Press release

ORPEA GROUP

RESUMPTION OF TRADING ON 26 OCTOBER UPON MARKET OPENING

OPENING OF AN AMICABLE CONCILIATION PROCEDURE TOWARDS ORPEA S.A AIMING AT RENEGOCIATING ITS DEBT WITH ITS FINANCIAL CREDITORS

ANTICIPATED ASSET IMPAIRMENTS AT 31 DECEMBER 2022 ASSOCIATED WITH THE ONGOING STRATEGIC REVIEW AND CURRENTLY ESTIMATED AT BETWEEN €2.1 AND €2.5 BILLION BEFORE TAX[1]

PRESENTATION ON 15 NOVEMBER OF THE TRANSFORMATION PLAN, BENEFITTING PATIENTS, RESIDENTS, THEIR FAMILIES, AND EMPLOYEES

Puteaux (France), 26 October 2022 (6:30 AM CEST)

The highly inflationary economic environment and the consequences of the strategic and financial review conducted, currently being finalized by the new management team since the Company's last publications, have led the Company in a situation requiring to renegotiate its debt, including the covenants contained in many of its financing lines, which may not be met as they stand at 31 December 2022. In addition, the current context also impacts the asset disposal program as envisaged in the financing plan agreed with the main banking partners in May of this year, which aimed at ensuring the Group's liquidity. The amount of gross debt due as of 31 December 2023 (as calculated as of 30 June 2022, *pro forma* for drawings made as of 27 September 2022) is €2.439 billion.

ORPEA S.A therefore received yesterday approval regarding the opening of an amicable conciliation procedure[2] by the President of the Nanterre specialized Commercial Court. The purpose of this procedure is to enable ORPEA S.A to engage in discussions with its financial creditors on the restructuring of its financial debt, to obtain new financial resources and to adjust its covenants, within a stable and legally secure framework. The conciliation procedure only concerns the financial debt of ORPEA S.A as legal entity and will not involve operational creditors (such as suppliers). It will have no impact on operations, employees, patients, residents and their families.

This new step, which has the Board of Directors' unanimous approval and support, is a prerequisite for the implementation of ORPEA's transformation plan that will be presented on 15 November.

Following the suspension on 24 October 2022, the trading of all financial instruments (shares, debt securities and related securities) issued by ORPEA will resume on this Wednesday 26 October 2022, at the market opening.

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1 Unaudited figures

2 The conciliation is a procedure, so-called amicable or preventive, for dealing with business difficulties. It is provided for in the Commercial Code. The negotiations, which take place under the aegis of a conciliator appointed by the President of the Commercial Court, are confidential. The conciliator's mission is to encourage the conclusion of an amicable agreement between the debtor and its creditors, who are called upon to do so, aimed at putting an end to the company's difficulties and ensuring its continuity.

Laurent Guillot, Chief Executive Officer, said:

"The new management team and all the ORPEA teams are fully mobilized on our main priorities: safety and working conditions for our employees; quality of care and support for our residents, patients and their families; ethical and responsibility principles inherent to our mission.

We have taken many decisions to restore good practices throughout the Company, in a spirit of 'zero tolerance'. This has already led us to dismiss managers and employees who have behaved unethically, to implement reinforced control measures and to take an active approach to transparency, particularly financial transparency, in order to provide an accurate and sincere picture of ORPEA's situation.

The malfeasance and ethical misconduct, combined with the excessive real estate and international development undertaken by the previous management team, have seriously affected ORPEA's financial situation. All the elements relating to these acts have been and will continue to be brought to the attention of the Public Prosecutor, further to the complaint already filed by the Company in April 2022, and in a nominative manner when appropriate.

In order to ensure the implementation of the transformation plan that I will present on 15 November, in a challenging macroeconomic context that has impacted operating performance as well as the asset disposal program, and in view of the risk of depreciation on certain assets, I have requested the opening of an amicable conciliation procedure benefitting the ORPEA SA legal entity. This procedure allows us to better manage discussions with our financial creditors in the context of a restructuring of the Group's financial debt and to obtain new financial resources, while ensuring the Company can operate normally."

Guillaume Pepy, Chairman of the Board of Directors stated on his part:

"*The Board of Directors unanimously supports the Chief Executive Officer's decision to request the opening of an amicable conciliation procedure and expresses full confidence in ORPEA's ability to transform itself and ensure the best support and quality of care for the most vulnerable."*

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Unaudited financial information concerning the Group's debt structure as of 30 September 2022:

Gross Debt	€9 527 M
Cash position	€854 M
Secured Debt	€4 477 M
Unsecured Debt	€5 050 M
Unsecured Debt incurred by ORPEA S.A	€4 403 M
Debt subject R1/R2 covenants	€3 342 M

The gross financial debt maturity profile, as published on 28 September 2022, is set forth in Appendix 1 of this press release.

Evolution of financial covenants

Given the highly inflationary economic environment and the consequences of the strategic review currently being finalized, ORPEA must amend the "R1" and "R2" covenants (see definition recalled in Appendix 2) contained in many of the Group's financing lines (representing, together and to date, an outstanding amount of €3.3 billion).

Indeed:

- With regard to the R1 ratio: the downward trend in the activities' financial performance observed in the first half of 2022 is continuing in the second half of the year, in particular due to the significant increase in the Group's purchasing costs, particularly for energy and catering; and
- With regard to the R2 ratio: the new business plans drawn up by the operational teams at facility level as part of the strategic review suggest, to date and on the basis of unaudited internal works carried out, significant impairments of certain assets recorded in the Company's balance sheet, with a decrease estimated at:
    - Between €0.8 and €1.0 billion before tax, of the value of the revalued real estate assets subject to an independent annual appraisal, and estimated at €5.8 billion at 31 December 2021. The total value of the real estate assets reported, including the part not revalued by independent experts, amounted to €8.1 billion on the same date; this decrease in the value of the real estate assets is solely the result of the evolution of the business plans, excluding any other parameter (real estate yields, etc.)[3] and will be recorded mainly as a reduction in equity;

[3] The breakdown of this decline in value between the impact on profit or loss and the impact on equity is currently being determined in accordance with the accounting rules in force.

- Between €1.3 and €1.5 billion before tax, of the value of intangible assets corresponding to goodwill and operating licenses that represented €4.7 billion on the balance sheet at 31 December 2021. This decrease in the value of intangible assets results both from the evolution of business plans and from the upward revision of the risk-free rate to 2.5% (compared to 0.2% previously).
- These figures are unaudited and will be reviewed by the statutory auditors as part of their audit of the accounts to 31 December 2022.

Furthermore, in the context of the preparation of its financial statements for the year to 31 December 2022, the Company may be led to recognize impairments in addition to those mentioned above. The latter could result from changes in certain calculation parameters not considered as of today in the approach used for the valuation of real estate and intangible assets (*e.g.* cost of capital, yield on real estate assets, etc.). As an indication, an increase of 0.25% in the yield on real estate assets would result in a decrease of approximately €240 million in the value of the real estate assets revalued by the independent experts. These additional impairments could also result from future work that the Company will carry out on the unappraised portion of the real estate assets held and on the value of financial receivables relating to partnerships, depending on the progress of negotiations undertaken with a view to their settlement. As a reminder, the amount of these financial receivables was €697 million at 30 June 2022.

Failure to comply with the "R1" and "R2" covenants could result in the acceleration of repayment of the relevant financing lines.

Financing plan and real estate disposals

The financing plan, agreed with the main banking partners in May this year and formalized in June 2022 by the approval of a conciliation protocol (*protocole de conciliation*), included the achievement of a property disposals program. A first transaction involving assets in the Netherlands was announced in July 2022 for an amount of €126 million and resulted in an initial receipt of €94 million in September.

Meanwhile, the recent context and the resulting wait-and-see attitude in the real estate transaction market are jeopardizing the continuation of this program within the specified timeframe and necessarily impact the liquidity conditions of such assets.

In this respect, the Company's main commitments, made in June 2022, are set forth in Appendix 3.

Conciliation procedure and contemplated financial restructuring

ORPEA has obtained yesterday the opening by the President of the Nanterre specialized Commercial Court of an amicable conciliation procedure. The purpose of this preventive procedure is to reach amicable solutions with ORPEA S.A's main financial creditors, under the *aegis* of a conciliator, in order to achieve a sustainable financial structure by drastically reducing its debt and securing the liquidity necessary to continue its activity.

At this stage, options under consideration include equity conversion of ORPEA S.A's unsecured debt, amounting €4.3 billion, amendment of the "R1" and "R2" financial covenants contained in multiple financing agreements not impacted by the conversion of debt into equity, and certain modifications to existing secured debt to facilitate the injection of new sources of financing, notably in the form of new secured debt on assets of the group free of any security interests and capital increase.

Creditors holding unsecured financial debt of ORPEA S.A are invited to organize themselves in order to facilitate future discussions with the Company. The appointed conciliator, *Maître* Hélène Bourbouloux (FHB), invites the financial creditors concerned to come forward at the following e-mail address (**orpea@aetherfs.com**). They are requested to provide, among others proof of debt holding at that time and sign a non-disclosure agreement in order to participate in a meeting scheduled for 15 November 2022, the logistical details of which will be communicated later.

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The Company has appointed *Rothschild & Co* and *Perella Weinberg Partners* as financial advisors and *White & Case LLP* and *Bredin Prat* as legal advisors.

The Company will continue to keep the market informed of progress of the ongoing discussions through its corporate communication, in compliance with its legal and regulatory obligations.

Presentation of the transformation plan and financial calendar

The presentation of ORPEA's transformation plan by the new management team will take place on Tuesday 15 November 2022. Details on how to participate will be communicated at a later stage.

Third quarter 2022 revenue will be announced on 8 November 2022 after market close.

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ORPEA GROUP

Appendix 1 – Gross financial debt maturity profile

Maturity profile of gross debt (€m) as of 30/06/2022	H2 2022	2023	2024	2025	2026	2027	Post 2027
Financial Leases & Mortgage	126	249	233	194	165	141	906
Bank Loans	679	1,113	755	270	340	50	78
Private Placements	228	385	502	345	551	230	452
Bonds	-	-	-	400	-	500	500
Total	1,032	1,747	1,490	1,210	1,056	922	1,937

Maturity profile of gross debt (€m) as of 30/06/2022 PF of drawings made up to 27/09/2022	H2 2022	2023	2024	2025	2026	2027	Post 2027
Financial Leases & Mortgage	126	249	233	194	165	141	906
Bank Loans	522	929	427	681	1,035	26	78
Private Placements	228	385	502	345	551	230	452
Bonds	-	-	-	400	-	500	500
Total	876	1,563	1,162	1,620	1,750	898	1,936

(*) excluding factoring program with €128m drawn as at 30 June 2022 and issuance costs for €46m. Repayment of the RCF considered as the final maturity dates of the committed facilities.

Appendix 2 – Reminder of the methods for calculating covenants "R1" and "R2"

The Company reminds readers that bilateral bank loans as well as borrowings made under German law, S*chuldschein*, as well as certain bond issues are subject to the following contractually agreed covenants, tested on a half-yearly basis:

R1 = $\dfrac{\text{consolidated net financial debt (excluding net real estate debt)}}{\text{(EBITDA excluding IFRS16}^{4} \text{ – 6 \% x net real estate debt)}}$, and

R2 = $\dfrac{\text{consolidated net financial debt}}{\text{Equity + quasi equity}^{5}}$

As of 30 June 2022, these two ratios amounted to 3.58 and 1.87, respectively. The applicable contractual limits are 5.5 for R1 and 2.0 for R2.

4 Calculation based on last twelve months.

5 Deferred tax liabilities linked to the valuation of intangible operating assets under IFRS in the consolidated financial statements.

Appendix 3 – ORPEA's main commitments under the Financing Agreement dated June 2022

<table>
<tr><th></th><th>A1 Loan</th><th>A2/A3 Loans</th><th>A4 Loan</th><th>B Loan</th><th>C1/C2 Loans</th></tr>
<tr><td>Commitments relating to the disposal of operating and real estate assets</td><td colspan="4">▪ Implement a program of disposal of operational assets for a minimum cumulative net proceeds of €1bn
▪ Disposal of real estate assets for a cumulative amount in gross asset value (excluding rights) of (i) €1bn by 31/12/23; (ii) increased to €1.5bn by 31/12/24; and (iii) increased to €2bn by 31/12/25 (4)</td><td></td></tr>
<tr><td>Commitments relating to the early repayment of loans</td><td colspan="5">▪ Allocate 100% of the net proceeds from the disposal of real estate assets covered by the MoU to repay the A4 loan
▪ Allocate 25% of the net proceeds from the disposal of real estate assets (subject to the preceding paragraph) in excess of a cumulative amount of €1,270m (including those referred to in the preceding paragraph) to repayment of the A2/A3 and B loans (5)
▪ Allocate the net proceeds from the sale of operating assets, up to a limit of €1.2bn, to repayment of the A1 loan, and then (up to 50% of said proceeds, i.e. €250m) to the A2/A3 and B loans
▪ Allocate 25% of the net proceeds from the sale or subscription in the event of the opening of the capital of its subsidiary Niort 94, in repayment of the A2/A3 and B loans (within the limit of a repayment amount of €150m)
▪ Allocate 25% (for proceeds up to €1m and 50% (above) of the net proceeds from new debt issues on the capital markets (subject to customary exceptions), to repayment of the A2/A3 and B loans
▪ Allocate the net proceeds received from any financing from the State or from Bpifrance, in repayment of the A3 loan</td></tr>
<tr><td>Other commitment</td><td colspan="5">▪ From 30/06/23, a minimum cash level of €300m (tested quaterly)
▪ The Loans do not contain other financial covenants</td></tr>
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<table>
<tr><th></th><th>A1 Loan</th><th>A2/A3 Loans</th><th>A4 Loan</th><th>B Loan</th><th>C1/C2 Loans</th></tr>
<tr><td>Security interests enforcement</td><td colspan="5">As long as the original lenders under the Credit Agreement and any subsequent lenders on an agreed list of potential lenders (in each case together with their affiliates) hold more than 66.2/3% of the outstanding and undrawn commitments at that date under the Loans (other than the C2 Loan):
▪ Non-payment under the Loans
▪ Breach of the minimum consolidated cash commitment described below
▪ Insolvency and collective proceedings
▪ Non-compliance with commitments relating to (i) the disposal or operating and real estate assets described above; or (ii) preservation of assets provided as security
▪ Default and acceleration (cross-default) above a cumulative threshold of €100m
▪ Refusal by the statutory auditors to certify the ORPEA Group's consolidated financial statements or the existence of reserves on the group's continuity of operations

If the original lenders under the credit agreement and any subsequent lenders on an agreed list of potential lenders (in each case together with their affiliates) hold more than 66.2/3% of the commitments under the credit agreement hold less than 66.2/3% of the outstanding and undrawn commitments at that date under the Loans (other than the C2 Loan):
▪ Non-payment under the Loans
▪ Insolvency and collective proceedings

The Second Ranking Pledges will only be discharged once the A1, A2/A3, A4, B and C1 Loans have been repaid in the same circumstances (by reference to the commitments under the C2 Loan)</td></tr>
<tr><td>Events of defaults (subject to the usual materiality thresholds and cure periods as the case may be)</td><td colspan="5">▪ Any non-payment default under the Loans;
▪ Breach of the minimum consolidated cash level for the Group of at least €300m on the last day of each quarter from 30/06/2023
▪ Default and cross-acceleration above a cumulative threshold of €40m;
▪ Insolvency and collective proceedings;
▪ Enforcement proceedings from a cumulative threshold of €40m;
▪ Refusal of certification by auditors of the ORPEA Group's consolidated accounts;
▪ Administrative, arbitral, governmental or regulatory disputes that would reasonably be expected to (i) have a material adverse effect or (ii) impact the commitments relating to the disposal of operating and real assets</td></tr>
</table>

Notes to the table of Appendix 3:

(4) As of September, 27th 2022, €94m of gross asset value disposals have been achieved
(5) Real estate assets disposal commitments do not prevent the group from becoming tenant for these assets

About ORPEA

ORPEA is a leading global player, expert in the care of all types of frailty. The Group operates in 22 countries and covers three core businesses: care for the elderly (nursing homes, assisted living, home care), post-acute and rehabilitation care and mental health care (specialized clinics). It has more than 71,000 employees and welcomes more than 255,000 patients and residents each year.

https://www.orpea-group.com/

ORPEA is listed on Euronext Paris (ISIN: FR0000184798) and is a member of the SBF 120, STOXX 600 Europe, MSCI Small Cap Europe and CAC Mid 60 indices.

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