair value is estimated according to the type of operation and its location and ranges from 100% to 175% of annual revenue in France, from 80% to 100% for Belgium and Switzerland, from 80% to 150% for Italy and Spain, from 50% to 100% for Austria and the Czech Republic, 100% for Poland, Portugal, Slovenia, Latvia and Ireland, and between 75% and 100% for the Netherlands and Germany.

Annual revenue used to value these assets is adjusted according to historical data by taking into account the following main assumptions: consideration of a facility's authorised capacity at the acquisition date and the applicable accommodation prices or per diem rates, a 95% occupancy rate for the facility, consideration of the number of private rooms that will be operated and the related rates, and consideration for retirement homes of care and long-term care related packages where applicable. For facilities in the start-up phase, the revenue used is that of the facility at maturity.
The multiples used are representative of market transactions.

These intangible assets are not amortised but tested for impairment on each balance sheet date or whenever there is objective evidence that they might be impaired. If their recoverable amount is lower than their carrying amount, an impairment loss is recognised in profit or loss under "Other non-recurring operating expense".

The amortisation period for other intangible assets ranges from 1 to 10 years.

3.1.1 Goodwill

The main movements during the period were as follows:

	Total
Net goodwill at start of period	1,494,270
Business combinations	153,295
Adjustments to previous goodwill, deconsolidation and other	(1,686)
Exchange rate differences	6,897
Net goodwill at end of period	**1,652,777**
Excluding goodwill held for sale €56,079K	

Business combinations recognised in 2021 mainly include the provisional allocation of goodwill from the sub-groups France Seniors (France), Sensato (Switzerland), Aspach (Austria) and Brindley (Ireland).

At 30 June 2021, the sub-groups of major CGUs (i.e. those whose value exceeds 5% of total goodwill) were as follows:

	30-Jun-21
MEDITER MIEUX VIVRE sub-group	87,010
SENEVITA sub-group	61,134
Existing German operations	343,257
DAGELIJKS LEVEN sub-group	76,735
AXION sub-group	83,084
Brazilian sub-group	103,270
Portuguese sub-group	93,526
Others	804,762
Net goodwill at end of period	**1,652,777**

Goodwill on assets held for sale totalled €56,079 thousand and corresponded to beds at nursing homes in Germany.

3.1.2 *Intangible assets*

Gross intangible assets and accumulated amortisation break down as follows:

	6/30/2021			12/31/2020		
	Gross	Amort. Prov	Net	Gross	Amort. Prov	Net
Operating intangible assets	2,871,206	29,225	2,841,981	2,810,417	19,101	2,791,316
Advances and down payments	7,229	17	7,212	3,206	16	3,190
Other intangible assets	238,584	143,900	94,684	231,051	140,291	90,759
Intangible assets held for sale	0		0	-3,835		-3,835
Total	3,117,018	173,142	**2,943,876**	3,040,839	159,409	2,881,430

At 30 June 2021, the intangible assets used in operations item includes non-amortisable operating licences as well as a brand acquired as part of the SINOUE Group business combination.

In the event of business acquisitions, operating licences which meet IAS 38 requirements are recognised at fair value at the acquisition date. The approach used to measure fair value is based on recent transactions and commonly used valuation models.

Groups of CGUs with material operating licences are as follows:

	30-Jun-21	31-Dec-20
MEDITER MIEUX VIVRE sub-group	187,125	187,125
SINOUE sub-group	128,215	128,215
CLINIPSY sub-group	145,569	145,569
SENEVITA sub-group	109,448	109,448
SENECURA sub-group	124,106	124,106
Others	2,147,518	2,096,853
Net operating licences at end of period	**2,841,981**	**2,791,316**

No other group of CGUs accounted for more than 5% of the total for the operating licences item at the end of the period.

Amortisation of other intangible assets is recognised in the income statement under Depreciation, amortisation and charges to provisions.

Impairment losses are recognised in Other non-recurring operating expense.

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

	Operating licences	Advances and down payments	Others	Intangible assets held for sale	Total
At 31 December 2019	**2,388,919**	**303**	**83,693**	**(3,835)**	**2,469,080**
Increase	24,683	2,897	10,186		37,765
Decrease	(3,424)		(803)		(4,227)
Depreciation and amortisation	(1,071)	0	(9,325)		(10,396)
Reclassifications and others	(9,748)	(232)	6,596		(3,384)
Changes in scope of consolidation	391,957	222	413		392,592
At 31 December 2020	**2,791,316**	**3,191**	**90,759**	**(3,835)**	**2,881,430**
Increase	747	357	2,230		3,335
Decrease	(4,000)				(4,000)
Depreciation and amortisation	(10,253)	(1)	(5,050)		(15,304)
Reclassifications and others	9,372	3,661	5,833	3,835	22,701
Changes in scope of consolidation	54,799	5	912		55,715
At 30 June 2021	**2,841,981**	**7,212**	**94,684**	**0**	**2,943,877**

Changes in scope of consolidation are mainly related to acquisitions in France Benelux (€47 million), Central Europe (€6 million) and Eastern Europe (€3 million).

Advances and down payments recognised in intangible assets mainly comprise advances and down payments made in connection with contractually agreed acquisitions of operating licences.

Other intangible assets include €72 million in intangible concession assets in Spain.

3.2 Periodic impairment testing

In accordance with IAS 36 — Impairment of Assets, the Group assesses the recoverability of its non-current assets as follows:

- property, plant and equipment and intangible assets with a finite useful life are tested for impairment whenever there is objective evidence that they might be impaired;
- intangible assets with an indefinite useful life and goodwill are tested for impairment whenever there is objective evidence that they might be impaired and at least once a year on the balance sheet date.

Impairment testing consists in comparing the carrying amount with the higher of market value less costs to sell and value in use. Value in use is determined by discounting the future cash flows expected to be generated from continued use of the assets over their estimated useful lives and their residual sale value at the end of that period. The discount rate used is equal to the Group's weighted average cost of capital, which is representative of the sector rate and takes into account a risk premium which is adapted to each country's economic environment.

Any impairment of a cash generating unit (CGU), or group of CGUs in the case of foreign operations, is deducted first from the corresponding goodwill and property, plant and equipment, and any remaining amount is allocated to the rest of the assets in proportion to their carrying amount.

Each nursing home or hospital corresponds to a CGU. A CGU's main assets are goodwill when allocated to the CGU, intangible assets (operating licence) and, where relevant, operating property measured at fair value (see note 3.3).
In accordance with IAS 36, cash generating units were tested for impairment at the end of the 2020 financial year, including goodwill, intangible assets with an indefinite useful life and property, plant and equipment.

Due to the exceptional circumstances related to the Covid-19 pandemic, impairment tests carried out at 31 December 2020 were reviewed to take into account the decline in business observed over H1 as well as the gradual recovery in occupancy rates which began across all facilities at the beginning of H2 2021.

As a result, as long-term business forecasts remained unchanged for all CGUs, these tests did not identify any material impairment losses at 30 June 2021.

The useful life used in the business plans was 5 years and the main operating assumptions and rates used at 30 June 2021 were as follows:

- perpetual growth rate: 1.5%;
- discount rate used depending on geographical regions:
    - France, Switzerland, Germany, Austria, Luxembourg: 5.50%;
    - Belgium, Spain, the Netherlands: 5.86%;
    - Italy: 6.02%;
    - Poland, Portugal, the United Kingdom, Ireland and the Czech Republic: 6.58%;
    - Other: 6.94%;
- capex required to maintain the asset: 2.5% of revenue.

Some cash generating units may be sensitive to a hypothetical change in one of the three above-mentioned rates.

A 50 basis point increase in the discount rate or a 50 basis point decrease in the perpetual growth rate or a cumulative variation of both parameters, would result in a potential impairment of less than 0.25% in the line item.

3.3 Property, plant and equipment

Property, plant and equipment mainly comprises land, buildings, fixtures and fittings and equipment.

The Group's operating properties were either acquired during a takeover of facilities in operation or built or redeveloped by the Group.

They are owned directly or through finance leases.

As part of its asset management policy, the Group regularly participates in real-estate arbitrage on properties it requires for its operations and that it owns.
These sales are carried out as a block or by lots and are then leased back from the new owner. Disposals may include properties owned and operated by the Group for several years and also properties that have been recently acquired, redeveloped or built by the Group or are being built or redeveloped.

Properties which the Group intends to sell in the next twelve months are classified as "Assets held for sale".

Measurement of property, plant and equipment

Property, plant and equipment other than operating properties are measured at cost less accumulated depreciation and impairment, in accordance with the benchmark treatment set out in IAS 16 – *Property, plant and equipment*.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset, as required by IAS 23 — *Borrowing costs*.

Revaluation of operating properties

Properties comprising land and buildings, either owned directly or through finance leases and operated by the Group, are initially carried at cost, then revalued at their fair value by applying the revaluation model set out in IAS 16 — *Property, plant and equipment* (see Section 31).

Since 2020, all real-estate assets are revalued on an annual basis, except for those held for sale within the next twelve months, those for which fair value cannot be reliably determined (notably assets under construction and redevelopment), and smaller sites.

Property under construction, the fair value of which cannot be determined reliably, but for which the Group expects the fair value of the property to be determined reliably when its construction is complete, is valued at cost less any impairment loss, if applicable, until the fair value is reasonably determined or construction is complete.

The fair value of facilities is determined by qualified experts with recognised professional expertise and experience in the Group's sectors of activity and geographical regions. Valuations are realised at 31 December.

The main assessors are the firms Jones Lang LaSalle (JLL) and Cushman & Wakefield, depending on geographical location.

Fair value is measured for each facility based on the location of assets and their activity. Fair value is measured in accordance with the provisions set out in IFRS 13 based on operating data for each facility, market comparables and commonly used valuation models. This corresponds to level 3 fair value in the IFRS 13 hierarchy due to the use of non-published data such as operating data belonging to each facility.

The revaluation of all properties is reviewed annually by external professionally qualified valuers.

The revaluation of each property is determined by capitalising an estimated market rent for each facility based on industry norms. The capitalisation rates used are based on location, type of operation, operating conditions and form of ownership.

The difference between cost and fair value is recognised under “Revaluation reserve” net of taxes in equity.

If the revalued value of property, land and buildings falls below historical cost, an impairment loss is recognised in profit or loss under “Other non-recurring operating expense”.

Fair value adjustments to buildings are amortised over the residual life of each facility.

Depreciation of property, plant and equipment

The Group depreciates property, plant and equipment on a straight-line basis. They are depreciated over the estimated useful life of each item or each significant part of an item where it comprises distinct parts with different useful lives, as follows:

- Buildings, fixtures and fittings: 12 to 60 years
- Technical facilities and equipment: 3 to 10 years
- Other: 3 to 10 years

Property, plant and equipment are tested for impairment whenever there is objective evidence that they might be impaired. Any goodwill impairment losses are recognised in profit and loss under “Other non-recurring operating expense”.

Proprietary property development projects carried out by the Group

Under its expansion policy and in order to meet its quality standards in operating its business, the Group manages most of its own operating property development or redevelopment projects.
These properties are either kept by the Group or sold to investors.

The cost of new or redeveloped properties includes the cost of purchasing the land, any buildings to be redeveloped and all development and redevelopment costs. These include direct production costs and borrowing costs directly attributable to the production of the asset in accordance with Section 11 of IAS 23 *Borrowing costs*.

Properties sold off-plan to investors are accounted for using the percentage of completion method and therefore comply with IFRS 15.

The degree of completion is determined based on accrued costs after validation by the project manager, and corresponds to the technical advancement in terms of the estimated overall costs of the project.

Marketing expenses directly attributable to assets sold off-plan are recognised as assets under property, plant and equipment in progress and are charged back in proportion to the percentage of completion.

Progress payments for off-plan sales are deducted from the value of the of the properties being sold under assets on the balance sheet.

3.3.1 Change in property, plant and equipment and property under construction

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

	6/30/2021			12/31/2020		
	Gross	Amort. Prov	Net	Gross	Amort. Prov	Net
Properties	7,670,624	1,325,469	6,345,155	7,353,951	1,237,510	6,116,441
Technical Facilities	919,073	503,497	415,576	828,529	467,984	360,545
Property under construction	920,947	62	920,885	814,624	62	814,562
Other property, plant and equipment	459,987	290,658	169,329	437,646	271,861	165,786
Property, plant and equipment held for sale	-418,921		-418,921	-488,032		-488,032
Total	9,551,710	2,119,686	**7,432,024**	8,946,719	1,977,417	**6,969,303**

Depreciation is recognised in the income statement under Depreciation, amortisation and charges to provisions.

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

Property, plant and equipment held for sale correspond to properties earmarked for sale within 12 months and totalled €418,921 thousand at 30 June 2021.

The following table shows movements in the net carrying amount of property, plant and equipment:

	Properties	Technical Facilities	Properties under construction	Others	Property, plant and equipment held for sale	Total
At 31 December 2019	**5,305,031**	**289,969**	**595,124**	**164,567**	**(338,032)**	**6,016,657**
Acquisitions	295,289	118,163	298,713	36,023		748,187
Change in value	569,600					569,600
Disposals and outflows	(117,804)	(302)	(69,082)	(508)		(187,697)
Depreciation, amortisation and c	(114,101)	(62,463)	1,189	(28,964)		(204,339)
Reclassifications and others	10,993	1,717	(25,679)	(7,172)	(150,000)	(170,141)
Changes in scope of consolidatio	167,434	13,462	14,299	1,840		197,034
At 31 December 2020	**6,116,441**	**360,545**	**814,562**	**165,786**	**(488,032)**	**6,969,303**
Acquisitions	96,258	72,053	268,399	13,863		450,572
Change in value	(20,661)					(20,661)
Disposals and outflows	(35,483)	(286)	(4,949)	(81)		(40,799)
Depreciation, amortisation and c	(65,774)	(33,975)		(14,868)		(114,617)
Reclassifications and others	134,494	14,573	(157,147)	1,729	69,111	62,761
Changes in scope of consolidatio	119,880	2,668	19	2,900		125,466
At 30 June 2021	**6,345,155**	**415,576**	**920,885**	**169,329**	**(418,921)**	**7,432,024**

The main changes during the 2021 financial year include:

- the revaluation of properties (see Note 3.3.2);
- changes in scope;
- investments necessary for the continuing operation of the facilities, investments in new buildings or extensions, property under construction, as well as other items of property, plant and equipment acquired during the financial year through business combinations and those under construction.

At 30 June 2021, the amount of fixed assets financed through finance leases was €1,552,484 thousand, of which €273,683 thousand was for land and €1,278,801 thousand for buildings.

3.3.2 *Revaluation of operating properties*

The impact of the revaluation of operating properties in accordance with IAS 16 was €1,473 million at 30 June 2021.

The corresponding tax expense, calculated at the statutory tax rate, amounted to €385 million at 30 June 2021.

As was the case for previous interim accounts, the Group did not revalue its property at 30 June 2021.

The average rate of return for the Group’s real-estate portfolio stood at 5.3% at 31 December 2020.

A 5 basis point change in the rate of return would result in a €50 million difference in the expert valuation of the Group’s portfolio.

3.3.3 Rental expenses

Pursuant to the application of IFRS 16, since 1 January 2019 rental payments now only include renewable leases with a duration of twelve months or less or on low-value assets.

Rental costs break down as follows:

	30-Jun-21	30-Jun-20
Rental expenses	15,513	14,387
Total rental costs	**15,513**	**14,387**

Leasebacks followed by the end of an operating lease give rise to the derecognition of the underlying asset, the recognition of a right of use which corresponds to the retained share of the net carrying amount of the assets sold and the corresponding debt, as well as the recognition of a portion of the gain or loss on disposal under Other non-recurring operating income and expense for the financial year, with the latter limited to the right of use sold to the buyer-lessor.

3.4 Right of use of assets

IFRS 16 took effect in 2019 and imposes a single accounting treatment of leases for lessees which consists in recognising under liabilities a lease commitment equal to the amount of discounted future payments and under assets a right of use.

Except for certain intra-group agreements, the Group does not have any material lease agreements in place as a lessor.

The Group applies the provisions of IFRS 16, described below, to all of its leases covering underlying assets with material replacement values and/or for which the duration of the lease is more than twelve months including any renewal options provided for in the agreement.

Leases entered into by the Group mainly relate to property and certain transport material and equipment necessary for the care of patients and residents.

The simplified retrospective method allowed for the simplified calculation of certain impacts at the date of initial application at 1 January 2019.

This method consisted in recognising:

- under liabilities, a lease commitment corresponding to the amount of discounted future rents as of the transition date over the enforceable duration of the agreement including any renewal options and early termination options if the Group is reasonably certain to exercise them;
- under assets, a right of use which is either equal to the lease liability adjusted for any provisions for onerous leases and/or provisions for prepaid and/or accrued lease payments, or for an amount equal to the lease commitment calculated as if the standard had been applied as of the beginning of the lease and/or at the date on which it entered into the scope of consolidation.

Rights of use are amortised on a straight line basis over the useful life of the underlying lease. The lease obligation is recognised at amortised cost using the effective interest rate method. At each year-end, the rental debt is increased by interest for the period and decreased by payments made. The rental debt is revalued in the event of lease renegotiations or when the Group changes its assessment of whether the exercise of renewal or early termination options is reasonably certain.
Leases with a duration of twelve months or less or leases of low value assets continue to be recognised in the income statement without an impact on the Group's balance sheet.

Deferred income tax was recognised for the difference between the rights of use and lease commitments governed by IFRS 16 in a similar manner to the method adopted for finance leases.

The measurement of the enforceable period of the leases was carried out taking into account the final decision of the IFRIC IC on this issue, from the date of initial application.

The lease terms considered correspond to enforceable periods without extension, except when the current lease expires within the next 3 years. In this case, the term is adjusted to the specific situations of each of the leases, taking into account the lease extension or renewal options.

3.4.1 Accounting treatment of finance leases under IFRS 16

In the past, the Group has frequently used and continues to use finance leases with its financial partners for the financing of properties acquired, for restructuring or for the construction of new properties.

The amounts at 30 June 2021 relating to these transactions were €1,552 million in property, plant and equipment (see Note 3.3.1) and €861 million in financial debt (see Note 3.12).

Finance leases result in a legal assignment of properties but do not lead to the derecognition of the asset. This is because the Group retains control of the asset, since it is a financing transaction. As these financial arrangements are substantially asset purchases and not leases, real-estate assets are considered as property, plant and equipment in accordance with IAS 16 and the corresponding liabilities are considered as financial liabilities within the meaning of IFRS 9.

At 30 June 2021, pursuant to IFRS 16, the Group recognised, under assets, a right of use in the amount of €2,831,896 thousand.

The depreciation and amortisation of rights of use in H1 2021 was €145,224 thousand, of which €142,067 thousand relating to real estate assets.

Most leases entered into by the Group relate to property (the remainder of leases are for certain transport material necessary for the care of patients and residents in the amount of €12 million).

At 30 June 2021, changes in rights of use break down as follows:

	Right of use of assets
At 31 December 2020	**2,817,216**
Increase	105,043
Decrease	(21,586)
Depreciation, amortisation and ch	(145,224)
Reclassifications and others	(27,723)
Changes in scope of consolidation	104,165
At 30 June 2021	**2,831,891**

3.5 Investments in associates and joint ventures

At 30 June 2021, investments in associates and joint ventures break down as follows:

Associates and joint ventures	Percentage holding at 30 June 2021	Carrying amount of investments (in €K)
IDS (Real estate company)	50%	13,210
DANUVIUS KLINIK (Psychiatric care)	49%	8,115
BRAZIL SENIOR LIVING	50%	76,802
SENIOR SUITES	49%	15,544
Clinique des Portes de l'Eure	45%	5,710
Others	from 10% to 60%	21,045
Total		140,426
Income from equity associates in previous financial years		21,623
Income from equity associates for the period		-349
Investments in associates and joint ventures		161,699

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, the Group's management considers that these interests are not significant taken individually.

At 30 June 2021, 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	213,450
Current assets	88,093
Equity	58,097
Non-current liabilities	169,148
Current liabilities	74,299
Revenue	14,016
Income from equity associates	-349
Other comprehensive income	0
Net comprehensive income	-349

3.6 Non-current financial assets

The fair value of financial assets and liabilities recognised at amortised cost, in particular for loans and guarantees granted by the Group, is equal to the carrying amount of these securities with the exception of bond issues when applicable.

When the Group does not exercise control, joint control or significant influence over the operational or financial decisions of companies in which it holds a stake, these are recognised in line with the principles applicable to financial assets at fair value.

This corresponds either to the stock market price (level 1) for securities traded on an active market, or to an estimation of fair value determined based on the financial criteria most appropriate to the individual context of each security for non-listed securities (level 3).

Non-current financial assets break down as follows:

	30-Jun-21 Net	31-Dec-20 Net
Non-consolidated securities	6,382	6,972
Loans	39,180	37,900
Security deposits and guarantees	45,875	46,080
Total	**91,437**	**90,952**

Unconsolidated securities are made up of investments in companies over which the Group does not have significant influence as well as investments in mutual banks.

Loans mainly consist of current construction loans arranged by French subsidiaries.

The Security deposits and guarantees item includes all types of security deposits and guarantees that the Group may be called upon to provide in the normal course of its business.

3.7 Trade receivables

Trade receivables are impaired in order to reflect the best estimate of expected credit losses over their life.

In accordance with IFRS 9, these impairments are recognised during the initial accounting of the corresponding assets. Initial or subsequent evaluations of these expected credit losses are made, either individually or collectively, based on various criteria, including the age of the receivables, past events and current and future economic conditions. The value adjustments to be made to trade receivables, regarding the expected credit losses over their life, are reviewed at each reporting date.

Trade receivables may be sold to banks to raise financing. An analysis is performed to assess whether the risks and rewards incidental to ownership of these receivables are transferred. If this review shows that substantially all these risks and rewards have been transferred, the trade receivables are derecognised and any rights created or retained in connection with the transfer are recognised. Otherwise, the trade receivables continue to be recognised, and a financial liability is recognised in respect of the amount transferred.

At 30 June 2021, no trade receivables had been sold.

	30-Jun-21	31-Dec-20
Trade receivables	274,616	233,223
Total	**274,616**	**233,223**

The maturity of financial assets at 30 June 2021 breaks down as follows:

	30-Jun-21	Receivables not due	Receivables due between 0 and 6 months	Receivables due between 7 and 12 months	Receivables due between 1 and 2 years	Receivables due in more than 2 years
Trade receivables	331,445	85,897	170,686	7,745	51,469	15,648
Impairments	-56,829	(33)	(6,968)	(2,335)	(34,067)	(13,426)
Total	**274,616**	**85,864**	**163,718**	**5,410**	**17,402**	**2,222**

The Group has not identified any major default risk among its customers and, in this regard, has not recognised any additional material impairment for expected losses on its trade receivables pursuant to the application of IFRS 9.
This risk is limited as the majority of services in nursing homes are invoiced in arrears and services in hospitals are covered by the French national health insurance system and private health insurance companies.

The Covid-19 crisis did not have a material impact on the Group's credit risk.

3.8 Other assets, accruals and prepayments

	30-juin-21	31-déc-20
Development-related receivables	143,141	125,523
Receivables related to disposals of real estate	20,533	25,200
VAT receivables	103,151	87,717
Advances and down payments paid	3,703	4,903
Shareholder advances (associates and related parties)	306,365	308,291
Interest rate derivatives	1,839	5,292
Miscellaneous receivables	124,530	72,418
Receivables from suppliers	38,515	47,275
Prepaid operating expenses	49,506	41,672
Total	**791,284**	**718,290**

Development-related receivables mainly comprise amounts paid on acquisitions of companies, operating licences for hospital or nursing home beds, or during the construction of new properties.

VAT receivables arise mainly from real estate construction projects under the Group's growth strategy.

3.9 Assets held for sale

In accordance with IFRS 5, assets or groups of assets (disposal groups) — particularly properties or facilities which the Group intends to sell within a period of 12 months — are classified as non-current assets held for sale and discontinued operations. This excludes finance leased buildings.

This classification applies if the sale is highly probable and the non-current asset or disposal group held for sale meets the criteria for such classification and is immediately available for sale.

These assets are measured at the lower of their carrying amount and fair value less costs to sell.

The carrying amount for operating properties is the latest fair value determined in accordance with Section 31 of IAS 16 (see Note 3.3).

At 30 June 2021, assets available for sale break down as follows:

	30-Jun-21
Goodwill	56,079
Intangible assets	0
property, plant and equipment	418,921
Total	**475,000**

3.10 Equity

3.10.1 Share capital

	30-Jun-21	31-Dec-20
Total number of shares	64,631,325	64,631,325
Number of shares issued	64,631,325	64,631,325
Par value of share in euros	1.25	1.25
Share capital in euros	80,789,156	80,789,156
Company shares held by the Group	44,132	37,469

Since 31 December 2019, capital increases and the exercise of stock options have had the following impact on share capital and share premiums:

(in thousands of euros)	Cumulative number of shares	Amount of share capital	Share premiums
Share capital at 31/12/2019	**64,615,837**	**80,770**	**950,605**
Appropriation of 2019 net income			
Share capital increase	15,488	19	(19)
Share capital at 31/12/2020	**64,631,325**	**80,789**	**950,586**
Appropriation of 2020 net income			
Share capital increase			
Share capital at 30/06/2021	**64,631,325**	**80,789**	**950,586**

Share capital increases relate to the vesting of bonus shares with respect the application of share allotment plans maturing during the financial year.

3.10.2 *Earnings per share*

Basic earnings per share are calculated using the weighted average number of shares in issue during the financial year, less any treasury shares held and deducted from equity.

Diluted earnings per share take account of all potentially dilutive instruments granting access to ORPEA's share capital, such as options, warrants and convertible bonds. Options and warrants are dilutive when their exercise price is lower than the market price. In this case, the assumption is that proceeds from the exercise of rights will be used as a priority to buy back shares at the market price. This "share buyback" method is used to calculate the amount of shares that are "not bought back" which are added to the number of ordinary shares outstanding to determine the dilutive impact.

Weighted average number of shares in issue:

	30-Jun-21		31-Dec-20	
	basic	diluted	basic	diluted
Ordinary shares	64,631,325	64,631,325	64,616,643	64,616,643
Treasury shares	(40,801)	(40,801)	(41,306)	(41,306)
Other shares		284,787		271,516
Shares related to the conversion of OCEANE bonds (*)		3,481,228		3,450,512
Weighted average number of shares	**64,590,524**	**68,356,539**	**64,575,337**	**68,297,365**

(*) the number of potential shares resulting from the conversion of the OCEANE bonds takes into account the adjustment of tl
to 1.020 following the dividend distribution decided at the Annual General Meeting of 24 June 2021

Basic earnings per share:

(in euros)	30-Jun-21		31-Dec-20	
	basic	diluted	basic	diluted
Net profit attributable to ORPEA'!	1.58	1.55	2.48	2.44

3.10.3 *Treasury shares*

ORPEA SA shares held by the parent company are recognised at their acquisition cost as treasury shares and deducted from equity until such time as they are sold.

Gains or losses on the sale of treasury shares are added to or deducted from consolidated reserves net of tax.

The Annual General Meeting authorised a share repurchase programme.

Stock options are granted to certain Group employees.
In accordance with IFRS 2 — Share-based Payment, plans established after 7 November 2002 are measured at their allotment date and recognised as staff costs over the grantees' vesting period. This cost, which represents the market value of the option at its award date, is recognised against an increase in reserves.

The fair value of options and rights is determined by actuaries using pricing models based on the characteristics of the plan and market data at the award date.

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 2021, the Group held 44,132 treasury shares.

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 29,514 shares. The allotment vested 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 vested definitively on 13 December 2020 for plan A employees and will vest 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.

On 2 February 2019, the Chief Executive Officer, duly empowered for this purpose by the Board of Directors in their meeting on 28 June 2018, approved the introduction of two other bonus share allotment plans for certain employees of ORPEA or its affiliated companies covering a total of 101,025 shares. The allotment will vest definitively on 02 May 2022 subject to the satisfaction of performance criteria.

On 27 June 2019, the Board of Directors approved the introduction of a new bonus share allotment plan for corporate officers covering a total of 45,279 shares. The allotment will vest definitively on 27 June 2022 subject to the satisfaction of performance criteria.

On 1 February 2020, the Board of Directors approved the introduction of two new bonus share allotment plans for certain employees of ORPEA or its affiliated companies covering a total of 73,032 shares. The allotment will vest definitively on 02 May 2023 subject to the satisfaction of performance criteria.

On 23 June 2020, the Board of Directors approved the introduction of a new bonus share allotment plan for executive corporate officers covering a total of 28,374 shares. The allotment will vest definitively on 23 June 2023 subject to the satisfaction of performance criteria.

On 24 June 2021, the Board of Directors approved the introduction of a new bonus share allotment plan for executive corporate officers covering a total of 13,271 shares. The allotment will vest definitively on 24 June 2024 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 independent actuary. This takes into account the market value of the shares granted, 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 plans (excluding social security contributions) under IFRS 2 was €19.7 million. The amount expensed in H1 2021 was €2.7 million (excluding social security contributions).

3.10.4 Dividends

The Annual General Meeting on 24 June 2021 approved the payment of a dividend in respect of the 2020 financial year of €0.90 per share, representing a total payout of €58,168,193 in July 2021.

3.11 Provisions

The Group sets aside a provision where it has a present obligation arising from a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of this obligation can be estimated reliably.
Where this loss or liability is not probable and the amount of the obligation cannot be measured sufficiently reliably, but an outflow may be required to settle the obligation, the Group recognises a contingent liability.

Provisions related to the operating cycle are classified as current regardless of their probable reversal date. They primarily concern employee-related risks and are estimated by the employee affairs department based on the Group's exposure and the status of any proceedings.

Provisions that are not directly related to the operating cycle and have a probable reversal date of over one year are classified as non-current. They mainly comprise provisions for litigation, taxes and related items, onerous contracts and restructuring.

Provisions break down as follows:

(in thousands of euros)	31-déc-20	Changes in scope and other	Equity	Reclassification	Allocations for the financial year	Reversals during the financial year		30-juin-21
						Used provisions	Unused provisions	
Prov liabilities and charges	49,108		(25)	(348)	4,728	(4,129)	(2,982)	46,353
Prov restructuring	66,471	5,243	200		107	(15,424)	(1,551)	55,047
Total	**115,580**	**5,243**	**176**	**(348)**	**4,835**	**(19,552)**	**(4,533)**	**101,399**
Prov for post-empl. benef. (	99,243	2,942	(2,748)	348	3,014	(401)	(2)	102,396

The Group's companies are regularly subject to 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 financial year in which they are received.

The current portion of provisions (i.e. due in less than one year) at end-June 2021 totalled €22 million, breaking down into €18 million for labour disputes and €4 million for restructuring.

Post-employment benefit obligations

In France, the Group is governed by the single FHP collective bargaining agreement for the private healthcare sector dated 18 April 2002, which provides for payment of a lump-sum benefit upon retirement based on the employee's length of service, grade and salary on the retirement date.
No other post-employment or long-term benefits are granted to employees in service.

Outside France, the Group applies the relevant local provisions in each country. It only has defined benefit post-employment benefit obligations in Switzerland, Austria and for certain facilities in Germany and Italy.

The amount of the Group's commitments in terms of pensions, supplementary pensions and retirement benefits are subject to provisions on the basis of actuarial assumptions. These commitments are calculated using the projected unit credit method. Actuarial assumptions include staff turnover, salary increases, inflation and life expectancy.

The actuarial obligation is recognised in the balance sheet after deduction of any plan assets measured at fair value.

Cumulative actuarial gains and losses arising from experience adjustments or the effects of changes in financial, economic or demographic assumptions (change of discount rate, annual salary increases, length of service life, etc.) are recognised immediately in the Group's obligation with a corresponding amount in a separate component of equity (Other reserves), in accordance with IAS 19 as revised.

Current and, where applicable, past service cost is recognised as operating profit.
Interest cost and expected return on assets, which are calculated according to the same rate, are recognised in net finance cost.

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

(in thousands of euros)	30-Jun-21	31-Dec-20
France	43,326	44,760
International	59,070	54,483
Totals	**102,396**	**99,243**

Changes in the French post-employment benefit obligations and similar break down as follows:

	30-Jun-21			31-Dec-20		
(in thousands of euros)	Balance sheet provision	Net income	Equity	Balance sheet provision	Net income	Equity
Start of period	**(44,760)**			**(40,739)**		
Cost of current services	(1,902)	(1,902)		(3,451)	(3,451)	
Interest expense (accretion)	(166)	(166)		(304)	(304)	
Expected return on assets						
Employer contributions						
Actuarial gains and losses	2,164		2,164	(2,913)		(2,913)
Pension benefits paid	1,561			2,869		
Changes in scope of consolidation	(224)			(853)		
Others				630		
End of period	**(43,326)**	**(2,067)**	**2,164**	**(44,760)**	**(3,754)**	**(2,913)**

Changes in the international post-employment benefit obligations and similar break down as follows:

(in thousands of euros)	30-Jun-21 Balance sheet provision	30-Jun-21 Net income	30-Jun-21 Equity	31-Dec-20 Balance sheet provision	31-Dec-20 Net income	31-Dec-20 Equity
Start of period	**(54,483)**			**(46,608)**		
Cost of current services	(2,444)	(2,444)		(3,475)	(3,475)	
Interest expense (accretion)						
Expected return on assets						
Employer contributions						
Actuarial gains and losses				(5,528)		(5,528)
Past service costs	339					
Changes in scope of consolidation	(2,718)					
Exchange rate differences	584			(149)		
Others	(348)			1,278		
End of period	**(59,070)**	**(2,444)**		**(54,483)**	**(3,475)**	**(5,528)**

3.12 Financial liabilities and cash

Financial liabilities are recognised at nominal value net of any associated transaction costs, which are deferred over the life of the liability in net finance costs using the effective interest method.
If future interest expense is hedged, the financial liability is still measured at amortised cost, and the change in fair value of the effective portion of the hedging instrument is recognised in equity.
Changes in fair value of derivatives not held for hedging and the ineffective portion of hedging instruments are recognised in net finance cost.

Net debt comprises current and non-current financial liabilities less the value of investments and cash at that date.

It includes property bridging loans, which are bank loans allocated specifically to finance operating properties recently acquired or under construction.

ORPEA's net debt breaks down as follows:

(in thousands of euros)	**Net 30 June 2021**	**Net 31 December 2020**
Bond issues	2,017,279	1,461,260
Finance lease obligations	861,238	882,779
Bridging loans	515,037	497,171
Other borrowings and financial liabilities	4,870,990	4,701,200
Total gross debt	**8,264,545**	**7,542,410**
Cash	(938,526)	(878,456)
Cash equivalents	(10,305)	(10,380)
Total net debt	**7,315,714**	**6,653,574**

Movements in financial liabilities in H1 2021 were as follows:

(in thousands of euros)	31-déc-20	Increase	Decrease	Changes in scope of consolidation	**30-juin-21**
Bond issues	1,461,260	564,505	(8,485)	0	**2,017,279**
Finance lease obligations	882,779	54,450	(75,992)		**861,238**
Bridging loans	497,171	274,694	(256,828)		**515,037**
Other borrowings and financial liabilities	4,701,200	363,618	(236,688)	42,860	**4,870,990**
Total gross debt	7,542,410	1,257,267	(577,993)	42,860	**8,264,545**
Cash and cash equivalents	(888,836)	(59,995)			**(948,831)**
Total net debt	6,653,574	1,197,272	(577,993)	42,860	**7,315,714**

Debt net of cash breaks down by maturity as follows:

	30-juin-21	Less than one year (*)	More than one year and less than five years	More than five years
Bond issues	2,017,279	(6,920)	747,704	1,276,495
Finance lease obligations	861,238	206,804	429,158	225,277
Bridging loans	515,037	66,283	431,585	17,169
Other borrowings and financial liabilities	4,870,990	1,258,494	2,550,235	1,062,261
Total gross debt	**8,264,545**	1,524,661	4,158,682	2,581,202
Cash and cash equivalents	(948,831)	(948,831)		
Total net debt	**7,315,714**	575,830	4,158,682	2,581,202

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

	More than one year and less than five years	2022-2023	2023-2024	2024-2025	2025-2026
Bond issues	747,704	68,919	212,278	466,870	(362)
Finance lease obligations	429,158	202,367	109,272	88,553	28,964
Bridging loans	431,585	177,446	217,598	34,484	2,057
Other borrowings and financial liabilities	2,550,235	1,329,736	584,210	(87,333)	723,623
Total gross debt per annum	**4,158,682**	1,778,468	1,123,359	502,574	754,282

The Group's financing policy

The Group's growth is driven by operating investments and real estate investments.

These investments are partly financed by diversified external resources:

- bilateral bank loans repayable over 5, 6 or 7 years, for the acquisition of facilities in service, operating licences, stakes in operating companies etc.;
- real estate bridging loans comprising financing lines dedicated to a specific project as well as general credit lines to pre-finance properties recently acquired or under redevelopment or construction while awaiting refinancing;
- finance leases and mortgage loans repayable over 12 to 15 years to finance or refinance dedicated property transactions;
- public and private bonds, as well as Schuldscheindarlehen the proceeds of which are generally allocated to real estate investments.

To finance its development, the Group also disposes of properties to real-estate investors, real-estate funds, etc. (see Note 3.9).
Income from these disposals is used as a priority to repay bridging loans.

Bank covenants

Since 31 December 2006, all bilateral borrowings as well as Schuldscheindarlehen subscribed by the Group, are subject to the following contractually agreed covenants:

R1 = consolidated net debt (excluding real-estate debt)
consolidated EBITDA - 6% of real estate debt
and

R2 = consolidated net debt
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 2021, these two ratios were at 1.7 and 1.8 respectively, within the required limits at 30 June 2021 of 5.5 for R1 and 2.0 for R2.

After the impact of IFRS 16 was neutralised, the R1 and R2 ratios stood at 3.8 and 1.7.

The Group considers that it is not in a position to approach these limits.

Bond debt

In 2018, the Group completed an inaugural public 7-year bond issue of €400 million (due in March 2025), with an annual fixed-rate coupon of 2.625%.

In May 2019, ORPEA issued €500 million of bonds convertible into new or existing shares (OCEANEs) maturing in 8 years (May 2027), with an annual fixed-rate coupon of 0.375%.

On 1 April 2021, ORPEA SA issued a public non-convertible 7-year bond for €500 million.
This is ORPEA's first sustainable public bond issue (Environmental and Social) aimed at financing the development of selective assets.

Mortgage debt

The ORPEA Group regularly subscribes to mortgage loans, which generally mature in 12 years and with an LTV of 75%.

Private placements

The ORPEA Group acquired €272 million in funding from private investors in 2020.
Part of this funding, €75 million, is subject to extra-financial impact criteria.

Schuldscheindarlehen and Namensschuldverschreibung

In 2020, the ORPEA Group subscribed to Schuldscheindarlehen and Namensschuldverschreibung in the amount of €224 million.

Short-term debt securities

To optimise the cost of its cash flow, the ORPEA Group launched a commercial paper programme (NEU CP) during H1 in the amount of €300 million which is secured by its authorised and undrawn 3-year credit facilities (RCF).

At 30 June 2021, the amount issued under this programme stood at €187 million.

Financing secured by receivables

Depending on opportunities, the Group may secure financing lines through the disposal of receivables. Thus, at 30 June 2021, the Group had a €133 million financing line drawn up to €112 million and secured by receivables from various Caisses Primaires d'Assurance Maladie (French public health insurance).
This financing is recognised as financial debt.

Cash

Cash and cash equivalents consist of cash (in hand and demand deposits) and cash equivalents (short-term investments that are highly liquid, readily convertible to known amounts of cash and subject to a negligible risk of changes in value). Financial assets and liabilities may be offset subject to the conditions set out in IAS 32.

Cash and cash equivalents comprise balances on bank accounts, cash in hand, term deposits of less than 3 months and debt securities traded on official markets that are subject to a negligible risk of a fall in value, which are measured at fair value, with any changes recognised in profit or loss.

At end-June 2021, the Group's positive cash position included €10,305 thousand in short-term investments in non-speculative time deposit accounts with prime financial institutions and €938,526 thousand in cash at bank.

3.13 Financial instruments

The Group uses various financial instruments to hedge its exposure to interest and exchange rate risk. These are over-the-counter instruments contracted with first-class counterparties.

Interest rate derivatives are recognised on the balance sheet under “Other current assets and liabilities” and “Other non-current liabilities” according to their maturity and are measured at fair value from the transaction date (see Section 3.13.1 — Interest rate risk management strategy).

Exchange rate derivatives are recognised on the balance sheet under “Other current assets and liabilities” and are measured at fair value at the transaction date (see Section 3.13.2 — Currency risk).

3.13.1 Interest rate risk

<u>Interest rate risk management strategy:</u>

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-consolidated net debt against the risk of fluctuations in interest rates. To do so, it uses financial instruments to hedge its floating-rate financial liabilities. These financial instruments include:

- interest rate swaps under which the counterparty receives mainly the 3-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 IFRS 9, and these transactions qualify as future cash flow hedges. Unrealised capital gains or losses on the market value of these derivatives are recognised in equity at the end of the financial year, except for the original time value of the options which is amortised in the income statement across the effective lifetime of these instruments, in line with the “cost of hedging” approach set out in the standard.

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.

<u>Interest rate derivatives:</u>

At 30 June 2021, the derivatives portfolio included fixed for floating (mainly 3-month Euribor) interest rate swaps and interest rate options (caps). These derivatives have either a constant or decreasing nominal profile.

At 30 June 2021, the maturity profile of the interest rate derivatives was as follows:

	Schedule				
	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Average notional amount (€m)	3,541	3,528	3,525	3,254	1,463
Interest rate	0.6%	0.6%	0.8%	1.0%	1.3%

	30-Jun-21	2021	2022	2023	2024	2025	More than five years
Current liabilities	44,325	44,325					
Non-current liabilities	156,082		42,535	45,513	42,654	21,020	4,360
Interest rate derivatives	**200,407**	**44,325**	**42,535**	**45,513**	**42,654**	**21,020**	**4,360**

At the end of 2020, the maturity profile of the interest rate derivatives was as follows:

	Schedule				
	2021	2022	2023	2024	2025
Average notional amount (€m)	3,528	3,529	3,510	3,515	2,634
Interest rate	0.6%	0.6%	0.7%	0.9%	1.1%

	31-Dec-20	2021	2022	2023	2024	2025	More than five years
Current liabilities	40,973	40,973					
Non-current liabilities	202,283		42,174	44,609	55,060	46,536	13,904
Interest rate derivatives	**243,256**	**40,973**	**42,174**	**44,609**	**55,060**	**46,536**	**13,904**

Accumulated changes in the fair value of these hedging derivatives, which came to -€156.5 million at 30 June 2021, were recognised under interest rate hedging reserves in equity for an amount of -€157.1 million and in financial income for an amount of €0.6 million.

Accumulated changes in the fair value of these hedging derivatives, which came to -€192.0 million at 31 December 2020, were recognised under interest rate hedging reserves in equity for an amount of -€192.6 million and in financial income for an amount of €0.6 million.

Analysis of sensitivity of the Group’s position to interest rates fluctuations:

Analyses are conducted under the assumption of a 1% increase or decrease in the 3 and 6 month Euribor yield curve which are the only significant indicators for the Group. A 1% increase is a high-end assumption if we consider that the ECB continues to maintain stable rates in the short term and that the risks of inflation in the euro zone are not likely to see a larger increase in the long term.

The fair value of derivatives is sensitive to changes in the yield curve and trends in volatility. Volatility is assumed to remain unchanged for the purposes of this analysis.

At 30 June 2021, Group net debt amounted to €7,316 million, of which about 45% was originally contracted at fixed rates, and the remainder at floating rates.

Including the impact of hedging arrangements:

- the impact of a +1% (+100 basis point) rise in the yield curve would decrease the Group's financial expense (before tax and capitalisation of borrowing costs) by -€1.7 million;
- a -0.1% (-10 basis point) decrease would increase financial expense by +€0.4 million.

Movements in the cash flow hedging reserve:

(in thousands of euros)	**30-Jun-21**
Revaluation difference at start of period	(179,306)
New instruments	
Impact on net profit	(1,651)
Change in equity	39,396
Revaluation difference at end of period	**(141,561)**

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 leading counterparties under which euro sums are swapped for an amount in a foreign currency 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 amount (in thousands of currency)	Market value at 30 June 2021 (in thousands of euros)
Exchange rate forward (CHF)	186,743	201
Exchange rate forward (CZK)	1,668,565	(688)
Exchange rate forward (PLN)	234,050	(235)
Exchange rate forward (AED)	18,000	(84)
Exchange rate forward (RUB)	79,190	(49)
Exchange rate forward (SGD)	700	(3)
Exchange rate forward (HRK)	41,650	(15)
Exchange rate forward (MXN)	137,000	99
Total		**(773)**

All these currency hedging instruments have a maturity date in Q3 2021.

3.13.3 Value of non-derivative financial instruments

(in thousands of euros)	30/06/2021	31-Dec-20
Equity securities	6,382	6,972
Other non-current financial assets	39,180	37,900
Cash equivalents	10,305	10,380
Financial instruments excluding derivatives	**55,867**	**55,252**

3.14 Lease commitments

To determine the incremental borrowing rate used for the discounted cash flow (DCF), the Group has used a rate based on the Group's incremental borrowing rate, the residual term of the leases, and the impact of geographical regions to reflect risks specific to each country. The discount rate applied for Europe is therefore between 1.53% and 3.68%.

The duration of leases corresponds to the non-cancellable period, plus (or less) periods covered by a renewal (or termination) option when the Group is reasonably certain that it will exercise these options. Enforceable periods vary widely from one geographical region to another depending on the usual legal periods (for example 9-year commercial leases in France with a 3-year termination option, emphyteutic leases in Belgium, etc.). The Group exercises its judgement to determine the duration of leases and the probability of the exercise of options. Enforceable periods are reviewed on an annual basis in line with the Group's strategic objectives. The average duration of property leases is 9.3 years.

The breakdown of lease commitments by maturity is as follows:

	30-Jun-21	Less than one year	More than one year and less than five years	More than five years
IFRS 16 lease commitments	3,019,813	277,299	954,425	1,788,089
Total	**3,019,813**	**277,299**	**954,425**	**1,788,089**

Changes in rental commitments break down as follows:

	Lease commitments
At 31 December 2020	**2,986,531**
Discounting	39,037
New contracts	105,190
Repayments	(173,367)
Decreases	(22,208)
Reclassifications and others	(19,535)
Changes in scope of consolidation	104,165
At 30 June 2021	**3,019,813**

3.15 Trade payables

	30-Jun-21	31-Dec-20
Trade payables	313,691	310,420
Total	**313,691**	**310,420**

The Group does not carry out reverse factoring transactions on its trade payables.

3.16 Tax and payroll liabilities

	30-Jun-21	31-Dec-20
Tax and payroll liabilities	342,200	310,905
Total	**342,200**	**310,905**

3.17 Other financial liabilities, accruals and prepayments

	30-Jun-21	31-Dec-20
Development-related debt	201,800	281,098
Guarantee deposits	58,706	56,983
Work commitments on properties sold	546	630
Accounts payable	13,181	99,551
Other prepaid income	57,098	49,599
Interest rate derivatives	44,325	40,973
Foreign exchange derivatives	773	969
Advances and down payments received on orders in progress	21,684	16,997
Current accounts (associates and related parties)	4,130	899
Dividends	58,168	
Miscellaneous	107,305	83,748
Total	**567,717**	**631,448**

Growth-related debt includes earn-outs on put options on the non-controlling interests of DAGELIJKS LEVEN and additional sums on stakes in AXION, ALLERZORG, SEPTEMBER, SIS BRASIL and SIS PORTUGAL.

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

3.18 Revenue

Revenue mainly comprises payment for accommodation and care services provided to residents and patients. This revenue is recognised when the service is provided.

The only seasonal effect is the number of business days, which is higher in H2 of each year than in H1.

ORPEA's H1 2021 revenue was €2,070 million, representing an increase of 8.7% compared with revenue at 30 June 2020, or an improvement of €165 million.

The Group's growth is driven by organic growth and acquisition-led growth.

Organic growth:

Organic revenue growth for H1 was 5.2%.

The Group's organic revenue growth reflects the following factors:

- the year-on-year change in the revenue of existing facilities as a result of changes in their occupancy rates and per diem rates;
- the year-on-year change in the revenue of redeveloped facilities or those where capacity has been increased in the current or year-earlier period;
- revenue generated in the current period by facilities created during the current or year-earlier period, and the change in revenue of recently-acquired facilities by comparison with the previous equivalent period.

Acquisition-led growth:

Acquisition-led growth is derived from acquisitions of facilities in operation or under development (directly or indirectly through companies).

3.19 Segment reporting

Segment information is disclosed on the basis of the segments used by the Group's management to analyse its activity and monitor its development. The operating segments are presented by geographical zones and break down as follows:

- France Benelux: France, Belgium, Luxembourg, the Netherlands, the United Kingdom and Ireland,
- Central Europe: Germany, Italy and Switzerland;
- Eastern Europe: Austria, Poland, the Czech Republic, Slovenia, Latvia and Croatia;
- Iberian Peninsula/Latin America: Spain, Portugal, Brazil, Uruguay, Chile, Mexico and Columbia;
- Other: China.

	30-Jun-21	30-Jun-20
Revenue		
France Benelux	1,277,764	1,136,671
Central Europe	516,370	499,569
Eastern Europe	192,804	169,998
Iberian Peninsula/Latin America	81,141	96,417
Others	1,460	1,499
Total	**2,069,538**	**1,904,154**
Recurring operating profit before rent, depreciation, amortisation and charges to provisions		
France Benelux	332,785	306,486
Central Europe	137,271	119,470
Eastern Europe	29,239	18,113
Iberian Peninsula/Latin America	16,070	9,770
Others	-472	-443
Total	**514,892**	**453,397**
Balance sheet assets		
France Benelux	13,471,934	12,112,586
Excluding France Benelux	4,274,267	3,346,294
Total	**17,746,201**	**15,458,880**
Liabilities excluding equity		
France Benelux	10,460,234	9,305,695
Excluding France Benelux	3,721,061	3,147,675
Total	**14,181,295**	**12,453,370**

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

3.20 Recurring operating profit

Recurring operating profit breaks down as follows:

(in thousands of euros)	**30-Jun-21**	**30-Jun-20**
Revenue	2,069,538	1,904,154
Purchases used and other external expenses before rental expenses	(373,827)	(342,739)
Staff costs	(1,181,211)	(1,079,957)
Taxes other than on income	(79,745)	(72,324)
Other recurring operating income and expense	80,137	44,263
Recurring operating profit before rental expenses, depreciation, amortisation and charges to provisions	**514,892**	**453,397**
Rental expenses	(15,513)	(14,387)
Depreciation, amortisation and charges to provisions	(268,727)	(242,250)
Recurring operating profit	**230,652**	**196,759**

Against the backdrop of the Covid-19 pandemic, the Group recognised compensation relating to a decline in business and additional costs incurred in the amount of €98 million.
This compensation was mainly recognised as Other recurring operating income in the amount of €69 million.

Compensation relating to the additional costs borne was recognised under Purchases used and other external expenses and Staff costs in relation to said additional costs described below:

(in millions of euros)	**Additional costs**	**Compensations**	**Total**
Compensation for additional costs of protective equipment	(26)	16	(10)
Compensation for additional staff costs and bonuses	(20)	13	(7)
Total	**(46)**	**29**	**(17)**

Other recurring operating income and expense also included gains or losses on the disposal of assets.

3.21 Other non-recurring operating income and expense

Other non-recurring operating income and expense included:

- gains or losses on the Group’s property transactions: sales of properties, development cost and any impairments;
- the Group’s development expenses and restructuring costs for recently acquired facilities;
- income and expenses related to business combinations: transaction costs, negative goodwill;
- the impairment of intangible assets and goodwill.

Other non-recurring operating income and expense for the financial year were as follows:

(in thousands of euros)	30-Jun-21	30-Jun-20
Reversals of provisions	3,032	1,715
Allocation to provisions	(18,195)	(740)
Other income	71,643	61,732
Other expenses	(44,850)	(47,403)
Other non-recurring operating income and expense	**11,629**	**15,304**

Other non-recurring income mainly comprised €51 million in net gains and (losses) related to acquisitions as part of business combinations (of which €32 million related to phased takeovers and €9 million in negative goodwill). Other non-recurring expenses mainly comprised expenses relating to the redevelopment of recently-acquired facilities and €22 million in other development costs as well as €2 million in miscellaneous expenses.

3.22 Net finance cost

	30-Jun-21	30-Jun-20
Interest on bank debt and other financial debt	(63,620)	(73,166)
Net expense for interest rate derivatives	(16,102)	(14,112)
Financial expense for lease commitment	(39,238)	(33,456)
Financial expense	**(118,960)**	**(120,734)**
Income from cash flow	226	222
Capitalised financial costs(*)	9,574	7,256
Financial income	**9,800**	**7,478**
Net finance cost	**(109,160)**	**(113,257)**

(*) calculated at a rate of 3.20% at 30 June 2021 as in 2020.

3.23 Income tax expense

(in thousands of euros)	30-Jun-21	30-Jun-20
Taxes payable	(27,021)	(24,885)
Deferred taxes	(3,873)	(3,445)
Total	**(30,893)**	**(28,330)**

In accordance with IAS 12, income tax expense includes €6,781 thousand relating to the French value added contribution (CVAE).

The Cotisation Foncière des Entreprises (CFE) is recognised as a recurring operating expense.

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

(in thousands of euros)	30-Jun-21	31-Dec-20
Fair value of intangible assets	(584,266)	(575,549)
Fair value of property, plant and equipment(*)	(589,546)	(588,340)
Activation of leasing	(172,062)	(159,581)
Temporary differences	(10,713)	(9,460)
Deficits carried forward	79,223	73,959
Spreading of capital gains	61	61
Employee benefits	10,926	11,485
Deferred tax on CVAE (**)	(3,272)	(3,434)
Financial instruments and other	116,505	123,923
Total	**(1,153,144)**	**(1,126,937)**

(*) of which €385m of deferred tax related to the revaluation of properties (see Note 3.3.2)

(**) deferred tax recognised in accordance with IAS 12 on depreciable property, plant and equipment and intangible assets of French entities subject to the CVAE (business value added tax) as from 1 January 2010

Deferred taxes arising on temporary differences between the tax base and accounting base of consolidated assets and liabilities are recognised using the liability method at the rates enacted or substantially enacted at the balance sheet date. The tax rates applied are based on the timetable for reversing temporary differences, tax deficits and other tax credits. The impact of a change in tax rate is recognised in profit or loss for the financial year or in equity, according to the element to which it relates.

Most deferred taxes arise from the fair value revaluation of operating licences and fully or jointly-owned operating properties.

Deferred tax assets arising on tax loss carryforwards are recognised if there is a reasonable probability that they will be used in the foreseeable future on the basis of projections of future taxable profits established for the scope in which these deficits originally arose.

Deferred taxes are not discounted.

A provision is made for taxes that may be due by the Group on dividend payments made by subsidiaries if the dividend payment has been formally agreed on the balance sheet date.

Deferred tax assets and liabilities are netted by tax entity when they are expected to reverse in the same period.

Current and/or deferred taxes are recognised in profit or loss for the period except when arising on a transaction or event recognised directly in equity.

Deferred taxes calculated based on the IFRS measurement of intangible assets used in operations came to €584 million at 30 June 2021.

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

(in thousands of euros)	30-Jun-21	31-Dec-20
Assets	124,284	116,111
Equity and liabilities	(1,277,428)	(1,243,048)
Net	**(1,153,144)**	**(1,126,937)**

The difference between the statutory tax rate, i.e. 28.41% at 30 June 2021, and the effective tax rate in the income statement breaks down as follows:

(in thousands of euros)	30-Jun-21	31-Dec-20
effective rate:	**23.27%**	**24.82%**
- Ongoing differences	-1.55%	1.92%
- Business combinations	2.17%	6.68%
- Impact of reduced rate	6.51%	2.08%
- Impact of equity associates	-0.08%	0.23%
- Impact of foreign companies	-1.02%	3.22%
- Other	1.52%	-0.47%
- Business value added tax (CVAE)	-2.41%	-6.46%
Theoretical rate	**28.41%**	**32.02%**

Deferred tax liabilities and other non-current liabilities break down as follows:

(in thousands of euros)	30-Jun-21	31-Dec-20
Deferred taxes	1,277,428	1,243,048
Interest rate derivatives	156,082	202,283
Total	**1,433,510**	**1,445,331**

4. ADDITIONAL INFORMATION

4.1 Commitments and contingent liabilities

4.1.1 Off-balance sheet commitments

Debt-related commitments

(in thousands of euros)	30-Jun-21	31-Dec-20
Contractual obligations	2,606,465	2,376,746
Contractual obligations	**2,606,465**	**2,376,746**

Pledges, mortgages, security deposits and other collateral account for most of the debt-related commitments.

Commitments relating to the Group's operating activities

The main commitments include:

Commitments on equity associates

The following respective commitments have been entered into concerning the potential acquisition of a 100% interest in 50%-held Brazil Senior Living:

- ORPEA has received a promise from the other shareholders to sell and has given a promise to buy out the other shareholders following the 2023 closing of the financial statements and subject to conditions;
- ORPEA has received a promise from the other shareholders to sell and has given a promise to buy out the other shareholders following the 2024 closing of the financial statements.

The following respective commitments have been entered into concerning the potential acquisition of a 100% interest in 50%-held Senior Suites:

- ORPEA has received a promise from the other shareholders to sell, up until 31 July 2024;
- ORPEA has given a promise to buy out the other shareholders between 1 January and 31 July 2024;
- the seller has given a promise to buy out the other shareholders between 1 August 2024 and 31 July 2025.

Commitments on controlled companies

The following respective commitments have been entered into concerning the potential acquisition of the remaining 18.75% interest in 75%-held Dagelijks Leven:

- ORPEA has received a promise from the other shareholders to sell in instalments as of 2019;
- ORPEA has given a promise to buy out the other shareholders in instalments between 1 January and 15 February 2020 and 2021 if the minority shareholders have not exercised their right themselves, then as of 2022.

Commitments received

The Group also holds options to buy real-estate assets currently leased in Belgium.

4.1.2 Contingent liabilities

Overall, management believes that the provisions recognised in the balance sheet for disputes involving the Group of which it is aware should be sufficient to cover its exposure to risks.

4.2 Analysis of financial assets and liabilities in accordance with IFRS 7

Financial assets and liabilities recognised under IFRS 7 break down as follows:

in thousands of euros	Balance sheet category	Level(*)	Balance sheet value		Fair value	
			30-juin-21	**31-déc.-20**	**30-juin-21**	**31-déc.-20**
HELD-TO-MATURITY FINANCIAL ASSETS			**0**	**0**	**0**	**0**
Bonds and negotiable debt securities	Cash and cash equivalents					
LOANS AND RECEIVABLES			**1,149,116**	**1,030,201**	**1,149,116**	**1,030,201**
Short-term loans	Short-term loan					
Long-term loans	Non-current financial assets	2	39,180	37,900	39,180	37,900
Receivables on disposal of assets	Receivables on disposal of current assets		20,533	25,200	20,533	25,200
Security deposits and guarantees	Non-current financial assets	2	45,875	46,080	45,875	46,080
Other receivables	Other receivables	2	768,912	687,798	768,912	687,798
Trade receivables	Trade receivables	2	274,616	233,223	274,616	233,223
AVAILABLE-FOR-SALE FINANCIAL ASSETS			**0**	**0**	**0**	**0**
Others						
FINANCIAL ASSETS AT FAIR VALUE			**950,670**	**894,128**	**950,670**	**894,128**
Interest rate derivatives		2	1,839	5,292	1,839	5,292
Foreign exchange derivatives		2			0	
SICAVs and mutual funds	Cash and cash equivalents	1	10,305	10,380	10,305	10,380
AVAILABLE CASH	Cash and cash equivalents	1	938,526	878,456	938,526	878,456
FINANCIAL ASSETS			**2,099,786**	**1,924,329**	**2,099,786**	**1,924,329**

(*) Level 1: for financial assets and liabilities listed on an active market, fair value is the listed price.
(*) Level 2: for financial assets and liabilities not listed on an active market for which observable market data exists on which the Group can rely to measure fair value.
(*) Level 3: for financial assets and liabilities not listed on an active market for which observable market data are not available to measure fair value.

in thousands of euros	Balance sheet category	Level(*)	Balance sheet value 30-juin-21	Balance sheet value 31-déc.-20	Fair value 30-juin-21	Fair value 31-déc.-20
FINANCIAL LIABILITIES AT FAIR VALUE			**201,180**	**244,225**	**201,180**	**244,225**
Foreign exchange derivatives	Other debt		773	969	773	969
Interest rate derivatives	Other debt	2	200,407	243,256	200,407	243,256
Change in the fair value of the ORNANE share allocation right		2	0	0	0	0
Other bonds	Other debt					
FINANCIAL LIABILITIES AT AMORTISED COST			**9,100,854**	**8,442,336**	**9,108,575**	**8,506,076**
Bonds convertible, exchangeable, redeemable in shares	Long-term + short-term financial debt	1	2,017,279	1,461,260	2,025,000	1,525,000
Bank debt	Long-term + short-term financial debt	2	5,386,027	5,198,371	5,386,027	5,198,371
Lease debt	Long-term + short-term financial debt	2	861,238	882,779	861,238	882,779
Other debt	Current liabilities	2	522,619	589,506	522,619	589,506
Suppliers	Trade payables	2	313,691	310,420	313,691	310,420
FINANCIAL LIABILITIES			**9,302,034**	**8,686,561**	**9,309,755**	**8,750,301**

(*) Level 1: for financial assets and liabilities listed on an active market, fair value is the listed price.
(*) Level 2: for financial assets and liabilities not listed on an active market for which observable market data exists on which the Group can rely to measure fair value.
(*) Level 3: for financial assets and liabilities not listed on an active market for which observable market data are not available to measure fair value.

4.3 Related-party transactions

Related-party transactions

In the normal course of its business, the ORPEA Group enters into various transactions with related parties as defined by IAS 24.

During the financial year, the main impacts were as follows:

- advances granted by the ORPEA Group to its associates and joint ventures and to other related parties amounted to €306 million at 30 June 2021;
- advances received by the ORPEA Group from associates and joint ventures and related parties amounted to €4 million at 30 June 2021;
- the ORPEA Group leases certain operating premises owned by related parties within the meaning of IAS 24 – Related Party Disclosures. The amount of lease payments recognised as an expense in this respect was €5 million for the financial year before the application of IFRS 16.

4.4 Subsequent events

The Group has continued its expansion with, in particular, the acquisition of the Spanish group HESTIA that offers a comprehensive range of post-acute care, palliative care, long stays and mental health services in 14 facilities.

The Group took out a new Schuldschein for €395 million in July 2021.

ORPEA continues, overall, across its network of facilities to manage the Covid-19 pandemic.

4.5 Scope of consolidation at 30 June 2021

The main companies involved in the ORPEA Group's activities and management of its real-estate portfolio are:

Consolidated companies	Group Control	Group Interest	Consolidation method
SA ORPEA	100%	100%	Parent
SAS CLINEA	100%	100%	FC
SARL NIORT 94	100%	100%	FC
DOMIDOM - ADHAP	100%	100%	FC
SA ORPEA BELGIUM	100%	100%	FC
ORPIMMO	100%	100%	FC
ORPEA ITALIA SRL	100%	100%	FC
CASAMIA IMMOBILIARE	100%	100%	FC
ORPEA IBERICA	100%	100%	FC
SL DINMORPEA	100%	100%	FC
SENEVITA AG	100%	100%	FC
ORPEA DEUTSCHLAND	100%	100%	FC
ORPEA NETHERLAND	100%	100%	FC
CELENUS	100%	100%	FC
SENECURA	100%	100%	FC
MEDISYSTEM	100%	100%	FC
CEESCH	100%	100%	FC
GCSE	100%	100%	FC
ORPEA LATAM	100%	100%	FC
NIORPEA	100%	100%	FC
ORPEA CARE IRELAND	100%	100%	FC
SENIOR BALTIC	100%	100%	FC

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

To the best of my knowledge, I 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 financial statements, the main related-party transactions, and describes the main risks and uncertainties related to the remaining six months of the financial year.

Puteaux, 8 October 2021.

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 2021 to 30 June 2021

To ORPEA's 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 review of the accompanying interim condensed consolidated financial statements of ORPEA for the period from 1 January 2021 to 30 June 2021;
- verified the information provided in the interim business report.

The global crisis due to the Covid-19 pandemic has led to special conditions for the preparation and review of the interim condensed consolidated financial statements. This crisis and the unprecedented measures taken due to the public health emergency have had wide-ranging consequences on companies, in particular on their business and their financing, as well as uncertainties regarding their outlook for the future. Some of these measures, such as travel restrictions and homeworking, have also had an impact on the internal organisation of companies and the conditions for carrying out our audits.

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 review.

Conclusion on the financial statements

We conducted our review in accordance with the professional standards applicable in France. A review consists of making enquiries, primarily of the persons responsible for financial and accounting matters, and of 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 review is a limited assurance. This level of assurance is lower 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.

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 review.

We have nothing to report concerning the fairness and consistency of this information with the interim condensed consolidated financial statements.

Paris, 5 October 2021

The Statutory Auditors

Saint-Honoré BK&A	Deloitte & Associés
Xavier Groslin	Jean-Marie Le Guiner