Press release

Puteaux, France, 21 December 2022 (11 pm CET)

ADDITIONAL INFORMATION ON THE ANTICIPATED FINANCIAL STATEMENTS FOR THE YEAR 2022

ANTICIPATED ASSET IMPAIRMENTS AS AT 31 DECEMBER 2022 REVISED UPWARDS TO 5.0 - 5.4 BILLION EUROS BEFORE TAX (NO CASH IMPACT ON THE GROUP)

VALUE OF REAL ESTATE ASSETS AS AT 31 DECEMBER 2022 ESTIMATED BETWEEN 6.0 AND 6.1 BILLION EUROS

ORPEA is disclosing today additional and revised information on its anticipated 2022 financial statements, following in particular the preliminary information disclosed on 26 October 2022.

When announcing its "ORPEA Changes with You and for You" Refoundation Plan on 15 November, ORPEA undertook to change its method vis-à-vis its stakeholders, its approach vis-à-vis care and support, and the attention paid to its employees, while restoring its financial balance. It is with a transparency mindset that ORPEA's new management continued its in-depth review of its assets in order to obtain a value adjusted to the new context of the company. Based on this work, the Group communicates today, ahead of the 2022 closing, the accounting implications of the adjustments as well as a new estimate of the value of its real estate assets.

In its press release of last 26 October, the Group had announced anticipated impairments between €2.1 and €2.5 billion which related only to the part of the real estate portfolio subject to an independent annual appraisal and to intangible assets. These impairments were then estimated on the sole basis of taking into account the new business plans drawn up by facilities and at a global level, as part of the strategic review carried out by the Group in the third quarter. With regard to intangible assets, this estimate also included an increase in the risk-free rate to 2.5%.

As announced in the Press Release of 26 October 2022, the Group has continued its work to review the value of the assets on its balance sheet. So, essentially:

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❖ With regard to real estate assets, the independent experts have finalized their 2022 valuations by taking into account an increase in capitalisation rates to 5.5% on average at Group level (versus 5.3% in 2021); in addition, the Group conducted a detailed review of its real estate assets not appraised externally,

❖ Regarding the valuation of intangible assets, the Group completed its approach by carrying out an in-depth review of tangible assets and Capex to be taken into account in the scope of capital employed subject to the test for impairments along the IAS36 norm.

❖ The recoverability of financial receivables relating to partnerships has been assessed on the basis of a detailed analysis of the situations and the state of the negotiations in progress.

Overall, the review carried out to date concerned more than 90% of the total assets (excluding cash) appearing on the balance sheet as of 30 June 2022. It leads the Group to anticipate the recognition of additional impairments bringing the total of the anticipated amount of impairments as at 31 December 2022 at €5.0-5.4 billion pre tax, with a negative impact on equity reduced by c. €0.6 billion taking into account the reversal of deferred tax liabilities.

In addition, and following the annual review carried out by independent experts on part of the real estate assets (which represents nearly 83% of the value of the real estate portfolio as of 31 December 2022), the total value of the Group's real estate assets as at 31 December 2022 is now estimated at between €6.0 and 6.1 billion (vs. €8.4 billion as at 31 December 2021).

These accounting adjustments have no cash impact on the Group. The various amounts mentioned in this press release have not been audited and will be reviewed by the company's auditors as part of the closing of the accounts for the 2022 financial year.

➢ Anticipated asset impairments raised to 5.0-5.4 billion euros

in €bn	Reported on 26 October 2022 [1]	Reported on 21 Decembre 2022 [2]	Total Impairments [1] + [2]
Real Estate	**0.8 to 1.0** Independant appraisal 0.8 to 1.0	**+1.3 to +1.3** Independant appraisal +0.3 Internal appraisal 0.9 to 1.0	**2.0 to 2.1** Independant appraisal 1.1 = 0.8 + 0.3 Internal appraisal 0.9 to 1.0
IAS36 Assets *Goodwill* *Authorisations*	**1.3 to 1.5** Revised business plans Risk free rate 2.5%	**+1.2** Adjusted capital employed *Tangible assets / Capex*	**2.5 to 2.7**
Financial Receivables	*mentioned*	**+0.4**	**0.4**
Other		**+0.1 to +0.2**	**0.1 to 0.2**
TOTAL	**2.1 to 2.5**	**+2.9 to +3.1**	**5.0 to 5.4**

** 2.1 to 2.3 pro forma post independant appraisal*

The Group has continued to review the value of the assets on its balance sheet and anticipates additional impairments to the €2.1 to 2.5 billion announced in its press release dated 26 October 2022.

These additional impairments, that result from taking into account new elements, relate to real estate assets, other tangible assets, intangible assets, financial receivables, and various other assets.

- *An anticipated depreciation of €1.1 billion on the value of real estate assets subject to an independent annual appraisal (versus the €0.8-1.0 billion announced on 26 October)*

The Group had indicated on 26 October last that it expected to recognize an impairment in the value of its real estate assets of between €0.8 and 1.0 billion. This impairment only related to the assets subject to an independent annual appraisal and only covered the impact of the revision of the business plans relating to these assets, at constant capitalisation rate. To date, the Group estimates that this amount is closer to €0.8 billion.

In addition, in their assessments, the independent appraisers used higher capitalization rate than last year, with an average at Group level going from 5.3% as of 31 December 2021 to 5.5% anticipated as of 31 December 2022. This leads the Group today to anticipate the recognition of an additional impairment of these assets in the amount of €0.3 billion.

- *An anticipated depreciation of €0.9-1.0 billion on the value of real estate assets not appraised externally*

  With regard to the portion of the real estate portfolio not subject to an evaluation by independent experts, the review of the assets carried out internally, which aimed to unit off some assets no longer in use and to assess as faithfully as possible, the value of the assets in operation based as much as possible on market references. It leads the Group to anticipate an additional depreciation of an amount of around €0.9-1.0 billion (compared to a balance sheet value of €1.8 billion as at 31 December 2021)

  This additional depreciation brings the total anticipated depreciation in the value of the real estate assets to €2.0-2.1 billion at the end of 2022.

- *An anticipated depreciation of €2.5-2.7 billion on the value of other tangible assets and intangible assets against the €1.3-1.5 billion announced on 26 October.*

  In its press release of 26 October 2022, the Group had indicated that it anticipated impairments of between €1.3 billion and €1.5 billion in the value of intangible assets corresponding to goodwill and operating licenses. These impairments resulted almost entirely from the evolution of the business plans carried out as part of the strategic review conducted by the Group and from the increase in the risk free rate to 2.5%.

  In preparation for the 2022 financial year-end, the Group is carrying out additional work to refine the accurate scope of the capital employed to be allocated to the Cash Generating Units (CGU). These reviews led to the reintegration of tangible assets and Capex into the scope of capital employed subject to the test for impairment along the IAS36 rules. This increase in the value of the capital employed to be tested, to be compared with the same forecasts as those used for the assessment presented last October, leads the Group to increase the impairments of the assets under review. The anticipated amount of these impairments is €2.5-2.7 billion, including nearly €2.0-2.1 billion for the sole intangible assets (mainly goodwill and authorizations).

  On such basis, the value of the intangible assets anticipated as of 31 December 2022 would be close to €2.6-2.7 billion (versus €4.7 billion as at 31 December 2021).

- *An anticipated depreciation of €0.4 billion Euros on the value of financial receivables*

  As indicated in the press release of 26 October 2022, the Group has entered into various negotiations to recover the amount of €0.7 billion of its financial receivables related to partnerships set up by the previous management (amount appearing in the balance sheet as of 30 June 2022).

  Considering the status of the ongoing discussions for the recovery of these receivables, some of which are likely to lead to litigations, Orpea estimates that an amount of around €0.4 billion would have to be impaired at the end of the financial year 2022.

- *Impairments on the value of other assets on the balance sheet anticipated for an amount of €0.1-0.2 billion.*

  Based on the work in progress and reviews still to be completed (which relate in particular to deferred tax assets, working capital requirement, items etc.), the Group anticipates that additional impairments on balance sheet assets may need to be recognized for an amount of approximately €0.1-0.2 billion.

➢ Value of real estate assets anticipated at €6.0-6.1 billion

Based on the work carried out to date, and following the annual review by independent appraisers, the Group expects the total value of its property portfolio to stand between €6.0 and €6.1 billion at 31 December 2022, compared to €8.4 billion at 31 December 2021 (including €0.3 billion of assets held for sale).

This anticipated change as of 31 December 2022 encompasses €5.1 billion of the real estate assets valued by independent experts as part of their annual review (corresponding to 83% of the real estate portfolio value as of 31 December 2022). As detailed above, these updated valuations are based) on the business plans drawn up for each of the Group's facilities and at global level as part of the strategic review carried out by the Group in the third quarter, and) on new assumptions made by the experts regarding the capitalization rates.

The portion of the real estate portfolio not valued by independent appraisers consists mainly of assets under construction, assets held in co-ownership and certain assets with specific characteristics (small size, sites undergoing restructuring, etc.). Post impairments, the balance sheet value of this part of the real estate portfolio is approximately €0.9-1.0 billion (versus, all other things being equal, €1.8 billion as of 31 December 2021). It has been estimated by the Group through an internal asset valuation process designed to reflect their value as accurately as possible, based as far as possible on market references.

The difference between the €8.4 billion reported in the financial statements as at 31 December 2021 and the updated amount of €6.0 billion to €6.1 billion anticipated as at 31 December 2022 results mainly from:

- A downward revision of the value of the real estate assets for an estimated amount of €2.0-2.1 billion,
- A change of approach which leads to the exclusion of certain assets that are not intended to be included in the scope of real estate portfolio (mainly some equipments and furnitures related to operated assets), for an amount of nearly €0.8 billion,
- And from the combination of perimeter change (assets in and out) a depreciation for a positive impact of €0.5 billion effects of changes in the scope of consolidation of real estate assets (construction, asset disposals, etc.) and depreciation.

In addition, as part of the closing of its 2022 financial statements, the Group is examining the possibility of making a change in accounting method consisting of withdrawing from the scope of application of IAS 16 and no longer recognizing revaluations of the real estate assets in this account. This change in accounting policy, if implemented, would result in a reduction in the balance sheet value of the real estate assets as at 31 December 2022 close to €0.65 billion. The Group would in any case continue to publish on an annual basis the economic value of its real estate assets, as established with the use of independent appraisals.

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All of the anticipated accounting adjustments as at 31 December 2022 result from an in-depth review work which covered more than 90% of the total assets (excluding cash) appearing on the balance sheet as at 30 June 2022. This review exercise was carried out with a will of full sincerity and with the objective of aligning to its economic and reality.

The various amounts mentioned in this press release have not been audited and will be reviewed by the company's statutory auditors in the context of the closing of the financial statements for the year 2022.

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➢ Update on the restructuring process and the Group's financial situation

In accordance with the announcements made in the press releases of 26 October and 15 November 2022, the Group has entered into negotiations for a drastic financial restructuring to finance its Refoundation Plan and achieve a sustainable financial structure. To this end, it is leading discussions with its financial creditors and with third-party investors as part of the conciliation procedure with the Nanterre Commercial Court, open since 25 October.

As indicated in the press release of 15 November 2022, the Group's objective through this financial restructuring plan is to find the new funds necessary to finance its restructuring plan and to sustainably meet the servicing of all debts. financial assets that have not been converted into capital.

- *Reminder of the main terms of the solution proposed at this stage by the Group*

As indicated in the press release of 15 November 2022 the Group confirms the following main elements are being considered:

(i) An equity conversion of ORPEA S.A.'s unsecured debt, amounting to €3.8 billion, by way of a rights issue opened to existing shareholders and which would be backstopped by unsecured lenders which would subscribe to unsubscribed shares by way of set-off against their financial claims,

(ii) €1.9-2.1 billion of new money, in the form of (a) new secured debt on assets of the group free of any security interests, for a target amount of €600 million (in order to cover ORPEA S.A.'s funding needs until early summer) and (b) a share capital increase which will be offered first to unsecured creditors and shareholders having participated to the first capital increase and then to third party investors, the features of which are not yet determined.

ORPEA S.A. expects that pro forma these equity transactions, at least 20% of its share capital will be held by long-term French institutional investors,

(iii) Adjustment of the "R1" and "R2" financial covenants contained in multiple financing agreements not impacted by the conversion of debt into equity,

(iv) Maturity extension and margin reduction of the secured debt at ORPEA S.A., and

(v) Necessary modifications to existing debt to facilitate the implementation of the contemplated restructuring

The financial restructuring plan as proposed by the Group is expected to significantly reduce its net leverage ratio, from 25x in 2022E to 6.5x by 2025E (for an estimated net debt of respectively €9.0 billion and €4.9 billion). This 6.5x ratio, which in absolute terms remains high, should be reduced onward as soon as the improvment of the group financial situation will allow the implementation of the real estate disposal program planned by the Group (through the objective of ownership of real estate assets reduced to 20%-25 %).

As indicated above, the Group will solicit interests for the new money debt and equity from all interested parties, including existing stakeholders. The financial restructuring plan as proposed by the Group will include a rights issue opened to all existing shareholders and backstopped by the unsecured creditors through the equity conversion of their unsecured claims.

However, the implementation of such a transaction would result in a massive dilution for existing shareholders who would decide not to participate. Moreover, further dilution is to be expected as a consequence of the new money capital increase, which conditions are not known at the moment.

The implementation of this financial restructuring remains subject to the negotiation of its terms as well as of the necessary documents and agreements. It also remains subject to usual conditions precedent, which include obtaining the favourable support of affected stakeholders (in particular lenders and shareholders), agreed documentation as well as judicial authorizations and approvals.

While the Group has not concluded on the implementation mechanism of the plan, this could entail, inter alia, an accelerated safeguard to facilitate closure of the process in the event that unanimity cannot be obtained

The next meeting under the Conciliation process with unsecured creditors of ORPEA S.A. is expected to take place on 22 December 2022.

In parallel, ORPEA expects to receive in January 2023 binding offers for its new €0.6 billion secured debt on assets, in line with a funding objective in due course, during the month of February 2023.

With regards to the equity raise process, binding offers will also be sought for January 2023.

- ***Liquidity and debt update***

The debt structure of the Group as of 1 December 2022 is as follow:

Debt structure as of 1st December 2022 [1]			
€ in millions	**ORPEA S.A.**	**Subsidiaries**	**Group**
June 2022 Financing [2]	3 028	-	3 028
Secured Debt excluding June financing	319	1 736	2 055
EuroPP	90	-	90
Secured Debt	**3 436**	**1 736**	**5 173**
Listed Bonds	1 400	-	1 400
Bank Debt	156	423	579
EuroPP	640	50	690
Schuldschein	1 570	136	1 705
Unsecured Debt	**3 765**	**608**	**4 374**
Total Debt	**7 202**	**2 345**	**9 547**

(1) Unaudited
(2) Including C tranche C (€1.2bn), €200m A4 tranche undrawned

The debt principal schedule of the Group from 1 December 2022, taking into account drawings on Tranches B and C is as follows:

Maturity profile of Gross Debt as of 1 December 2022							
€ in millions	**Dec-22**	**H1-23**	**H2-23**	**2024**	**2025**	**2026**	**2027+**
June 2022 Financing	-	-	700	200	628	1 500	-
Secured debt excl. June financing	16	190	109	230	190	251	1 159
Secured Debt Total	**16**	**190**	**809**	**430**	**818**	**1 751**	**1 159**
Unsecured Debt Holding	64	50	332	473	744	428	1 675
Unsecurde Debt Subsidiaries	84	23	93	137	49	133	89
Unsecured Debt total	**148**	**73**	**425**	**610**	**793**	**561**	**1 764**
Total Debt	**164**	**263**	**1 234**	**1 040**	**1 611**	**2 312**	**2 923**

As announced in the press release of 15 November 2022, the conciliator has requested the suspension by ORPEA S.A. creditors, from 1 December 2022, of the amortization of principal instalment of their unsecured debt. Interest payments will however continue for these debts.

The Group's cash position as of 30 November 2022 is estimated at €799 million (unaudited figures), corresponding to liquidity of €599 million taking into account the minimum cash requirements to ensure the day-to-day operation of the Group activities.

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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 72,000 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.

Investor Relations

ORPEA

Jean-Baptiste Roussille

Head of Investor Relations

j-b.roussille@orpea.net

Benoit Lesieur

Investor Relations Director

b.lesieur@orpea.net

Toll free tel. nb. for shareholders:

+33 (0) 805 480 480

Investor Relations

NewCap

Dusan Oresansky

Tel.: +33 (0)1 44 71 94 94

ORPEA@newcap.eu

Media Relations

ORPEA

Isabelle Herrier-Naufle

Media Relations Director

Tel.: +33 (0)7 70 29 53 74

i.herrier-naufle@orpea.net

Image 7

Charlotte Le Barbier

Tel.: +33 (0)6 78 37 27 60

clebarbier@image7.fr

Appendix 1: Summary of impairments

€ in billions	**Balance sheet** ***31/12/2021*** *or mentionned*	**Impairments reported in the press release published on 26 October 2022 [1]**	***Pro forma post independant appraisal***	**Additional impairments reported on 21 December 2022 [2]**	**Total Impairments [1] + [2]**
Real Estate	8.4	**0.8 to 1.0**	***0.8***	**+1.2 to +1.3**	**2.0 to 2.1**
	5.8 *Independant appraisal*	0.8 to 1.0 Updated business plans ***Before new*** *independant appraisal*	*0.8* ***After new*** *independant appraisal*	+0.3 Increased capitalisation rate by independant experts	1.1
	2.6 *Internal appraisal*			+0.9 to +1.0 Adjustment for Work in Progress (WIP) and LMPs *Furniture and Equipments excluded from from Real Estate assets*	0.9 to 1.0
Untangible Assets ***Goodwill Authorisations***	4.7	**1.3 to 1.5** New business plans Updated risk free rate 2.5%		**+1.2** Review of the assets subject to IAS36 appraisal *Capital Employed / Capex (IT, refit…)*	**2.5 to 2.7**
Financial receivables	0.7 *[as of 30/06/2022]*	*Mentioned value indicated at risk*		**+0.4** Based on ongoing discussions	**0.4**
Other				+0.1 to +0.2 Ongoing review of tax assets, WCR…	**0.1 à 0.2**
TOTAL		**2.1 to 2.5**	*Pro Forma* **2.1 to 2.3**	**+2.9 to 3.1**	**5.0 to 5.4**

Appendix 2: Evolution of the value of the Real Estate Assets

Value of the Real Estate *€ in billions*	**31/12/2021**	*before exclusion from Real estate assets*	***Scope (in/out) & Depreciations***	**Depreciations**	**31/12/2022 Estimate**
Real estate valued by independant experts [1]	**5.8**		***0.4***	**-1.1**	**5.1**
Real estate valued internaly [2]	**2.6**	***1.8***	***0.1***	**-0.9 / -1.0**	**0.9 / 1.0**
Work in progress (WIP)	1.0	*1.0*	*0.3*	-0.6 / -0.7	0.6 / 0.7
LMP other sites	0.8	*0.8*	*-0.2*	-0.3	0.3
Furnitures and equipments	*0.8*				
TOTAL [1] + [2]	**8.4**	***7.6***	***0.5***	**-2.0 / -2.1**	**6.0 / 6.1**

Appendix 3: Main assumptions of the 2023-2025 Group Business Plan (Reminder)

€ in millions	2023	2024	2025	2023-2025
Revenues	5 326	5 737	6 102	
EBITDAR	**911**	**1 083**	**1 246**	
% revenues	***17,1%***	***18,9%***	***20,4%***	
Pre-IFRS 16 EBITDA	433	593	745	
% revenues	*8,1%*	*10,3%*	*12,2%*	
Cash Flow before Capex*	365	531	712	*1 608*
Maintenance and IT Capex	(233)	(236)	(241)	*(710)*
Operating Cash Flow *	**132**	**295**	**471**	***898***
Development Capex	(544)	(216)	(132)	*(892)*
Net Total Cash Flow	**(412)**	**79**	**339**	***6***

** Pre-IFRS 16 EBITDA - change in WCR - tax*

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