Half-year financial report 2022

ORPEA GROUP

Contents

This half-year financial report has been prepared in accordance with Articles L. 451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) and 222-4 to 222-6 of the the French Financial Markets Authority (*Autorité des Marchés Financiers* – AMF) General Regulation.

1. A word from the Chief Executive Officer

"My mission is clear: to lead the Group in a deep transformation"

A little over two months after taking office, I am presenting the ORPEA Group's first-half results for the first time, amid very particular circumstances.

Despite the seriousness of the crisis the Group has experienced since the beginning of the year, ORPEA's business has remained strong, with revenue for the period amounting to €2.3 billion, up 10.9% compared with the first half of 2021.

The Group's average occupancy rate in the first six months of 2022 remained higher than in the same period in 2021. This trend continued in July and August with the creation of 1,547 additional beds across ORPEA's geographical areas, demonstrating our ability to meet expectations for care and support with a tailored local service offering.

Our growth momentum is expected to continue for the remainder of 2022.

However, the company has been severely affected by the shortcomings and unethical behaviour of its former managers, and by too rapid international and real estate development, which have weakened ORPEA's financial situation. Net profit is thus strongly affected by asset impairments.

ORPEA has many compelling strengths: its 71,000 people first and foremost, who are as committed as ever to residents and patients; its care protocols, which have always been one of the pillars of the Group; and its dense network of facilities with leading positions in its main host countries.

My mission is clear: to lead the Group in a deep transformation so that it can offer a sustainable response to the challenges facing our society.

I have identified three priorities to serve as the foundations for this transformation: taking care of our employees, aiming for excellence in the quality of care and support provided to residents and patients, and ensuring that we engage in our work ethically and responsibly.

Immediate measures have also been taken. For example, in France an attendance bonus was issued for the critical summer period. At the same time, Conferences for the Elderly [*États Généraux du Grand Âge*] held in our facilities across France enabled us to bring our stakeholders together to develop constructive and collaborative solutions.

These initial measures are just the beginning of an in-depth transformation process, the main priorities of which I will present in the autumn. I know that I can count on the support of the Board of Directors and the unfailing commitment of ORPEA's teams.

I would once again like to thank all the ORPEA Group teams for their dedication during this period, and in particular our employees working on the front line every day.

Lastly, I would like to thank the families and shareholders who continue to place their trust in us, a trust which is more important than ever in today's uncertain environment.

Laurent Guillot
Chief Executive Officer

2. Half-year business report

2.1 Business activity and significant events

ORPEA is a leading global provider of care and life pathways for the vulnerable and frail. The Group operates in 22 countries and covers three core areas of expertise: care for the elderly (nursing homes, assisted-living facilities, home care), post-acute and rehabilitation care and mental health care. It has more than 71,000 employees and welcomes more than 255,000 patients and residents to its facilities each year.

2.1.1 BUSINESS GROWTH

(in millions of euros)	First-half 2021	First-half 2022	Change	o/w organic[1]
France-Benelux-UK-Ireland	1,277.7	1,391.1	+8.9%	+5.9%
Central Europe	516.4	577.3	+11.8%	+5.8%
Eastern Europe	192.8	210.0	+9.0%	+6.7%
Iberian Peninsula and Latin America	81.1	114.2	+40.8%	+15.2%
Rest of the World	1.5	1.9	+26.1%	+24.1%
TOTAL REVENUE	**2,069.5**	**2,294.6**	**+10.9%**	**+6.4%**

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

1. *The year-on-year change in the revenue of existing facilities as a result of changes in their occupancy rates and per diem rates;*
2. *The year-on-year change in the 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 in comparison with the previous equivalent period.*

Composition of the geographical areas: France-Benelux-UK-Ireland (France, Belgium, the Netherlands, Ireland and England); Central Europe (Germany, Italy and Switzerland); Eastern Europe (Austria, Poland, the Czech Republic, Slovenia, Latvia, and Croatia); the Iberian Peninsula and Latin America (Spain, Portugal, Brazil, Uruguay, Mexico, Colombia and Chile); Rest of the World (China).

In first-half 2022, ORPEA posted revenue of €2,294.6 million, an increase of 10.9%, of which 6.4% was organic growth.

Activity was shaped by good overall momentum in hospitals, both in France and internationally, and in nursing homes outside France. Activity levels among nursing homes in France were adversely affected by the crisis affecting the Company as a whole. Revenue for the period was lifted by acquisitions, including those made in 2021, in particular in Ireland (FirstCare, Brindley, Belmont) and Switzerland (Sensato), as well as from the full consolidation of Brazil Senior Living group following the buyout of minority interests.

Revenue in the **France-Benelux-UK-Ireland geographical area** totalled €1,391.1 million for the first six months, up 8.9% year on year (including 5.9% organic growth).
In France, hospitals saw positive momentum, with a higher occupancy rate compared to the same period in 2021. In nursing homes, the crisis led the occupancy rate to drop between February and April before stabilising from the beginning of May and then improving slightly from the beginning of June.

The Benelux region saw sustained business growth in the Netherlands with the ramp-up of new facilities opening during the period.

In **Central Europe**, revenue amounted to €577.3 million in the first half of the year, up 11.8% (5.8% on an organic basis).
Germany performed well during first-half 2022, with an increase in occupancy rates in both nursing homes and hospitals.
Switzerland recorded solid business momentum over the period.

In **Eastern Europe**, revenue amounted to €210.0 million in the first six months, up 9.0% (6.7% on an organic basis). Growth in the area has benefited from the ramp-up in recently opened facilities.

In the **Iberian Peninsula and Latin America**, revenue amounted to €114.2 million for the first half of the year, up 40.8% (15.2% on an organic basis).
Spain, the main contributor to revenue in this geographic area, recorded a solid increase in its level of activity, benefiting from a rise in occupancy rates.
In Brazil, the Brazil Senior Living group was included in the scope of consolidation during the first half.

2.1.2 SIGNIFICANT EVENTS OF THE PERIOD

The significant events of first-half 2022 have been supplemented by any developments that occurred after the 30 June 2022 reporting date.

2.1.2.1 PUBLICATION OF A BOOK CONTAINING ALLEGATIONS OF WRONGDOING

Following the publication on 26 January 2022 of a book containing allegations of wrongdoing, ORPEA's Board of Directors commissioned Grant Thornton and Alvarez & Marsal to conduct an independent review of the allegations. At the same time, the Ministry of Solidarity and Health ordered each of the General Inspectorate of Finance (*Inspection générale des finances* – IGF) and the General Inspectorate of Social Affairs (*Inspection générale des affaires sociales* – IGAS) to investigate the claims.

On 30 January 2022, the Board of Directors decided to terminate Yves Le Masne's duties as Chief Executive Officer, and to appoint Philippe Charrier as Chairman and Chief Executive Officer. Mr Charrier's mission was to ensure, under the Board's supervision, that best practices are applied throughout the Company and to shed full light on the allegations made, based in particular on the aforementioned reviews.

2.1.2.2 FINDINGS OF ADMINISTRATIVE INVESTIGATIONS AND INDEPENDENT REVIEWS

On 26 March 2022, ORPEA issued a press release disclosing the findings of the final reports of the IGAS-IGF joint investigation and took note of the announcement by the Minister Delegate to the Minister of Solidarity and Health in charge of Autonomy, of her decision to transmit to the public prosecutor the report of the investigation carried out by the IGAS and IGF.

On 29 July 2022, following the above-mentioned joint investigation report, the National Solidarity Fund for Autonomy (*Caisse Nationale de Solidarité pour l'Autonomie* – CNSA) sent the Company a formal notice to return unduly received funding in an amount of €55.8 million.

In its reply dated 29 August 2022, ORPEA confirmed its commitment to reimburse, to the nearest euro, any public grants that had not been appropriately requested, paid or used.

The Company's position on this request is detailed in Note 4.10 to the half-year consolidated financial statements in this report.

Grant Thornton and Alvarez & Marsal submitted their final reports to the Board of Directors on the use of public funds and business relations with third parties, including some public officials (series of allegations 2 and 3) on 27 May 2022; and on the care of nursing home residents and on employment law (series of allegations 1 and 4) on 27 June 2022. The findings of these independent external reviews ruled out allegations of widespread, systemic abuse. In particular, they refute the claim that incontinence products were rationed as well as several allegations concerning meals and food. On the other hand, they report shortcomings and deficiencies, particularly in the handling of adverse events, management incentives and human resources management.

The main findings of Grant Thornton and Alvarez & Marsal were included in two press releases dated 8 and 29 June 2022, which are available on the Company's website, together with summaries of the final conclusions drawn from the reviews.

2.1.2.3 MEASURES TO SUPPORT A WAY OUT OF THE CRISIS

Before the report findings were published, ORPEA undertook a series of remedial measures targeting its internal processes to eliminate any practices identified as inappropriate and allocate to that purpose the necessary human and financial resources.

On 2 May 2022, ORPEA's Board of Directors appointed Laurent Guillot as Chief Executive Officer with effect from 1 July 2022.

On the same day, the Group announced that it had filed a complaint with the public prosecutor against unnamed persons for past events and operations – totally unrelated to the living and care conditions of residents – that could adversely affect ORPEA's best interests and which were discovered following internal investigations. Internal measures were immediately taken to remove the persons likely to be involved and to strengthen the Group's internal control procedures.

The Board of Directors has also unanimously approved various structural changes, including:

- the project to transform ORPEA into a mission-led company (*société à mission*);
- the renewal of the Board of Directors;
- a major transformation plan, deployed primarily in France.

The implementation of these structural changes will include the following actions:

- setting up a forum for hearing grievances and an external mediation plan;
- setting up an Ethics Committee in France;
- reviewing and streamlining quality processes, including ensuring that material adverse events are systematically reported;
- reshaping labour relations, including the overhaul in progress of the employee representative institutions in France, holding open discussions on health and safety at work for employees and strengthening teams with Human Resources experts;
- drawing up a plan to attract and retain talent; enhancing career paths; analysing salaries by employment catchment area; and systematically using overtime in the event of absenteeism;
- actively promoting the Group's whistleblowing platform for employees and the new Code of Conduct – Ethics and Corporate Social Responsibility;
- carrying out an in-depth review on decentralisation and increased autonomy for the facility directors;
- strengthening internal controls.

2.1.2.4 NEW FUNDING AND CONCILIATION PROCEDURE

Due to the slowdown of the initially planned asset disposal programme and the inability to access the financial markets, the ORPEA Group signed a credit agreement with its main banks on 13 June 2022. This agreement was the subject of a conciliation protocol approved by the Nanterre Commercial Court on 10 June 2022.

At 27 September 2022, the Company had drawn down a cumulative amount of €2,250 million under the above-mentioned credit agreement. This amount includes the two drawdowns made in June 2022 for a cumulative amount of €900 million.

An amount of €979 million may be made available at a later date, as detailed in section 2.3.1 below.

The key terms and conditions of the above-mentioned syndicated loan agreement are detailed in section 2.3.1 below.

2.2 Key figures

2.2.1 FINANCIAL RESULTS

(in millions of euros)	First-half 2021	First-half 2022
Revenue	2,069.5	2,294.6
Personnel expenses	(1,275.8)	(1,438.5)
Other expenses	(278.8)	(429.3)
EBITDAR	514.9	426.7
EBITDAR margin	***24.9%***	***18.6%***
EBITDA	499.4	414.9
EBITDA margin	***24.1%***	***18.1%***
Depreciation, amortisation and charges to provisions	(268.7)	(333.2)
Recurring operating profit	**230.7**	**81.8**
Net financial expense	(109.2)	(96.1)
Non-recurring items	11.6	(251.4)
Profit/(loss) before tax	133.1	(265.8)
Income tax expense	(30.9)	(5.6)
Share in profit/(loss) of associates and JVs	(0.3)	2.6
Non-controlling interests	0.5	(0.5)
NET PROFIT/(LOSS) ATTRIBUTABLE TO ORPEA'S SHAREHOLDERS	**102.4**	**(269.4)**

2.2.1.1 RECURRING OPERATING PROFIT

EBITDAR fell 17.1% versus first-half 2021 to €426.7 million, representing 18.6% of revenue, mainly due:

- for approximately 60%, to the substantial reduction in Covid-related compensation received in the various countries, which the increase in the Group's occupancy rate between the two periods did not offset, as well as to the recognition of sizable specific income in the first half of 2021 that did not recur in 2022. These two elements account for about two-thirds of the change in the margin between the two periods;
- for about 40%, to an increase in other costs in a highly inflationary environment for purchases, whereas the rates charged to patients and residents remained virtually stable in the short term. The most marked inflationary effects were on catering, and especially on energy. As a result of the hedging policy decisions made in 2021, the Company's energy purchases for 2022 are only partially hedged, and there is no hedging on electricity in France in particular. As a result, the Group's energy costs as a percentage of revenue in the first half of 2022 stood at 2.9%, compared with 1.9% in the first half of 2021.

EBITDA for the first half of 2022 amounted to €414.9 million, down 16.9% compared with the first half of 2021, representing a margin of 18.1%.

Recurring operating profit was €81.8 million (down 64.5%).

2.2.1.2 OPERATING PROFIT/(LOSS)

Non-recurring items represented a net expense of €251.4 million, compared to a net gain of €11.6 million in the first half of 2021. An operating loss of €169.7 million was reported for the period, compared with an operating profit of €242.3 million in the first half of 2021.

2.2.1.3 NET INTEREST EXPENSE

Net interest expense was down €13.1 million to €96.1 million.

2.2.1.4 PROFIT/(LOSS) BEFORE TAX

The loss before tax totalled €265.8 million, compared with a profit of €133.1 million in first-half 2021.

2.2.1.5 NET PROFIT/(LOSS)

Consolidated companies' income tax expense came to €5.6 million, compared with €30.9 million in the first half of 2021.

ORPEA's share in the profit of associates represented €2.6 million in the first half of 2022, compared with a loss of €0.3 million in the year-earlier period.

Net loss attributable to ORPEA's shareholders was down sharply, at €269.4 million, for the first half of 2022.

2.2.2 CAPITAL STRUCTURE, DEBT AND REAL ESTATE PORTFOLIO

2.2.2.1 EQUITY

At 30 June 2022, equity attributable to ORPEA's shareholders stood at €3,697 million, compared with €3,799 million at 31 December 2021.

2.2.2.2 DEBT

Net debt stood at €8,343 million at 30 June 2022, compared with €7,910 million at 31 December 2021.

At 30 June 2022, the Group's two principal debt ratios governing debt remained below the limits:

- financial leverage restated for real estate assets (restated for IFRS 16) = 3.6 versus 3.7 at 31 December 2021, with a cap at 5.5;
- restated gearing (restated for IFRS 16) = 1.9 versus 1.7 at 31 December 2021, with a cap at 2.0.

The proportion of net debt accounted for by real estate debt stood at 97% compared with 87.7% at 31 December 2021.

The average cost of debt was 2.3% in the first half of 2022, 8 basis points higher than in the first half of 2021.

2.2.2.3 REAL ESTATE PORTFOLIO

At 30 June 2022, ORPEA's real estate assets were worth €8,475 million, an increase of €406 million over the period. ORPEA now owns 45% of its facilities.

The application of IFRS 16 led to the recognition of right-of-use assets relating to leases in force for €3,342 million (31 December 2021: €3,073 million), while the present value of future lease payments recognised in liabilities totalled €3,557 million, €3,232 million of which is due in more than one year and €325 million within one year.

2.2.3 CASH FLOWS

In the first half of 2022, ORPEA's cash flow from operating activities was €352 million, compared with €394 million in the first half of 2021.

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, represented an outflow of €518 million, compared with €805 million in the first half of 2021. Real estate investments (construction projects or acquisitions of buildings) accounted for most of these investments.

Net cash generated by financing activities represented an inflow of €347 million, compared with €471 million in the first half of 2021.

At 30 June 2022, ORPEA had €1,133 million in cash and cash equivalents, compared with €949 million at 30 June 2021.

2.3 Main risks and uncertainties

2.3.1 RISK FACTORS

The main risks remain identical to those presented in Chapter 3, pages 60 to 71, of the 2021 Universal Registration Document filed with the *Autorité des Marchés Financiers* on 16 June 2022 under no. D.22-0517.

It is specified however, with regard to "Dispute, claims and litigation risk" (Chapter 3, page 61, of the 2021 Universal Registration Document), that:

- the final report from Grant Thornton and Alvarez & Marsal on the care of nursing home residents and employment law (series of allegations 1 and 4) was submitted to the Board of Directors on 27 June 2022. The main findings of this report were included in a press release dated 29 June 2022, which is available on the Company's website, together with summaries of the final conclusions of the corresponding review;
- on 29 July 2022, following the above-mentioned joint investigation report, the CNSA sent the Company a formal notice to return unduly received funding. The Company's position on this formal notice is described in section 2.1.2.2 above;
- the changes in the composition of the Board of Directors of ORPEA SA are described in section 2.5.1.1 above.

With regard to "Risk related to the award and renewal of operating licences" (Chapter 3, page 63, of the 2021 Universal Registration Document), it is specified that, for the first time in the Group's history, a facility's operating licence was suspended. The facility was given a timeframe within which to comply with a number of injunctions. The hospital concerned, which is located in France, has complied with these injunctions and is now awaiting a decision from the competent regional health authority on whether it can resume its activity.

With regard to "Liquidity risk and risk related to raising additional funding" (Chapter 3, pages 68 to 69, of the 2021 Universal Registration Document), it has been updated as follows:

"The crisis faced by the Group since the publication of a book containing various allegations of wrongdoing on 26 January 2022 has had a major impact on its refinancing capacity.

This crisis has had the effect of closing off the Group's access to the financial markets and slowing down its real estate disposal programme, thereby compromising its access to sufficient liquidity to finance its operations and refinance its debt. It has therefore reviewed its current and future development projects and decided to stop, postpone or suspend them as appropriate.

On 13 May 2022, the Group announced that it had signed an agreement in principle with its core banking pool securing the financing of the Group as part of a conciliation procedure. The terms of this agreement were included in the conciliation protocol approved by the Nanterre Commercial Court on 10 June 2022 and in the loan agreement signed with the banks on 13 June 2022.

The €1.729 billion overall syndicated loan granted to the Group includes:

- medium-term financing maturing in December 2025, in order to (a) provide €600 million in new money to the Group and (b) finance €229 million in repayments of existing debt in the second half of 2022; and
- €900 million in short-term financing, consisting of several tranches maturing in December 2023 (€700 million) and June 2023 (€200 million), with the option to extend each of these two maturities by 6 months subject to certain conditions.

An optional syndicated term loan for up to €1.5 billion was also planned, open in priority to the lenders participating in the short- and medium-term financing, to refinance existing unsecured bank facilities.

At 27 September 2022, the Company had drawn down a cumulative amount of €2,250 million under the credit agreement signed on 13 June 2022 (of which €796 million under the optional term loan).

As part of the agreed financing plan, the Group has undertaken to:

- maintain a cash level of at least €300 million, to be tested quarterly as from June 2023;
- carry out more than €2 billion worth of asset disposals by the end of 2025, including at least €1 billion by the end of 2023, mainly real estate asset disposals;
- allocate the net proceeds from the sale of operating assets, up to a limit of €1.2 billion, to repayment of the loans;
- comply with restrictions related to (i) external growth, (ii) granting collateral or other security interests and (iii) taking out any additional debt associated with the assets pledged as security by the Group.

At 27 September 2022, real estate disposals worth a gross €94 million had been completed as part of the transaction in the Netherlands announced on 28 July 2022.

In addition, the Group's commitment to carry out asset disposals (mainly real estate disposals) by end-December 2023 could mean that it may have to sell the assets at a lower-than-expected price, which could require the Group to recognise impairment losses on the assets concerned.

In the event that a difficult property market makes the Group unable to complete its asset disposal programme by the end of 2023, ORPEA would have to renegotiate the disposal commitments made with its creditors as part of this financing.

As security for repayment of the syndicated loan agreement, ORPEA has granted first-ranking pledges over shares in subsidiaries CLINEA and CEECSH, representing approximately 25% and 32% of Group revenue, respectively.

These securities, which affect significant assets for the Group, would be realisable in certain events of default of this agreement (in particular, non-compliance with commitments or a cross-default on other debts for an amount in excess of €100 million). If this were to occur, it could have a material impact on the Group's financial position, its business and its development.

In addition, there is no guarantee that the Group will be able to generate sufficient operating cash flows or obtain sufficient future financing to repay its debts or cover other liquidity needs.

If future cash flows and other sources of funding are insufficient to meet the Group's obligations as they fall due or to fund its liquidity needs or meet its quarterly minimum cash level commitment, the Group may be required to reduce capital expenditure, dispose of assets, incur additional debt or issue additional equity, or restructure or refinance all or part of its debt. There is no guarantee that the Group would be able to take such action quickly enough or on commercially acceptable terms.

In addition, a significant portion of the Company's debt (approximately €4.1 billion at 30 June 2022) includes the following commitments:

- maintain a certain level of assets free of any security interests, depending on the amount of the loan concerned;
- comply with debt-to-EBITDA and debt-to-equity ratios (measured half-yearly). At 30 June 2022, these ratios were at 3.58x and 1.87x, respectively (required limits: 5.5x for R1, and 2.0x for R2);
- provide asset-backed guarantees.

The downward trend in the Group's financial performance in the first half of 2022 could be amplified in the second half of the year due to the extra volatility observed in energy prices.

In this environment, and depending on the recovery of the occupancy rate, Group EBITDAR margin in the second half of 2022 could be lower than in the first half. This would require ORPEA to try to renegotiate the relevant financial covenants with its creditors in order to preserve the Group's financial structure.

Failure to reach an agreement with its creditors could also result in a default on the Company's other loans due to customary cross-default clauses in the Group's financing documentation.

The size of the Group's debt could have negative consequences for the Group and its shareholders.

Net debt stood at €8,343 million at 30 June 2022, up by €433 million over the six month period.

If the Group fails to restore its financial position, it could continue to experience difficulties in obtaining financing, which could jeopardise its results and its ability to pursue its business.

The following table sets out the key terms and conditions of the above-mentioned syndicated loan agreement signed on 13 June 2022.

	A1 Loan	A2/A3 Loans	A4 Loan	B Loan	C1/C2 Loans
Use of proceeds	• General corporate purposes of the Group and costs related to the financing			• Refinance the payments due in respect of the unsecured existing financing with the core banking group excluding any bonds and *Schuldschein* for the second half of 2022 and related costs	• Refinance other existing unsecured financing (excluding any bonds and *Schuldschein*) and related costs
Principal amount *(in millions of euros)*	• €700m	• €600m	• €200m	• €229m	• A maximum of €1,500m
Drawings	• €689m drawn as of 30/06/2022 • €700m drawn as of 27/09/2022	• €198m drawn as of 30/06/2022 • €600m drawn as of 27/09/2022	• Undrawn	• €155m drawn as of 27/09/2022	• C1: €796m drawn as of 27/09/2022
Amortisation profile	• One repayment at maturity	• €100m on 30/06/2024 • €100m on 31/12/2024 • €100m on 30/06/2025 • The remainder on 31/12/2025	• One repayment at maturity	• One repayment at maturity	• One repayment at maturity
Permitted drawdowns	• Maximum of two	• Two (A2 and A3 Loans)	• One only[2]	• Monthly based on existing debt to be refinanced (as the case may be with simultaneous drawings for the C1 loan)	• Based on confirmations of commitment
Final maturity date	• 31/12/2023 or 30/06/2024[1]	• 31/12/2025	• 30/06/2023 or 31/12/2023[3]	• 31/12/2025	• 31/12/2026
Availability period	• From 13/06/2022 to 30/09/2022	• A2 Loan: 1-30/09/2022 • A3 Loan: 13/06/2022 and until 31/12/2022	• 13/06/2022 and until 31/12/2022	• 13/06/2022 and until 31/12/2022	• 13/06/2022 and until 31/12/2022
Annual margin	• 4.00% to increase by 2.00% from 01/01/2024	• 4.00%	• 3.50% to increase by 1.00% from 01/07/2023	• 4.00%	• 5.00%
Security interests and privileges	• A 'Dailly' assignment of intra-Group loans financed by drawing on the Loans • First-ranking pledges on: – 100% of the share capital of CEECSH (the "CEECSH") – 100% of the share capital of ORESC 25 S.à.r.l ("ORESC")				• (i) Security interests equivalent to A Loans for C1 Loan and (ii) Second-ranking pledges for the C2 Loan
Commitments relating to the disposal of operating and real estate assets	• Implement a programme 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 31/12/2023; (ii) increased to €1.5bn by 31/12/2024; and (iii) increased to €2bn by 31/12/2025[4]				

<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 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 30/06/2023, a minimum cash level of €300m (tested quarterly)
• The Loans do not contain other financial covenants</td></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 of 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 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">• Non-payment 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 June 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 statutory auditors of the ORPEA Group's consolidated financial statements
• 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>

(1) In the event of receiving one or more indicative offers for the sale of operating assets for aggregate net proceeds of €1bn.
(2) Drawing conditional on the delivery of a memorandum of understanding relating to the sale of real estate assets for €200m (the "MoU").
(3) In the event of signature of an MOU to sell real estate assets for net proceeds of €200m.
(4) As of 27 September 2022, €94m of gross asset value disposals have been achieved.
(5) Real estate asset disposal commitments do not prevent the Group from becoming a tenant for these assets.

With regard to "Inflation risk" (Chapter 3, page 69, of the 2021 Universal Registration Document), it is specified that the increase in other costs in a highly inflationary environment for purchases, versus virtually stable patient and resident rates in the short term, had an impact on EBITDAR for the first half of 2022, which is down by 17.1% compared to the first half of 2021, to €426.7 million.

The most marked inflationary effects were on catering and especially on energy. As a result of the hedging policy decisions made in 2021, the Company's energy purchases for 2022 are only partially hedged, and there is no hedging on electricity in France in particular. As a result, the Group's energy costs as a percentage of revenue in the first half of 2022 stood at 2.9%, compared with 1.9% in the first half of 2021.

2.3.2 LEGAL AND ARBITRATION PROCEEDINGS

Information related to legal and arbitration proceedings involving the Group can be found in Chapter 2, page 53, of the 2021 Universal Registration Document filed with the *Autorité des Marchés Financiers* on 16 June 2022 under no. D.22-0517.

The Company's position on the formal CNSA notice of 29 June 2022 received following the joint IGAS-IGF investigation and relating to returning unduly received funding is detailed in section 2.1.2.2 above.

At present, the Group is not aware of any exceptional event or litigation, including in the recent past, that could have a material adverse effect on its assets and liabilities, financial position, business activities or the results of its operations.

To the best of the Group's knowledge, there are no other governmental, legal or arbitration proceedings that may have, or have had in the recent past, a material adverse impact on the financial position or profitability of the Company and/or the Group.

2.4 Main related-party transactions

There have been no significant changes to the information presented in Chapter 5.8, pages 242 to 243, of the Company's 2021 Universal Registration Document.

See Note 5.3 to the half-year consolidated financial statements in this report.

2.5 Subsequent events

Given that some subsequent events relate to events that occurred in the first half of 2022, the corresponding developments are discussed in section 2.1.2 above.

2.5.1 CHANGES IN THE ORPEA SA BOARD OF DIRECTORS AND ITS COMMITTEES

ORPEA's Annual General Meeting, held on 28 July 2022, approved major changes in ORPEA's Board of Directors, appointing Guillaume Pepy, Isabelle Calvez, John Glen and David Hale as independent directors, as well as Laurent Guillot, Chief Executive Officer, as non-independent director.

On the same day, Bertrand Finet, Chief Executive Officer of Peugeot Invest Assets, replaced Thierry de Poncheville as permanent representative of Peugeot Invest Assets on ORPEA's Board of Directors.

In addition, the new Board of Directors confirmed the appointment of Guillaume Pepy as Chairman of the Board of Directors at its meeting immediately following said Annual General Meeting.

Laure Duhot was appointed as director by the Board of Directors on 10 September 2022 to replace Joy Verlé, who resigned on 30 August 2022. Lastly, Laure Baume resigned as Director on 28 September 2022.

In light of the above and the expiring terms of office of Philippe Charrier and Jean-Patrick Fortlacroix as Directors at the end of the above-mentioned Annual General Meeting, ORPEA's Board of Directors now comprises 13 Directors, of which:

- 10 Independent Directors (for a 91% independence rate, excluding Directors representing employees), the Chief Executive Officer and two Directors representing employees;
- five women (i.e., 45% of members, excluding Directors representing employees);
- four nationalities (American, British, French and Irish).

At its first meeting, held immediately after the Annual General Meeting, the new Board of Directors also decided to redefine the duties assigned to its committees in order to reaffirm its commitment to transformation, with the aim of effectively fulfilling its mission of providing care and support to the vulnerable and frail, and rising to the related challenges.

- The role of the Audit Committee, renamed the Audit and Risk Committee, has been strengthened and clarified, particularly with regard to risk-related responsibilities.
- The Appointments and Remuneration Committee has been tasked with more duties relating to talent pool supervision, to ensure a succession plan for the Executive Committee and other key positions, and also to HR policy.
- The CSR and Innovation Committee has become the Ethics, Quality and CSR Committee, the aim being to support the Board of Directors' work by ensuring that Ethics, Quality and CSR are at the heart of the Group's mission and activities.

The following table provides further information on the members of the new Board of Directors and the composition of its Committees, which was established in accordance with the recommendations of the AFEP-MEDEF Code, relating in particular to the proportion of independent members and the independence of their Chairs.

	Personal details				Experience	Position on the Board of Directors				Involvement in Committees
	Age	**Gender**	**Nationality**	**Number of shares**	**Number of offices held in French listed companies**	**Independence**	**Date of first appointment**	**Expiry of term of office**	**Length of service on the Board**	**(C=Chair/ M=Member)**
Guillaume Pepy	64	M	French	-	1	Yes	28 July 2022	2026 AGM	-	-
Laurent Guillot	53	M	French	1	2	No	28 July 2022	2026 AGM	-	-
Corine de Bilbao	55	F	French	40	2	Yes	23 June 2020	2024 AGM	2	Ethics, Quality and CSR Committee (C) Audit and Risk Committee (M) Appointments and Remuneration Committee (M)
Isabelle Calvez	57	F	French	800	1	Yes	28 July 2022	2026 AGM	-	Audit and Risk Committee (M)
Bernadette Danet-Chevallier	63	F	French	246	1	Yes	16 Sept. 2014	2025 AGM	8	-
Laure Duhot	60	F	French	-	1	Yes	10 Sept. 2022	2023 AGM	-	Appointments and Remuneration Committee (M)
Peugeot Invest Assets, represented by Bertrand Finet	57	M	French	3,261,353	3	Yes	15 Feb. 2012	2023 AGM	10	Appointments and Remuneration Committee (C) Audit and Risk Committee (M)
John Glen	63	M	Dual British/ Irish national	-	1	Yes	28 July 2022	2026 AGM	-	Audit and Risk Committee (M)
David Hale	54	M	Dual French/ American national	-	1	Yes	28 July 2022	2026 AGM	-	Audit and Risk Committee (M) Ethics, Quality and CSR Committee (M)
Olivier Lecomte	57	M	French	1,030	2	Yes	16 Nov. 2020	2025 AGM	2	Audit and Risk Committee (C)
Pascale Richetta	63	F	French	10	1	Yes	23 June 2020	2024 AGM	2	Appointments and Remuneration Committee (M) Ethics, Quality and CSR Committee (M)
Sophie Kalaidjian (Director representing employees)	44	F	French	20	1	No	15 Jan. 2015	2024 AGM	7	Ethics, Quality and CSR Committee (M)
Laurent Serris (Director representing employees)	52	M	French	20	1	No	15 Dec. 2020	2023 AGM	2	Appointments and Remuneration Committee (M)

2.5.2 SALE OF 32 NURSING HOMES IN THE NETHERLANDS

On 28 July 2022, ORPEA signed an agreement with Syntrus Achmea Real Estate & Finance, acting on behalf of the Achmea Dutch Health Care Property Fund (ADHCPF), for the sale of a portfolio of 32 nursing homes located in the Netherlands. The amount of the transaction is approximately €125 million.

Dagelijks Leven (DL) will continue to operate these 32 facilities. DL has developed an innovative and successful concept of specialised care and accommodation for seniors in the Netherlands, characterised by affordable price positioning, low-capacity facilities (with around 20 residents), quality locations throughout the country and strong development potential.

By 16 September 2022, 24 of the 32 real estate disposals had been completed for gross proceeds of €94 million; the others remain subject to the usual conditions precedent and are expected to be completed in the first quarter of 2023 at the latest.

2.6 Outlook

ORPEA expects the decline in the financial performance of its activities experienced in the first half of 2022 compared with the first half of 2021 to continue into the second half of the year and considers it may be amplified by additional volatility observed recently in energy markets. In this environment, and depending on the recovery of the occupancy rate, EBITDAR margin in the second half of 2022 could be lower than the first-half 2022 level.

Three priorities have already been set for the short term: safety and working conditions, quality of care and support, and unconditional adherence to ethical principles. Immediate steps in this direction were taken during the summer. For example, in France, an attendance bonus was paid to those who completed 10 weeks of work out of the 13 weeks that constitute the critical summer period. Reporting of undesirable events is now systematically escalated to Executive Management in order to speed up the implementation of action plans designed to improve the quality of care. Greater autonomy has been given to facility directors to recruit or decide on improvements to their facilities.

These priorities will enhance the improvement and transformation plan currently being drawn up, which will be presented in the autumn.

2.7 Glossary

Organic growth	The Group's organic revenue growth reflects the following factors: **1.** The year-on-year change in the revenue of existing facilities as a result of changes in their occupancy rates and per diem rates; **2.** The year-on-year change in the 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 in comparison with the previous equivalent period.
EBITDAR	EBITDA before rental expenses, including provisions relating to the "external costs" and "personnel expenses" line items.
EBITDA	Recurring operating profit before depreciation and amortisation, including provisions relating to the "external costs" and "personnel expenses" line items.
Net debt	Long-term borrowings + short-term borrowings - cash and short-term investments (marketable securities).
Financial leverage restated for real estate assets	(Net debt - net real estate debt) / (EBITDA excl. IFRS 16 - (6% x net real estate debt)).
Restated gearing	Net debt / (equity + indefinitely deferred taxes on intangible assets).
Capitalisation rate	The real estate capitalisation rate or rate of return is the ratio between the rent and the value of the building.

3. Half-year condensed consolidated financial statements

3.1. Consolidated income statement

(in thousands of euros)	Notes	30 June 2022	30 June 2021
Revenue	**4.15**	**2,294,554**	**2,069,538**
Personnel expenses*		(1,438,519)	(1,275,805)
Purchases used and other external costs		(438,164)	(347,405)
Taxes other than on income		(43,541)	(27,086)
Depreciation, amortisation and charges to provisions		(333,150)	(268,727)
Other recurring operating income		46,706	126,124
Other recurring operating expense		(6,123)	(45,987)
Recurring operating profit	**4.17**	**81,763**	**230,652**
Other non-recurring operating income	4.18	6,635	74,675
Other non-recurring operating expense	4.18	(258,049)	(63,046)
OPERATING PROFIT/(LOSS)		**(169,651)**	**242,281**
Financial income		65,663	9,800
Financial expense		(161,766)	(118,960)
Net financial income/(expense)	**4.19**	**(96,103)**	**(109,160)**
PROFIT/(LOSS) BEFORE TAX		**(265,754)**	**133,121**
Income tax expense	4.20	(5,632)	(30,893)
Share in profit/(loss) of associates and joint ventures	4.5	2,565	(349)
NET PROFIT/(LOSS) OF CONSOLIDATED COMPANIES		**(268,821)**	**101,879**
Attributable to non-controlling interests		548	(479)
Attributable to ORPEA's shareholders		**(269,369)**	**102,358**
Number of shares		64,693,392	64,631,325
Earnings/(loss) per share *(in euros)*		(4.17)	1.58
Diluted earnings/(loss) per share *(in euros)*		(4.17)	1.55

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

* *For consistency in the financial statements, "Personnel expenses" includes employment expenses for temporary staff and payroll taxes for an amount of €128,231 thousand. The corresponding figure for the six months ended 30 June 2021 was adjusted for an amount of €94,594 thousand.*

3.2 Consolidated statement of comprehensive income

(in thousands of euros)		30 June 2022	30 June 2021
Attributable net profit/(loss)	**a**	**(269,369)**	**102,357**
Change in currency translation adjustments		38,176	13,463
Available-for-sale financial assets			
Revaluation of properties*		24,100	(20,661)
Cash flow hedges		134,853	39,396
Tax effect on items that may be reclassified to profit or loss		(42,296)	(4,838)
Total items that may be reclassified to profit or loss	b	154,833	27,360
Comprehensive income/(loss) net of items that may be reclassified to profit or loss	**a+b**	**(114,536)**	**129,717**
Actuarial gains		6,504	2,164
Tax effect on items that may not be reclassified to profit or loss		(1,428)	(559)
Total items that may not be reclassified to profit or loss	c	5,076	1,605
Comprehensive income/(loss) net of items that may not be reclassified to profit or loss	**a+b+c**	**(109,460)**	**131,322**
Other comprehensive income (net of tax)	**b+c**	**159,908**	**28,965**
COMPREHENSIVE INCOME/(LOSS)	**A+B+C**	**(109,460)**	**131,322**

* *Further evaluation at 31 December 2021.*

3.3 Consolidated balance sheet

(in thousands of euros)	Notes	30 June 2022	31 Dec. 2021
ASSETS			
Goodwill	4.1	1,678,953	1,668,553
Intangible assets, net	4.1	3,064,791	3,076,406
Property, plant and equipment, net	4.3	7,456,538	7,237,005
Assets in progress	4.3	1,018,289	832,385
Right-of-use assets	4.4	3,342,015	3,072,567
Investments in associates and joint ventures	4.5	40,206	84,158
Non-current financial assets	4.6	91,913	94,703
Deferred tax assets		137,094	115,510
Non-current assets		**16,829,799**	**16,181,287**
Inventories		16,127	15,735
Trade receivables		446,087	431,630
Other receivables, accruals and prepayments	4.7	1,075,245	1,015,354
Cash and cash equivalents	4.11	1,133,461	952,369
Current assets		**2,670,920**	**2,415,088**
Assets held for sale	**4.8**	**279,872**	**387,952**
TOTAL ASSETS		**19,780,591**	**18,984,327**

(in thousands of euros)	Notes	30 June 2022	31 Dec. 2021
EQUITY AND LIABILITIES			
Share capital		80,867	80,800
Consolidated reserves		2,471,973	2,399,657
Revaluation reserves		1,413,715	1,253,806
Attributable net profit/(loss)		(269,379)	65,185
Equity attributable to ORPEA's shareholders	**4.9**	**3,697,176**	**3,799,448**
Non-controlling interests		4,686	11,780
Total equity		**3,701,862**	**3,811,228**
Non-current debt excluding bridging loans	4.11	7,565,380	7,006,670
Non-current bridging loans	4.11	68,392	105
Non-current lease commitments	4.13	3,231,816	2,968,098
Provisions	4.10	168,556	148,436
Provisions for pensions and other employee benefit obligations	4.10	70,240	75,035
Deferred tax liabilities and other non-current liabilities		1,394,526	1,433,660
Non-current liabilities		**12,498,910**	**11,632,004**
Current debt excluding bridging loans	4.11	1,182,371	1,304,899
Current bridging loans	4.11	659,989	550,625
Current lease commitments	4.13	325,358	297,098
Provisions	4.10	23,124	22,464
Trade payables		371,568	334,797
Tax and payroll liabilities		380,086	329,107
Current tax liability		42,738	68,808
Other payables, accruals and prepayments	4.14	594,585	633,297
Current liabilities		**3,579,819**	**3,541,095**
TOTAL EQUITY AND LIABILITIES		**19,780,591**	**18,984,327**

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

3.4 Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method: it presents a reconciliation of operating profit to cash generated from operating activities.

Given that the Group funds a significant part of its construction projects with property leases, cash flow from financing activities includes advance payments by lessors and their repayments under “Proceeds from new finance leases” and “Repayments under finance leases”.

Cash and cash equivalents at the beginning and end of the period include cash and other short-term investments, less any overdraft facilities that are not considered as bridge financing for operating properties recently acquired or under construction or redevelopment.

(in thousands of euros)	Notes	30 June 2022	30 June 2021
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) of consolidated companies		(268,821)	102,357
Elimination of non-cash income and expense related to operating activities*		329,724	91,171
IFRS 16 lease expense		181,240	142,435
Financial income and expense, excluding financial expenses on lease commitments	4.19	49,381	69,922
Financial expenses on lease commitments	4.19	46,722	39,238
Gains on asset disposals not related to operating activities net of tax			0
Gross cash flow from operations generated by consolidated companies		**338,246**	**445,123**
Change in operating working capital			
• Inventories		(390)	1,347
• Trade receivables		(6,234)	(41,392)
• Other receivables		(3,931)	(57,739)
• Tax and payroll liabilities		7,569	48,722
• Trade payables		36,771	(685)
• Other payables		(20,366)	(1,195)
Change in operating working capital		**13,419**	**(50,942)**
Net cash generated by operating activities		***351,665***	***394,181***
CASH FLOW FROM INVESTING AND DEVELOPMENT ACTIVITIES			
Property investments		(459,938)	(454,045)
Disposals of real estate		(9,767)	29,099
Other acquisitions and changes		(48,063)	(379,779)
Net cash used in investing activities		***(517,768)***	***(804,725)***
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash inflows related to bridging loans and bank overdrafts	4.11	177,651	17,866
Proceeds from new leases	4.11	41,425	54,450
Proceeds from other borrowings	4.11	1,004,926	970,983
Repayments of lease liabilities		(170,536)	(142,435)
Repayments of other borrowings	4.11	(520,145)	(245,173)
Repayments under leases	4.11	(90,023)	(75,992)
Net financial income/expense and other changes	4.19	(96,103)	(109,160)
Net cash generated by financing activities		***347,195***	***470,539***
CHANGE IN CASH AND CASH EQUIVALENTS		**181,092**	**59,995**
Cash and cash equivalents at beginning of period		952,369	888,836
Cash and cash equivalents at end of period		**1,133,461**	**948,831**
Cash recognised in the balance sheet		**1,133,461**	**948,831**
Cash equivalents	4.11	7,050	10,305
Cash	4.11	1,126,411	938,526

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

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

3.5 Statement of changes in consolidated equity

(in thousands of euros except for the number of shares)	Number of shares	Share capital	Share premiums	Revaluation reserves	Other reserves	Income statement	Total attributable to ORPEA's shareholders	Non-controlling interests	Total equity
AT 31 DECEMBER 2020	**64,631,325**	**80,789**	**950,586**	**943,278**	**1,360,441**	**160,046**	**3,495,140**	**(5,181)**	**3,489,959**
Change in fair value of properties				196,984	11,777		208,761		208,761
Post-employment benefit obligations				26,517			26,517		26,517
Financial instruments				87,027			87,027		87,027
Currency translation adjustments					5,976		5,976	(359)	5,617
Impact of the remeasurement of deferred taxes							0		0
Changes in fair value recognised directly in equity		**0**	**0**	**310,528**	**17,753**	**0**	**328,281**	**(359)**	**327,922**
Reclassifications							0		0
Allocation of net profit/(loss)					101,878	(160,046)	(58,168)		(58,168)
Net profit at 31 Dec. 2021						65,185	65,185	1,676	66,861
Other (contingent consideration and non-controlling interests)					(34,786)		(34,786)	15,643	(19,143)
Free share plan	8,750	11	(11)		6,982		6,982		6,982
Cancellation of treasury shares					(3,185)		(3,185)		(3,185)
AT 31 DECEMBER 2021	**64,640,075**	**80,800**	**950,575**	**1,253,806**	**1,449,083**	**65,185**	**3,799,448**	**11,780**	**3,811,228**
Change in fair value of properties				24,100			24,100		24,100
Post-employment benefit obligations				6,504			6,504		6,504
Financial instruments				134,853			134,853		134,853
Currency translation adjustments				38,176			38,176	(48)	38,128
Impact of the remeasurement of deferred taxes				(43,724)			(43,724)		(43,724)
Changes in fair value recognised directly in equity		**0**	**0**	**159,909**	**0**	**0**	**159,909**	**(48)**	**159,861**
Reclassifications							0		0
Allocation of net profit/(loss)					65,185	(65,185)	0		0
Net profit at 30 June 2022						(269,369)	(269,369)	548	(268,821)
Other (contingent consideration and non-controlling interests)					7,558		7,558	(7,594)	(36)
Free share plan	53,317	68	(68)		937		937		937
Cancellation of treasury shares					(1,307)		(1,307)		(1,307)
AT 30 JUNE 2022	**64,693,392**	**80,868**	**950,507**	**1,413,715**	**1,521,456**	**(269,369)**	**3,697,176**	**4,686**	**3,701,862**

3.6 Notes to the half-year condensed consolidated financial statements

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Amounts are stated in thousands of euros unless otherwise indicated.

The ORPEA Group's half-year condensed consolidated financial statements for the six months ended 30 June 2022 were approved by the Board of Directors on 28 September 2022.

1. Significant accounting policies and basis of preparation

1.1 SIGNIFICANT ACCOUNTING POLICIES

ORPEA SA is a French joint-stock company (*société anonyme*) whose registered office is located at 12, rue Jean Jaurès, 92800 Puteaux, France. It is the parent company of a leading global group with expertise in providing support for all types of vulnerable people. The Group operates in 22 countries and covers three core businesses: care for the elderly (nursing homes, assisted-living facilities, home care), post-acute and rehabilitation care and mental health care (specialist clinics).

In accordance with EC Regulation 1606/2002 of 19 July 2002, the ORPEA Group has prepared its 2022 half-year 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.

This framework, available on the European Commission's website (https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002_en), consists of the international financial reporting standards (IAS and IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS IC).

The Group's half-year condensed consolidated financial statements for the six months ended 30 June 2022 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 year ended 31 December 2021. The latter are presented in the Universal Registration Document no. D.21-0454 filed with the AMF on 16 June 2022.

In preparing the condensed consolidated financial statements for the six months ended 30 June 2022, the Group applied the same accounting principles and methods as in its consolidated financial statements for the year ended 31 December 2021 (see paragraph 1 of Note 6 in the 2021 Universal Registration Document), with the exception of the specificities required by IAS 34 (use of projected annual rates, adjusted for the main permanent differences affecting the calculation of Group tax) and the following changes related to the standards and/or amendments adopted by the European Union that were mandatory as from 1 January 2022:

- Annual Improvements to IFRS Standards 2018-2020 – *Various Provisions*;
- amendments to IFRS 3 – *Business Combinations – Reference to the Conceptual Framework*;
- amendments to IAS 16 – *Property, Plant and Equipment – Proceeds Before Intended Use*;
- amendments to IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*.

These amendments had no 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 2022. These are primarily the following (not yet adopted by the European Union [application date subject to EU adoption]):

- amendments to IAS 1 – *Presentation of Financial Statements – Classification of Liabilities as Current and 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).

The detailed analysis of these standards and amendments is currently under way, but no material impact is expected on the consolidated financial statements.

The consolidated financial statements and accompanying notes are presented in thousands of euros.

1.2 SIGNIFICANT ESTIMATES AND JUDGEMENTS MADE BY MANAGEMENT FOR THE PREPARATION OF THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2022

Following the implementation of a new governance structure at the Annual General Meeting on 28 July 2022, the Group has begun a strategic review further to which a transformation plan will be presented in the last quarter of 2022.

As no decision has yet been made on the transformation plan, the consolidated financial statements at 30 June 2022 have been prepared based on the best of the information available and assumptions known to date. Nevertheless, the final decisions resulting from the finalisation of the transformation plan in the last quarter of 2022 may have an impact on the following items in the consolidated financial statements for the year ending 31 December 2022:

- Measurement of intangible assets (goodwill and operating licences), through impairment tests based on forecast business plans. However, an impairment test was performed at 30 June 2022 (using the same parameters as the test performed at 31 December 2021) on the CGUs considered to be at risk at the end of the previous financial year (see Note 4.2). It led to impairment of €86 million, plus a further €42 million in respect of Brazilian group BSL following the acquisition in the first half. The business plan forecasts for each CGU are currently undergoing a full review.
- Property valuations, which – as in previous years – were not performed at 30 June (see Note 4.3). The valuations will be performed at the end of the year based on forecasts and will be compared with future transaction prices under the disposal programme through which the Group has made a commitment to its banking partners to dispose of at least €2 billion in real estate assets by 2025 (see Note 4.11).

- Measurement of financial assets (development-related receivables and shareholder advances), in view of discussions with historical partners to terminate partnerships and settle the advances in exchange for the underlying real estate assets in the various countries concerned (see Note 5.3).
- Other items in the financial statements, including assets held for sale depending on the strategy adopted under the asset disposal plan.

In addition, the half-year condensed consolidated financial statements have been prepared on the going concern assumption, which is based in particular on management's confidence in completing the asset disposal programme to which the Group is committed and taking the steps necessary to comply with bank covenants (see Note 4.11).

2. Significant events of the period

The significant events of first-half 2022, presented below, have been supplemented by any developments that occurred after the 30 June 2022 reporting date.

2.1 PUBLICATION OF A BOOK CONTAINING ALLEGATIONS OF WRONGDOING

Following the publication on 26 January 2022 of a book containing allegations of wrongdoing, ORPEA's Board of Directors commissioned Grant Thornton and Alvarez & Marsal to conduct an independent review of the allegations. At the same time, the Ministry of Solidarity and Health ordered each of the General Inspectorate of Finance (IGF) and the General Inspectorate of Social Affairs (IGAS) to investigate the claims.

On 30 January 2022, the Board of Directors decided to terminate Yves Le Masne's duties as Chief Executive Officer, and to appoint Philippe Charrier as Chairman and Chief Executive Officer. Mr Charrier's mission is to ensure, under the Board's supervision, that best practices are applied throughout the Company and to shed full light on the allegations made, based in particular on the aforementioned reviews.

2.2 FINDINGS OF ADMINISTRATIVE INVESTIGATIONS AND INDEPENDENT REVIEWS

On 26 March 2022, ORPEA issued a press release disclosing the findings of the final reports of the IGAS-IGF joint investigation and took note of the announcement by the Minister Delegate to the Minister of Solidarity and Health in charge of Autonomy, of her decision to transmit to the public prosecutor the report of the investigation carried out by the IGAS and IGF.

On 29 July 2022, following the above-mentioned joint investigation report, the National Solidarity Fund for Autonomy (CNSA) sent the Company a formal notice to return unduly received funding in an amount of €55.8 million.

In its reply dated 29 August 2022, ORPEA confirmed its commitment to reimburse, to the nearest euro, any public grants that had not been appropriately requested, paid or used.

The provision for liabilities and charges recognised by the Company following the publication of this report is detailed in Note 4.10.

Grant Thornton and Alvarez & Marsal submitted their final reports to the Board of Directors on the use of public funds and business relations with third parties, including some public officials (series of allegations 2 and 3) on 27 May 2022; and on the care of nursing home residents and on employment law (series of allegations 1 and 4) on 27 June 2022. The findings of these independent external reviews ruled out allegations of widespread, systemic abuse. In particular, they refute the claim that incontinence products were rationed as well as several allegations concerning meals and food. On the other hand, they report shortcomings and deficiencies, particularly in the handling of adverse events, management incentives and human resources management.

The main findings of Grant Thornton and Alvarez & Marsal were included in two press releases dated 8 and 29 June 2022, which are available on the Company's website, together with summaries of the final conclusions drawn from the reviews.

2.3 MEASURES TO SUPPORT A WAY OUT OF THE CRISIS

Before the report findings were published, ORPEA undertook a series of remedial measures targeting its internal processes to eliminate any practices identified as inappropriate and allocate to that purpose the necessary human and financial resources.

On 2 May 2022, ORPEA's Board of Directors appointed Laurent Guillot as Chief Executive Officer with effect from 1 July 2022.

On the same day, the Group announced that it had filed a complaint with the public prosecutor against unnamed persons for past events and operations – totally unrelated to the living and care conditions of residents – that could adversely affect ORPEA's best interests and which were discovered following internal investigations. Internal measures were immediately taken to remove the persons likely to be involved in the wrongdoing and to strengthen the Group's internal control procedures.

The Board of Directors has also unanimously approved various structural changes, including:

- the project to transform ORPEA into a mission-led company (*société à mission*);
- the renewal of the Board of Directors;
- a major transformation plan, deployed primarily in France.

The implementation of these structural changes will include the following operational actions:

- setting up a forum for hearing grievances and an external mediation plan;
- setting up an Ethics Committee in France;
- reviewing and streamlining quality processes, including ensuring that material adverse events are systematically reported;

- reshaping labour relations, including the overhaul in progress of the employee representative institutions in France, holding open discussions on health and safety at work for employees and strengthening teams with Human Resources experts;
- drawing up a plan to attract and retain talent; enhancing career paths; analysing salaries by employment catchment area; and systematically using overtime in the event of absenteeism;
- actively promoting the Group's whistleblowing platform for employees and the new Code of Conduct – Ethics and Corporate Social Responsibility;
- carrying out an in-depth review on decentralisation and increased autonomy for the facility directors;
- strengthening internal controls.

2.4 NEW FUNDING AND CONCILIATION PROCEDURE

Due to the slowdown of the initially planned asset disposal programme and the inability to access the financial markets, the ORPEA Group signed a credit agreement with its main banks on 13 June 2022. This agreement was the subject of a conciliation protocol approved by the Nanterre Commercial Court on 10 June 2022.

At 27 September 2022, the Company had drawn down a cumulative amount of €2,251 million under the above-mentioned credit agreement. This amount includes the two drawdowns made in June 2022 for a cumulative amount of €900 million.

An amount of €979 million may be made available at a later date.

Before the report findings were published, ORPEA undertook a series of remedial measures targeting its internal processes to eliminate any practices identified as inappropriate and allocate to that purpose the necessary human and financial resources.

2.5 SCOPE OF CONSOLIDATION

ORPEA opened several facilities during the period after completing construction and redevelopment projects launched in prior financial years.

The Group also purchased, directly or via companies, specific assets necessary for its expansion, such as intangible and real-estate operating rights, and sold certain 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:

First-half 2022 *(in millions of euros)*	**Goodwill**	**Operating intangible assets**	**Properties**	**Contingent liabilities**	**Other assets and other liabilities[1]**	**Deferred taxes**	**Purchase price**	**First-half 2022 revenue**	**First-half 2022 net profit/(loss)**
France Benelux	10	3	5	0	3	(1)	18	2	0
Iberian Peninsula and Latin America	40	5	23	0	39	(5)	102	89	(47)
Eastern Europe	0	0	0	0	0	0	0	4	0
TOTAL	**51**	**8**	**28**	**(1)**	**42**	**(6)**	**120**	**95**	**(47)**

(1) Of which intangible assets related to concessions, where appropriate.

During the period, the Group acquired all outstanding shares in the Brazilian sub-group BSL as well as in nursing homes and/or hospitals in England, the Czech Republic and the Netherlands.

Other non-recurring income and expense related to acquisitions are presented in Note 4.18.

In the first half of 2021, total investments at the date of consolidation were:

First-half 2021 *(in millions of euros)*	**Goodwill**	**Operating intangible assets**	**Properties**	**Contingent liabilities**	**Other assets and other liabilities[1]**	**Deferred taxes**	**Purchase price**	**First-half 2021 revenue**	**First-half 2021 net profit/(loss)**
France Benelux	88	47	58	(2)	(37)	(11)	136	26	(1)
Central Europe	39	5	19	(4)	(6)	(2)	48	14	0
Iberian Peninsula and Latin America									
Eastern Europe	26	3	43	(2)	(12)	(5)	12	9	1
Rest of the World									
TOTAL	**153**	**55**	**120**	**(8)**	**(55)**	**(18)**	**196**	**49**	**0**

(1) Of which intangible assets related to concessions, where appropriate.

3. Subsequent events

Given that some subsequent events relate to events that occurred in the first half of 2022, the corresponding developments are discussed in the above section.

3.1 CHANGES IN THE ORPEA SA BOARD OF DIRECTORS AND ITS COMMITTEES

ORPEA's Annual General Meeting, held on 28 July 2022, approved major changes in ORPEA's Board of Directors, appointing Guillaume Pepy, Isabelle Calvez, John Glen and David Hale as independent directors, as well as Laurent Guillot, Chief Executive Officer, as non-independent director.

On the same day, Bertrand Finet, Chief Executive Officer of Peugeot Invest Assets, replaced Thierry de Poncheville as permanent representative of Peugeot Invest Assets on ORPEA's Board of Directors.

In addition, the new Board of Directors confirmed the appointment of Guillaume Pepy as Chairman of the Board of Directors at its meeting immediately following said Annual General Meeting.

Laure Duhot was appointed as Director by the Board of Directors on 10 September 2022 to replace Joy Verlé, who resigned on 30 August 2022. Lastly, Laure Baume resigned as Director on 28 September 2022.

In light of the above and the expiring terms of office of Philippe Charrier and Jean-Patrick Fortlacroix as Directors at the end of the above-mentioned Annual General Meeting, ORPEA's Board of Directors now comprises 13 Directors, of which:

- 10 Independent Directors (for a 91% independence rate, excluding Directors representing employees), the Chief Executive Officer and two Directors representing employees;
- five women (i.e., 45% of members, excluding Directors representing employees);
- four nationalities (American, British, French and Irish).

At its first meeting, held immediately after the Annual General Meeting, the new Board of Directors also decided to redefine the duties assigned to its committees in order to reaffirm its commitment to transformation, with the aim of effectively fulfilling its mission of providing care and support to the vulnerable and frail, and rising to the related challenges.

- The role of the Audit Committee, renamed the Audit and Risk Committee, has been strengthened and clarified, particularly with regard to risk-related responsibilities.
- The Appointments and Remuneration Committee has been tasked with more duties relating to talent pool supervision, to ensure a succession plan for the Executive Committee and other key positions, and also to HR policy.
- The CSR and Innovation Committee has become the Ethics, Quality and CSR Committee, the aim being to support the Board of Directors' work by ensuring that Ethics, Quality and CSR are at the heart of the Group's mission and activities.

3.2 SALE OF 32 NURSING HOMES IN THE NETHERLANDS

On 28 July 2022, ORPEA signed an agreement with Syntrus Achmea Real Estate & Finance, acting on behalf of the Achmea Dutch Health Care Property Fund (ADHCPF), for the sale of a portfolio of 32 nursing homes located in the Netherlands. The amount of the transaction is approximately €125 million and is in line with the asset amount in the financial statements.

Dagelijks Leven (DL) will continue to operate these 32 facilities. DL has developed an innovative and successful concept of specialised care and accommodation for seniors in the Netherlands, characterised by affordable price positioning, low-capacity facilities (with around 20 residents), quality locations throughout the country and strong development potential.

By 16 September 2022, 24 of the 32 real estate disposals had been completed; the others remain subject to the usual conditions precedent and are expected to be completed in the first quarter of 2023.

The assets are classified as held for sale in application of IFRS 5 (see Note 4.8).

4. Notes to the financial statements

4.1 GOODWILL AND INTANGIBLE ASSETS

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

Depending on the level of regulations and existence of active markets in the geographical areas where the Group operates, licences are either recognised as goodwill if they cannot be allocated, or directly as intangible assets in accordance with IAS 38.

Intangible assets mainly comprise licences to operate beds in nursing homes and post-acute and psychiatric hospitals in France, Belgium, Switzerland, Spain, Italy, Austria, Poland, the Czech Republic, Portugal, the Netherlands, Germany (hospitals only), Slovenia and Ireland.

These licences are considered to have an indefinite useful life, in line with the market position adopted by the sector. This position is based on the following observations and is reinforced by the Group's past experience:

- the probability of the licences being withdrawn or not renewed is low, given that the Group adheres strictly in the management of its facilities to the guidelines and standards set by the various supervisory authorities;
- the costs incurred in maintaining licenses are not material.

These intangible assets are recognised 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 based on the type of operation and its location: between 100% and 175% of annual revenue in France, between 80% and 100% in Belgium and Switzerland, between 80% and 150% in Italy and Spain, between 50% and 100% in Austria and the Czech Republic, 100% in Poland, Portugal, Slovenia, Latvia and Ireland, and between 75% and 100% in the Netherlands and Germany.

The annual revenue used to establish the value of assets is adjusted based on historical data and the following assumptions: licensed capacity of the facility at the date of acquisition, as well as the applicable accommodation and per diem rates; occupancy rate of the facility (projected to be 95%), number of private rooms to be available and the corresponding rates; and, for residential facilities for the elderly, the corresponding medical care or dependency care rates, as applicable. For facilities in a start-up phase, the revenue applied is that projected at maturity.

The multiples used are representative of comparable market transactions.

Intangible assets with an indefinite useful life are not amortised but tested for impairment at each reporting date or whenever there is an indication that they might be impaired. If their recoverable amount is lower than their net carrying amount, an impairment loss is recognised in profit or loss under "Other non-recurring operating expense".

The amortisation period applied to other intangible assets ranges between one and ten years.

4.1.1 GOODWILL

The main movements during the period were as follows:

	Gross	Amortisation and charges to provisions	Total net
Goodwill at beginning of period	1,696,739	(28,184)	1,668,554
Business combinations	50,708		50,708
Adjustments to previous goodwill, deconsolidations and other	7,333	(71,979)	(64,646)
Currency translation adjustments	25,420	(1,082)	24,338
GOODWILL AT END OF PERIOD	**1,780,199**	**(101,246)**	**1,678,954**

At 30 June 2022, the sub-groups of significant CGUs (i.e., those with a value greater than 5% of total goodwill) were as follows:

	Gross	Amortisation and charges to provisions	30 June 2022	31 Dec. 2021
Mediter Mieux Vivre sub-group	87,010		87,010	87,010
Senevita sub-group	65,802		65,802	63,443
Established German operations	399,336		399,336	399,336
Dagelijks Leven sub-group	76,735		76,735	76,735
Axion sub-group	83,084		83,084	83,084
Brazilian sub-group including BSL	148,827	(78,816)	70,012	92,797
Portuguese sub-group	89,747		89,747	89,747
France Senior sub-group	78,702		78,702	78,702
Other	750,955	(22,430)	728,525	697,699
GOODWILL AT END OF PERIOD	**1,780,199**	**(101,246)**	**1,678,953**	**1,668,553**

The main movement during the period relates to Brazil and is detailed in Notes 4.2 and 4.18.

4.1.2 INTANGIBLE ASSETS

Gross intangible assets and accumulated amortisation break down as follows:

	30 June 2022			31 Dec. 2021		
	Gross	**Amortisation and charges to provisions**	**Net**	**Gross**	**Amortisation and charges to provisions**	**Net**
Operating intangible assets	3,008,010	78,751	2,929,259	2,993,288	28,802	2,964,486
Advances and downpayments	5,689	19	5,670	5,708	17	5,691
Other intangible assets	286,351	156,490	129,862	256,314	150,085	106,229
TOTAL	**3,300,051**	**235,260**	**3,064,791**	**3,255,310**	**178,904**	**3,076,406**

At 30 June 2022, "Operating intangible assets" included operating licences considered to have an indefinite useful life and a brand acquired as part of the Sinoué 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. Fair value measurements are based on recent transactions and commonly used measurement models.

Groups of CGUs with material operating licences were as follows:

	30 June 2022	**31 Dec. 2021**
Mediter Mieux Vivre sub-group	197,496	197,496
Sinoué sub-group	146,978	146,978
Clinipsy sub-group	135,469	135,469
Senevita sub-group	135,612	130,249
Senecura sub-group	99,779	119,396
Other	2,213,925	2,234,898
NET OPERATING LICENCES AT END OF PERIOD	**2,929,259**	**2,964,486**

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

Amortisation of other intangible assets is recognised in profit or loss under "Depreciation, amortisation and charges to provisions".

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 downpayments	Other	Intangible assets held for sale	Total
At 31 December 2020	**2,791,316**	**3,191**	**90,759**	**(3,835)**	**2,881,430**
Increase	14,979	3,337	12,771		31,087
Decrease	(4,000)		(688)		(4,688)
Amortisation and charges to provisions	(13,476)	(1)	(9,108)		(22,585)
Reclassifications and other	(11,258)	(840)	8,987	3,835	724
Changes in scope	186,931	5	3,502		190,438
At 31 December 2021	**2,964,486**	**5,691**	**106,229**	**0**	**3,076,406**
Increase	11,118	499	486		12,103
Decrease			(18)		(18)
Amortisation and charges to provisions	(49,949)	(2)	(4,672)		(54,623)
Reclassifications and other		(518)	21,493		20,975
Changes in scope	3,604		6,344		9,948
AT 30 JUNE 2022	**2,929,259**	**5,670**	**129,862**	**0**	**3,064,791**

Changes in the scope of consolidation derived chiefly from the acquisition of Acacias Logrono in Spain and Compleet Mensenwerk in the Netherlands.

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

4.2 REGULAR IMPAIRMENT TESTING

In accordance with IAS 36 – *Impairment of Assets*, the Group assesses the recoverability of its long-term assets as follows:

- property, plant and equipment, and intangible assets with a finite useful life are tested for impairment if there is an indication of impairment;
- intangible assets with an indefinite useful life and goodwill are tested for impairment whenever there is an indication of impairment and at least once a year at the reporting date.

Impairment testing consists of comparing the net carrying amount with the higher of fair value less costs to sell and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. 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 tailored to the economic environment of each country.

Any impairment of the assets of a cash-generating unit (CGU), or group of CGUs in the case of non-French operations, is charged first to the relevant goodwill, intangible assets and property, plant and equipment, with the balance allocated to the remaining assets in proportion to their carrying amount.

At 30 June 2022, each nursing home or hospital represented a CGU. A CGU's main assets are goodwill when allocated to the CGU's intangible assets (operating licence).

In accordance with IAS 36, the cash-generating units were tested for impairment at the end of 2021, including goodwill, intangible assets with an indefinite useful life and property, plant and equipment.

In preparing the half-year financial statements, the Company updated the analysis performed on certain facilities whose goodwill and/or operating licences had been partially impaired at 31 December 2021, as well as on facilities for which the difference between the recoverable amount and the carrying amount of the assets tested at that date was small, resulting in a potential risk of impairment.

With the help of an independent expert, the analysis performed on 37 CGUs based on the most recent business plans led to the recognition in the first half of 2022 of additional impairment for a total amount of €86 million, i.e., €74 million after deferred taxes.

The other CGUs were not tested at 30 June 2022, as the Group is currently conducting a strategic review of all CGUs and real estate assets held. The strategic plan will be used as the basis for updating at 31 December 2022 the annual goodwill and intangible asset impairment tests for all CGUs and the annual valuation of real estate assets and for monitoring compliance with the commitments made by the Group in connection with the financing obtained in June 2022.

The useful life adopted in business plans is five years. The main operating assumptions and rates used at 30 June 2022 were as follows:

	30 June 2022	31 Dec. 2021
Perpetuity growth rate	2%	1.5%
Maintenance capex	2.5%	2.5%
WACC determined according to geographical area:		
• France, Austria	6.5%	5.5%
• Ireland, Czech Republic	7.4%	6.8%
• Belgium	6.6%	5.93%
• Brazil	10.1%	7.23%

As a result of the impairment tests performed at 30 June 2022, the Group recognised impairment losses against certain cash-generating units for a total of €69 million, before tax.

Some cash-generating units may be sensitive to changes in the above three rates.

The sensitivity of the CGUs tested at 30 June 2022 to changes in the WACC is summarised below:

Amount of impairment *(in millions of euros)*	WACC -1%	WACC -0.5%	No change	WACC +0.5%	WACC +1%
Goodwill		(27)	(37)	(45)	(52)
Operating licences	(45)	(47)	(49)	(52)	(55)
Total, gross	**(45)**	**(74)**	**(86)**	**(97)**	**(107)**
Deferred taxes	11	11	12	12	13
TOTAL, NET OF TAX	**(34)**	**(63)**	**(74)**	**(85)**	**(94)**

4.3 PROPERTY, PLANT AND EQUIPMENT

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

The Group's operating properties are acquired, built or redeveloped by the Group.

They are held directly or under leases.

As part of its asset management policy, the Group regularly sells operating properties it owns.

These sales are carried out in a block or in 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, or are under construction or redevelopment.

Properties that the Group intends to sell within 12 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 their cost of acquisition or production, less accumulated depreciation and any impairment, in line with the standard treatment under 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 held directly or under finance leases, comprising land and buildings and operated by the Group, are initially valued at cost and then revalued at fair value in accordance with the revaluation model under IAS 16 – *Property, Plant and Equipment* (paragraph 31).

Co-owned lots belonging to the Group in facilities sold partly as furnished rentals are recorded at historical cost at 30 June 2022.

Properties in service, which exclude assets in progress and under redevelopment, have been revalued annually since 2020, with the exception of small sites and any properties expected to be sold within 12 months.

Assets in progress are measured at cost less any impairment until construction is completed.

A facility's fair value is determined by qualified appraisers who have a recognised professional credential as well as experience in the Group's business sectors and geographical areas. Valuations are conducted as at 31 December.

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

As was the case for previous half-year financial statements, the Group did not revalue its property at 30 June 2022, as there were no indications of impairment at that date.

Fair value is determined for each facility based on the property's location and business. 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 measurement models. This is a level 3 fair value measurement under the IFRS 13 hierarchy since the data used, such as the facility's operating data, are not public.

The revalued amount of each property is determined by capitalising an estimated market rent for each facility based on industry norms. The capitalisation rates applied depend on location, type of operation 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. Depreciation is calculated based on the expected useful life of each asset or each of its components having different useful lives in line with the following criteria:

- buildings, fixtures and fittings: 12 to 60 years;
- technical installations, equipment: 3 to 10 years;
- other: 3 to 10 years.

Property, plant and equipment is tested for impairment whenever there is an indication of impairment. Any impairment losses are recognised in profit or 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, the Group manages most of its own operating property development or redevelopment projects.

These properties are either retained by the Group or sold to external investors and leased back to the Group under sale-and-leaseback arrangements.

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 paragraph 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 percentage of completion is determined based on accrued costs after validation by the project manager, and corresponds to the technical advancement in terms of the 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.

For real-estate projects in the process of being sold, the calls for funds amount for off-plan sales is deducted from the assets side of the balance sheet.

4.3.1 CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND PROPERTY UNDER CONSTRUCTION

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

	30 June 2022			31 Dec. 2021		
	Gross	**Depreciation and charges to provisions**	**Net**	**Gross**	**Depreciation and charges to provisions**	**Net**
Properties	8,477,752	1,457,964	7,019,788	8,246,060	1,396,842	6,849,218
Technical installations	1,029,236	589,854	439,382	1,001,363	545,485	455,878
Assets in progress	1,123,412	1,662	1,121,749	982,363	62	982,301
Other property, plant and equipment	455,694	324,392	131,302	438,315	309,132	129,183
Property, plant and equipment held for sale	(237,395)		(237,395)	(347,191)		(347,191)
TOTAL	**10,848,699**	**2,373,872**	**8,474,827**	**10,320,910**	**2,251,521**	**8,069,390**

Depreciation is recognised in profit or loss under "Depreciation, amortisation and charges to provisions".

Impairment losses are recognised, where appropriate, in "Other non-recurring operating expense".

Property, plant and equipment held for sale corresponds to properties earmarked for disposal within 12 months and amounted to €237,395 thousand at 30 June 2022.

Movements in the net carrying amounts of property, plant and equipment are as follows:

	Properties	Technical installations	Assets in progress	Other	Property, plant and equipment held for sale	Total
At 31 December 2020	**6,116,441**	**360,545**	**814,562**	**165,786**	**(488,032)**	**6,969,303**
Acquisitions	352,920	133,908	532,084	36,699		1,055,611
Change in fair value	281,445					281,445
Disposals and retirements	(173,853)	(396)	(65,951)	(773)		(240,972)
Depreciation and charges to provisions	(138,357)	(77,113)		(32,797)		(248,268)
Reclassifications and other	189,190	30,031	(298,413)	(45,159)	140,841	16,490
Changes in scope	221,432	8,903	19	5,428		235,781
At 31 December 2021	**6,849,218**	**455,878**	**982,301**	**129,184**	**(347,191)**	**8,069,390**
Acquisitions	145,012	32,981	264,277	26,318		468,588
Change in fair value						0
Disposals and retirements	(1,831)	(42)	(3,266)	(114)		(5,253)
Depreciation and charges to provisions	(68,170)	(45,322)	(1,600)	(17,253)		(132,345)
Reclassifications and other	67,095	(5,937)	(121,517)	(6,818)	109,796	42,618
Changes in scope	28,464	1,824	1,554	(14)		31,828
AT 30 JUNE 2022	**7,019,788**	**439,382**	**1,121,749**	**131,303**	**(237,395)**	**8,474,827**

The main changes during first-half 2022 were:

- changes in the scope of consolidation, in particular relating to the BSL acquisition;
- investments necessary for the continuing operation of the facilities;
- investments in new buildings or extensions;
- properties under construction;
- property, plant and equipment acquired during the period through business combinations and those under construction.

At 30 June 2022, non-current assets financed under property leases amounted to €1,620,874 thousand.

4.3.2 REVALUATION OF OPERATING PROPERTIES

At 30 June 2022, the impact of the revaluation of operating properties in accordance with IAS 16 was €1,784 million, of which €24 million relating to an adjustment at 31 December 2021.

The corresponding tax, calculated at the statutory tax rate, amounted to €458 million in the six months ended 30 June 2022.

As was the case for previous half-year financial statements, the Group did not revalue its property at 30 June 2022.

4.4 RIGHT-OF-USE ASSETS

Applicable with effect from 2019, IFRS 16 imposes a single lessee accounting treatment model that consists in recording as a liability a lease commitment equal to the sum of discounted future payments and recording right of use as an asset.

With the exception of certain intra-group leases, the Group has no material leases as a lessor.

The Group applies the provisions of IFRS 16 described below for all its leases of underlying assets with a significant replacement value and/or a term of more than 12 months, taking into account any renewal options provided for in the contract.

Leases entered into by the Group mainly concern real estate and certain transport equipment and materials necessary for the care of patients and residents (€19.5 million at 30 June 2022).

The simplified retrospective method enabled the simple calculation of certain impacts on the date of initial application, 1 January 2019.

This method consisted in recognising:

- as a liability, a lease commitment corresponding to the discounted value of future lease payments from the transition date over the enforceable term of the contract, including any renewal and early termination options if the Group is reasonably certain of exercising them;
- as an asset, a right of use that is either equal to the lease liability restated with any provisions for onerous contracts and/or provisions for lease payments and/or prepayments, or for an amount equal to the lease commitment calculated as if the standard had been applied from the lease start date and/or the date of entry into the Group's scope.

Rights of use are amortised on a straight-line basis over the life of the underlying lease. The leasing obligation is recognised at amortised cost according to the effective interest rate method. At each period end, the rental liability is increased by the interest for the period, less the payments made. The rental liability is remeasured if a lease is renegotiated or if the Group changes its assessment of whether the exercise of renewal or early termination options is reasonably certain.

Leases for periods less than one year or for low-value assets continue to be recognised under profit and loss without an impact on the Group's balance sheet.

A deferred tax was recognised for the difference between rights of use and lease commitments falling within the scope of IFRS 16, similar to the approach taken 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 three 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.

TREATMENT OF FINANCE LEASES ACCORDING TO IFRS 16

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 2022 relating to these transactions were €1,621 million in property, plant and equipment (see Note 4.3.1) and €827 million in debt (see Note 4.11).

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 debt within the meaning of IFRS 9.

As of 30 June 2022, in accordance with IFRS 16, the Group had recognised right-of-use assets amounting to €3,342,015 thousand.

Depreciation of right-of-use assets in the first half of 2022 amounted to €170,320 thousand, of which €165,263 thousand relating to real estate assets.

At 30 June 2022, changes in right-of-use assets break down as follows:

	Right-of-use assets
At 31 December 2021	**3,072,567**
Increase	378,988
Decrease	(25,550)
Depreciation and charges to provisions	(170,320)
Reclassifications and other	63,191
Changes in scope	23,139
AT 30 JUNE 2022	**3,342,015**

4.5 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

At 30 June 2022, investments in associates and joint ventures break down as follows:

Associates and joint ventures *(in thousands of euros)*	**Application of the % holding**	**Based on 100% interest**	**HSI and non-consolidated Belgian companies**	**IDS and real estate companies jointly owned with IDS**	**Real estate companies retained as a result of sale and leaseback transactions**	**Rodevita***	**Dutch companies**	**Senior assisted-living facilities***	**Senior Suites**	**Âge Partenaires**	**Other**
INFORMATION ON ASSOCIATES AND JOINT VENTURES											
Non-current assets	304,245	679,395	107,005	232,098	100,134	80,438	9,228	61,139	51,472	26,520	11,361
Current assets	109,211	226,726	11,469	13,890	2,993	20,718	68,001	69,018	3,222	32,578	4,837
TOTAL ASSETS	**413,456**	**906,121**	**118,474**	**245,988**	**103,127**	**101,156**	**77,229**	**130,157**	**54,694**	**59,098**	**16,198**
Equity	18,401	35,526	(54,456)	69,626	23,884	885	(1,866)	533	447	(3,926)	399
Non-current liabilities	301,638	650,816	15,134	154,253	76,743	100,088	65,930	124,425	52,931	46,681	14,631
Current liabilities	93,416	219,776	157,796	22,108	2,500	182	13,165	5,198	1,316	16,343	1,168
TOTAL EQUITY AND LIABILITIES	**413,455**	**906,119**	**118,474**	**245,987**	**103,127**	**101,156**	**77,229**	**130,156**	**54,694**	**59,098**	**16,198**
Percentage ownership			40%	50%	between 5.2% and 49%	45%	49%	49%	50%	50%	between 28% and 50%
Revenue	30,742	67,198	21,196	1,505	2,935	0	14,381	646	8,094	14,037	4,404
INFORMATION ON THE CONSOLIDATED GROUP											
Carrying amount of investments	54,191		0	14,635	14,970	15	21	100	12,954	84	11,413
Equity-accounted profit/(loss) in previous financial years	25,925			26,126	(54)		1,505	0	(1,589)	0	(63)
Equity-accounted profit/(loss) based on a 100% interest				3,432	869		1,505	468	(281)	149	(82)
Other comprehensive income/(loss)				0	0		0	0	0	0	0
Total comprehensive income/(loss)				3,432	869		1,505	468	(281)	149	(82)
Share of profit/(loss)	2,566			1,716	35		737	229	(139)	46	(58)
Assets held for sale (Note 4.8)	(42,477)			(42,477)	0	0	0	0	0	0	0
Investments in associates and joint ventures	40,206		0	0	14,950	15	2,263	329	11,226	130	11,292
Related-party receivables (Note 5.3)		477,593	92,789	48,593	18,275	65,852	69,517	126,679	25,834	13,500	16,554

* *Last available financial statements: 31 December 2021.*

Investments held for sale correspond to shares in equity-accounted companies that are earmarked for disposal within 12 months and stood at €42,477 thousand at 30 June 2022.

At 30 June 2022, receivables amounting to €478 million corresponded to advances made to financial partners for development projects via companies in which the Group has significant influence (see Note 5.3 "Related parties"). At that date, the Group wrote down receivables by €54 million to cover losses of companies overseeing nursing homes in Belgium.

4.6 NON-CURRENT FINANCIAL ASSETS

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

In instances where the Group does not exercise control, joint control or significant influence over the operating or financial decisions of a company in which it has an equity interest, that equity interest is recognised in accordance with the principles applicable to financial assets measured at fair value.

This corresponds either to the stock market price (level 1) for shares listed on an active market, or, in the case of unlisted shares, the estimated fair value determined on the basis of financial criteria most appropriate for the particular situation of each share (level 3).

Non-current financial assets break down as follows:

	30 June 2022	31 Dec. 2021
	Net	**Net**
Non-consolidated investments	2,041	2,754
Loans	37,944	45,734
Deposits and guarantees	51,928	46,215
TOTAL	**91,913**	**94,702**

Non-consolidated investments are investments in companies over which the Group does not exercise any significant influence and investments in mutual banks.

Loans mainly consist of construction loans arranged by French subsidiaries.

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

4.7 OTHER RECEIVABLES, ACCRUALS AND PREPAYMENTS

	30 June 2022	**31 Dec. 2021**
Development-related receivables	219,637	206,999
Receivables related to disposals of real estate	21,556	20,723
VAT receivables	108,831	103,921
Advances and downpayments made	6,547	3,443
Current accounts (associates and related parties)	477,703	476,829
Interest rate derivatives	37,616	5,330
Miscellaneous receivables	121,040	92,463
Receivables from suppliers	31,314	63,837
Prepaid operating expenses	51,003	41,809
TOTAL	**1,075,246**	**1,015,353**

Development-related receivables consist mainly of receivables from disposals, advances paid in connection with future acquisitions of operating companies (e.g., acquisition of operating licences) and property developments. They notably include the Group's exposure to other partners in connection with real estate projects for €176 million, of which €112 million in Italy (see Note 5.3).

VAT receivables arise mainly from property construction projects forming part of the Group's growth strategy.

Shareholder advances consist mainly of amounts paid to equity-accounted entities and are detailed in Note 3.5.

4.8 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 under "Non-current assets held for sale and discontinued operations". This excludes finance leased buildings.

Assets are classified as held for sale when the sale is highly probable and the non-current asset or disposal group held for sale meets the classification criteria (in particular, it is immediately available for sale).

Assets held for sale 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 IAS 16.31 (see Note 4.3).

At 30 June 2022, assets held for sale break down as follows:

	30 June 2022	31 Dec. 2021
Goodwill		
Intangible assets		
Property, plant and equipment	133,935	197,275
Assets in progress	103,460	149,916
Financial assets	42,477	40,761
TOTAL	**279,872**	**387,952**

Assets held for sale in the "Property, plant and equipment" and "Assets in progress" categories mainly concern the following geographical areas:

- France-Benelux-UK-Ireland for €145 million;
- Central Europe for €74 million;
- Eastern Europe for €18 million.

4.9 EQUITY

4.9.1 SHARE CAPITAL

	30 June 2022	31 Dec. 2021
Total number of shares	64,693,372	64,640,075
Number of shares issued	64,693,372	64,640,075
Par value (in euros)	1.25	1.25
Share capital (in euros)	80,866,715	80,800,094
Treasury shares	64,834	51,071

Since 31 December 2021, capital increases and the exercise of stock options have had the following impact on share capital and share premiums:

(in thousands of euros)	Total number of shares	Share capital	Share premiums
Share capital at 31 Dec. 2021	**64,640,075**	**80,800**	**950,575**
Capital increase	53,317	67	(67)
SHARE CAPITAL AT 30 JUNE 2022	**64,693,392**	**80,867**	**950,508**

The capital increases were for free shares that vested under plans that expired during the year.

4.9.2 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, such as options, warrants and convertible bonds. Options and warrants are dilutive when their exercise price is lower than the market price. The assumption is that proceeds from exercising rights will be allocated 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 June 2022		30 June 2021	
	Basic	**Diluted**	**Basic**	**Diluted**
Ordinary shares	64,693,392	64,693,392	64,631,325	64,631,325
Treasury shares	(64,834)	(64,834)	(40,801)	(40,801)
Other shares		284,787		284,787
Shares resulting from the conversion of OCEANE bonds*		3,481,228		3,481,228
WEIGHTED AVERAGE NUMBER OF SHARES	**64,628,558**	**68,394,573**	**64,590,524**	**68,356,539**

* *The potential number of shares resulting from the conversion of the OCEANE bonds takes into account the adjustment of the conversion ratio from 1.011 to 1.020 following the dividend distribution decided at the Annual General Meeting of 24 June 2021.*

Basic earnings per share:

	30 June 2022		30 June 2021	
(in euros)	**Basic**	**Diluted**	**Basic**	**Diluted**
Attributable net profit/(loss)	(4.17)	(4.17)	1.58	1.55

4.9.3 TREASURY SHARES

ORPEA SA shares held by the latter 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 regularly authorises share buyback programmes.

Stock options are granted to certain Group employees.

In accordance with IFRS 2 – *Share-based Payment*, plans set up after 7 November 2002 are measured at the award date and are recognised under personnel expenses over the period during which rights vest with grantees. This expense, which represents the option's market value at the award date, is recognised as an increase in equity.

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 free share plans.

At 30 June 2022, the Group held 64,834 treasury shares.

The Board of Directors has approved the use of free share plans for corporate officers and certain employees of ORPEA and affiliated companies. These plans are as follows:

	Plan no. 10	**Plan no. 11**	**Plan no. 13**	**Plan no. 14**
Date of Annual General Meeting	28 June 2018	28 June 2018	23 June 2020	23 June 2020
Date of Board of Directors' meeting	28 June 2018	28 June 2018	N/A	N/A
Decisions taken by the Chief Executive Officer	1 February 2020	1 February 2020	N/A	N/A
Maximum total number of free shares that can be awarded	70,315	540	84,523	840
Vesting date of the shares	2 May 2023	2 May 2023	2 May 2024	2 May 2024
End date of lock-up period	2 May 2023	2 May 2023	2 May 2024	2 May 2024
Performance conditions	Change in revenue and NOP	Change in ORPEA's total shareholder return (TSR), increase in earnings per share and employee satisfaction surveys	Change in revenue and NOP	Change in ORPEA's total shareholder return (TSR), increase in earnings per share and employee satisfaction surveys
Number of shares vested at 30 June 2022	120	N/A	N/A	N/A
Total number of lapsed shares	N/A	N/A	N/A	N/A
Free shares awarded but not vested at 30 June 2022	70,195	540	84,523	840

The fair value of the benefits provided to the grantees under IFRS 2 was measured by an independent actuary for each plan. This takes into account the market value of the shares, less a discount to reflect the fact that no dividend is paid until the end of the vesting period. 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 amounted to €21 million. The amount expensed in the first half of 2022 was €1 million (excluding social security contributions).

4.9.4 DIVIDENDS

No dividends were approved by shareholders at the Annual General Meeting on 28 July 2022.

4.10 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 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.

Group companies frequently undergo 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 portion of provisions due in less than one year at 30 June 2022 totalled €23 million, breaking down into €18 million for labour disputes and €5 million for restructuring.

Provisions break down as follows:

						Reversals		
(in thousands of euros)	**31 Dec. 2021**	**Changes in scope and other**	**Equity**	**Reclassifications**	**Charges**	**Utilised provisions**	**Surplus provisions**	**30 June 2022**
Provisions for contingencies	128,598	150		(648)	34,856	(5,051)	(12,425)	145,480
Provisions for restructuring	42,303	368		10,599	2,226	(2,987)	(6,308)	46,201
TOTAL	**170,902**	**518**	**0**	**9,951**	**37,082**	**(8,037)**	**(18,733)**	**191,681**
Post-employment benefit obligations	75,035	83	(6,282)	(334)	2,255	(517)	0	70,239

4.10.1 PROVISION FOR LIABILITIES BOOKED FOLLOWING THE IGAS-IGF REPORT AND THE GOVERNMENT'S ANNOUNCEMENT OF THE REFERRAL OF THE CASE TO THE PUBLIC PROSECUTOR

On 29 July 2022, following the IGAS-IGF joint investigation report dated March 2022, the National Solidarity Fund for Autonomy (*Caisse Nationale de Solidarité pour l'Autonomie* – CNSA) informed ORPEA SA that it intended to request the return of unduly received funding in the amount of €55,809,664.83.

In its reply dated 29 August 2022, ORPEA undertook to reimburse the sum of €25,639,236.73, corresponding to:

- the territorial economic contribution (*contribution économique territoriale* – CET) and the company solidarity contribution (*contribution sociale de solidarité* – C3S) levies, for €17,984,540.97 and €1,598,625.86 respectively;
- amounts corresponding to end-of-year discounts received from its suppliers on purchases funded by "Care" subsidies, for €5,569,612.21;
- costs of taking out civil liability insurance policies, for €486,457.69.

The Company adjusted the allocation of its provisions in order to be consistent with the amounts requested and booked an additional €3.3 million.

On the other hand, with regard to the staff costs related to care workers acting as caregivers (€30,170,428.10), ORPEA points out that this is a general practice in private and public nursing homes in France. This practice is essential to ensure the quality of care in a general context of shortage of caregivers. Moreover, the supervisory authorities, with very few exceptions, have not made any comments on the treatment of "acting caregivers" in the revenue and expenditure statements, nor have they rejected them.

Accordingly, the Company considers that it is not necessary to make provision for the amounts claimed for the reasons mentioned above.

(in millions of euros)	Provisions at 31 Dec. 2021	First-half 2022 additions	First-half 2022 reversals	Provisions at 30 June 2022
2017-2020 surpluses*	19.8			19.8
2021 surpluses – before submitting the revenue and expenditure statements**	41.1			41.1
First-half 2022 surpluses (estimated)		14.3		14.3
Total surplus provisions	**60.9**	**14.3**	**-**	**75.2**
Provisions for reimbursing care- and dependency-related grants	22.3	3.3		25.6
TOTAL PROVISIONS	**83.2**	**17.6**	**-**	**100.8**

* *Surpluses correspond to the unused portion of public grants for care- and dependency-related activities.*
** *Revenue and expenditure statements (ERRD) are drawn up annually at the end of each reporting period by players in the medical and social care sector and are submitted to the relevant authorities.*

4.10.2 POST-EMPLOYMENT BENEFIT OBLIGATIONS

In France, the Group primarily applies the FHP (*Fédération de l'Hospitalisation Privée* – French private hospitals federation) collective bargaining agreement of 18 April 2002 for the private healthcare sector. This provides for payment of a lump-sum benefit upon retirement based on the employee's length of service, grade and salary at 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 operates defined benefit pension plans only in Switzerland, Austria and for certain facilities in Germany and Italy.

The Group's post-employment benefit obligations are calculated on the basis of actuarial estimates and using the projected unit credit method. Actuarial assumptions include staff turnover, salary increases, inflation and life expectancy.

The actuarial obligation is provided for, less 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, 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 (revised).

Current and any past service cost is recognised as an operating expense.

Interest cost and expected return on plan assets, calculated at the same rate, are recognised in net financial expense.

The impact on the Group's financial statements of applying the IFRS IC's April 2021 agenda decision on attributing benefit to periods of service is not material.

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

(in thousands of euros)	30 June 2022	31 Dec. 2021
France	38,099	44,674
International	32,141	30,361
TOTAL	**70,240**	**75,035**

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

	30 June 2022			31 Dec. 2021		
(in thousands of euros)	**Provision recognised**	**Income statement**	**Equity**	**Provision recognised**	**Income statement**	**Equity**
Beginning of period	**(44,674)**			**(44,760)**		
Current service cost	71	71		(4,043)	(4,043)	
Interest cost (unwinding of the discount)				(153)	(153)	
Expected return on plan assets						
Employer contributions						
Actuarial gains and losses	6,504		6,504	659		659
Benefits paid				3,846		
Changes in scope				(224)		
Other						
END OF PERIOD	**(38,099)**	**71**	**6,504**	**(44,674)**	**(4,196)**	**659**

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

	30 June 2022			31 Dec. 2021		
(in thousands of euros)	**Provision recognised**	**Income statement**	**Equity**	**Provision recognised**	**Income statement**	**Equity**
Beginning of period	**(30,361)**			**(54,483)**		
Current service cost	(2,079)	(2,079)		(5,325)	(5,325)	
Interest cost (unwinding of the discount)						
Expected return on plan assets						
Employer contributions						
Actuarial gains and losses				32,518		32,518
Past service cost	224			1,094		
Changes in scope	(83)			(2,264)		
Currency translation adjustments	(166)			(1,688)		
Other	324			(212)		
END OF PERIOD	**(32,141)**	**(2,079)**		**(30,361)**	**(5,325)**	**32,518**

The main actuarial assumptions adopted at 30 June 2022 are as follows:

	30 June 2022		31 Dec. 2021	
	France	**International**	**France**	**International**
Discount rate	3.20%	between 0.85% and 1.20%	0.98%	between 0.85% and 1.20%
Annual rate of salary increases taking into account inflation	2.50%	between 1.25% and 1.75%	2.00%	between 1.25% and 1.75%
Expected return on plan assets	N/A	between 1% and 1.20%	N/A	between 1% and 1.20%
Retirement age	65	65	65	65
Social security contribution rate	average actual rate		average actual rate	

4.11 DEBT AND CASH

Debt is recognised at nominal value net of any associated transaction costs, which are deferred over the life of the liability in net financial expense using the effective interest method.

If future interest expense is hedged, the debt 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 financial expense.

Net debt comprises short- and long-term financial liabilities less the value of short-term investments and cash at that date.

It includes property bridging 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 2022	Net 31 Dec. 2021
Bond issues	2,112,043	2,106,439
Lease commitments	826,505	875,073
Bridging loans	728,381	550,730
Other borrowings and debt	5,809,204	5,330,056
Total gross debt	**9,476,133**	**8,862,298**
Cash	(1,126,411)	(940,782)
Cash equivalents	(7,050)	(11,586)
TOTAL NET DEBT	**8,342,672**	**7,909,930**

"Other borrowings and debt" include *Schuldschein* notes for €1,767 million, mortgage debt for €1,199 million and bilateral or syndicated bank debt for €2,595 million.

Amounts drawn from the Refinancing Plan are classified as "Other borrowings and debt".

Movements in in debt in first-half 2022 were as follows:

(in thousands of euros)	31 Dec. 2021	Increase	Decrease	Changes in scope	30 June 2022
Bond issues	2,106,439	5,603			2,112,041
Lease commitments	875,073	41,425	(90,023)	34	826,510
Bridging loans	550,730	520,153	(342,502)		728,381
Other borrowings and debt	5,330,056	999,252	(520,145)	38	5,809,201
Total gross debt	**8,862,298**	**1,566,433**	**(952,670)**	**72**	**9,476,133**
Cash and cash equivalents	(952,369)	(185,629)	4,537		(1,133,461)
TOTAL NET DEBT	**7,909,929**	**1,380,804**	**(948,133)**	**72**	**8,342,672**

Debt net of cash breaks down by maturity as follows:

	30 June 2022	Less than 1 year	1 to 5 years	More than 5 years
Bond issues	2,112,043	63,447	1,213,598	834,998
Lease commitments	826,505	175,018	432,249	219,238
Bridging loans	728,381	659,989	65,522	2,870
Other borrowings and debt	5,809,204	943,906	3,697,871	1,167,427
Total gross debt	**9,476,133**	**1,842,360**	**5,409,240**	**2,224,533**
Cash and cash equivalents	(1,133,461)	(1,133,461)		
TOTAL NET DEBT	**8,342,672**	**708,899**	**5,409,240**	**2,224,533**

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

	More than 1 year and less than 5 years	2023-2024	2024-2025	2025-2026	2026-2027
Bond issues	1,213,598	(1,238)	661,901	18,394	534,541
Lease commitments	432,249	131,634	129,090	100,945	70,580
Bridging loans	65,522	6,912	2,870	52,870	2,870
Other borrowings and debt	3,697,871	1,534,755	717,384	778,293	667,439
TOTAL GROSS DEBT	**5,409,240**	**1,672,063**	**1,511,245**	**950,502**	**1,275,430**

GROUP FINANCING POLICY

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

These investments are partly financed by diversified external resources:

- bilateral bank loans repayable over five, six or seven years allocated to the acquisition of facilities in service, operating licences, stakes in operating companies, etc.;
- property bridging loans made up of 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;
- leases and mortgage loans payable over 12 to 15 years, contracted to finance or refinance dedicated property transactions;
- public and private bonds, as well as *Schuldscheindarlehen* notes, the proceeds of which are generally allocated to real estate investments.

To finance its development, the Group also divests properties to real-estate investors, real-estate funds, etc. (see Note 3.9).

BANK COVENANTS

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

$$R1 = \frac{\text{consolidated net debt (excluding real estate debt)}}{\text{consolidated EBITDA excluding IFRS 16} - \text{6\% of net real estate debt}}$$

and

$$R2 = \frac{\text{consolidated net debt}}{\text{Equity + quasi equity}}$$

(i.e., deferred tax liabilities linked to the measurement of intangible operating assets under IFRS in the consolidated financial statements)

To take into account the age of its debt, the Group publishes two sets of covenants: one before the implementation of IFRS 16 and one after the implementation of IFRS 16.

At 30 June 2022 and including the application of IFRS 16, the two ratios were at 0.6 and 1.9 respectively, within the required limits of 5.5x for R1 and 2.0x for R2 at 30 June 2022.

After neutralising the IFRS 16 effect, the R1 and R2 ratios were 3.6x and 1.9x, respectively.

NEW FUNDING AND CONCILIATION PROCEDURE

On 12 May 2022, ORPEA entered into an agreement in principle with its core banking partners BNP Paribas, Crédit Agricole, Crédit Mutuel Alliance Fédérale, BPCE group, La Banque Postale and Société Générale ("the Banks").

This agreement with the Banks is a response to the current period of uncertainty affecting ORPEA, as well as to closed-off access to financial markets and the slowdown of the initially anticipated real estate asset disposal programme, and will notably enable it to meet significant debt servicing obligations in 2022 (approximately €813 million due in the second half of the year) and in 2023 (approximately €1,004 million due).

The agreement is part of an amicable conciliation procedure, opened by order of the President of the Nanterre Commercial Court on 20 April 2022.

The agreement includes the following key principles:

1. Provision of a new financing plan by the Banks via a secured syndicated facility of €1,729 million. The key terms of this facility granted by the Banks to ORPEA include:
   a. medium-term financing, maturing in December 2025, in order to (a) provide new cash funds to the Group in an amount of €600 million, repayable partly at maturity and partly by instalments (€100 million in each of June 2024, December 2024 and June 2025), and (b) finance repayments of existing debt in an amount of €233 million, repayable at maturity; and
   b. €900 million in short-term financing, consisting of several tranches maturing in June 2023 for €200 million and in December 2023 for €700 million (with the option to extend these two maturities by six months, exercisable at ORPEA's discretion, subject to certain conditions).

   The new financing includes:
   - a commitment to the lenders to maintain a minimum cash level of €300 million, to be tested quarterly from June 2023;
   - commitments relating to the disposal of operating and real estate assets, the latter for a cumulative gross asset value (excluding duties) of (i) €1 billion at 31 December 2023, increasing to (ii) €1.5 billion at 31 December 2024, and to (iii) €2 billion at 31 December 2025;
   - a change of control clause for ORPEA; and
   - a cross-default clause (€40 million threshold).

   The new financing will benefit from a pledge over the shares of the subsidiaries CLINEA and CEECSH (representing 25% and 32% of Group revenue, respectively). Following certain reorganisations to be carried out within the Group, the pledges will be over shares in CLINEA France and the Group's business in Germany, representing 25% and 16% of consolidated revenue, respectively.

It is further noted that the average interest rate of all new lines granted under the agreement in principle in respect of the €1,729 million tranche will be Euribor +3.9% (except for the optional refinancing facility bearing interest at Euribor +5%).

Part of the proceeds from the disposals will be immediately allocated to the repayment of the short-term tranches of the facility.

The new syndicated loan was the subject of a conciliation protocol approved by the Nanterre Commercial Court on 10 June 2022.

2. Setting up an optional syndicated facility up to a maximum amount of €1.5 billion due December 2026, open in priority to lenders participating in the short- and medium-term financing outlined above, to refinance the unsecured bank facilities (excluding any obligatory financing and *Schuldschein* notes), at a rate of Euribor +5%.
3. Cancelling the dividend payment for 2021.

The following table sets out the key terms and conditions of the above-mentioned syndicated loan agreement:

	A1 Loan	A2/A3 Loans	A4 Loan	B Loan	C1/C2 Loans
Use of proceeds	• General corporate purposes of the Group and costs related to the financing			• Refinance the payments due in respect of the unsecured existing financing with the core banking group excluding any bonds and *Schuldschein* for the second half of 2022 and related costs	• Refinance other existing unsecured financing (excluding any bonds and *Schuldschein*) and related costs
Principal amount *(in millions of euros)*	• €700m	• €600m	• €200m	• €229m	• A maximum of €1,500m
Drawings	• €689m drawn as of 30/06/2022 • €700m drawn as of 27/09/2022	• €198m drawn as of 30/06/2022 • €600m drawn as of 27/09/2022	• Undrawn	• €155m drawn as of 27/09/2022	• C1: €796m drawn as of 27/09/2022
Amortisation profile	• One repayment at maturity	• €100m on 30/06/2024 • €100m on 31/12/2024 • €100m on 30/06/2025 • The remainder on 31/12/2025	• One repayment at maturity	• One repayment at maturity	• One repayment at maturity
Permitted drawdowns	• Maximum of two	• Two (A2 and A3 Loans)	• One only[2]	• Monthly based on existing debt to be refinanced (as the case may be with simultaneous drawings for the C1 loan)	• Based on confirmations of commitment
Final maturity date	• 31/12/2023 or 30/06/2024[1]	• 31/12/2025	• 30/06/2023 or 31/12/2023[3]	• 31/12/2025	• 31/12/2026
Availability period	• From 13/06/2022 to 30/09/2022	• A2 Loan: 1-30/09/2022 • A3 Loan: 13/06/2022 and until 31/12/2022	• 13/06/2022 and until 31/12/2022	• 13/06/2022 and until 31/12/2022	• 13/06/2022 and until 31/12/2022
Annual margin	• 4.00% to increase by 2.00% from 01/01/2024	• 4.00%	• 3.50% to increase by 1.00% from 01/07/2023	• 4.00%	• 5.00%
Security interests and privileges	• A 'Dailly' assignment of intra-Group loans financed by drawing on the Loans • First-ranking pledges on: – 100% of the share capital of CEECSH (the "CEECSH") – 100% of the share capital of ORESC 25 S.à.r.l ("ORESC")				• (i) Security interests equivalent to A Loans for C1 Loan and (ii) Second-ranking pledges for the C2 Loan
Commitments relating to the disposal of operating and real estate assets	• Implement a programme 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 31/12/2023; (ii) increased to €1.5bn by 31/12/2024; and (iii) increased to €2bn by 31/12/2025[4]				
Commitments relating to the early repayment of loans	• 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				

	A1 Loan	A2/A3 Loans	A4 Loan	B Loan	C1/C2 Loans
Other commitment	• From 30/06/2023, a minimum cash level of €300m (tested quarterly) • The Loans do not contain other financial covenants				
Security interests enforcement	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 of 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 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)				
Events of defaults (subject to the usual materiality thresholds and cure periods as the case may be)	• Non-payment 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 June 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 statutory auditors of the ORPEA Group's consolidated financial statements • 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				

(1) *In the event of receiving one or more indicative offers for the sale of operating assets for aggregate net proceeds of €1bn.*
(2) *Drawing conditional on the delivery of a memorandum of understanding relating to the sale of real estate assets for €200m (the "MoU").*
(3) *In the event of signature of an MOU to sell real estate assets for net proceeds of €200m.*
(4) *As of 27 September 2022, €94m of gross asset value disposals have been achieved.*
(5) *Real estate asset disposal commitments do not prevent the Group from becoming a tenant for these assets.*

BOND DEBT

In 2018, the Group completed an inaugural public seven-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 in eight-year OCEANE bonds (bonds convertible to and/or exchangeable for new or existing shares, due in May 2027), with an annual fixed-rate coupon of 0.375%.

On 1 April 2021, ORPEA SA issued public non-convertible seven-year bonds for €500 million.

This is ORPEA's first sustainable (Environmental and Social) public bond issue aimed at financing the development of selective assets.

In 2021, ORPEA SA completed three private bond placements for an amount of €145.5 million, with maturities of 8, 12 and 20 years.

OTHER BORROWINGS AND DEBT

Mortgage debt and lease commitments

The ORPEA Group regularly takes out mortgage loans, generally with a 12-year maturity and a 70% LTV, as well as leases on real estate and equipment.

The balance at 30 June 2022 was €2,014 million.

Schuldscheindarlehen and *Namensschuldverschreibung*

In 2022, the ORPEA Group subscribed to €50 million worth of *Schuldscheindarlehen* and *Namensschuldverschreibung* notes.

The balance at 30 June 2022 was €1,858 million.

SHORT-TERM DEBT SECURITIES

At 30 June 2022, no amounts were outstanding under the commercial paper (NEU CP) programme.

CASH AND CASH EQUIVALENTS

"Cash and cash equivalents" consist of cash in hand and at bank and short-term investments that are highly liquid, readily convertible to known amounts of cash and subject to an insignificant 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 three months and debt securities traded on official markets that are subject to an insignificant risk of a fall in value, which are measured at fair value, with any changes recognised in profit or loss.

At 30 June 2022, ORPEA's cash and cash equivalents consisted of €7,050 thousand in non-speculative short-term investments such as term deposits with first-rate financial institutions and €1,126,411 thousand in bank credit balances.

4.12 FINANCIAL INSTRUMENTS

The Group uses various financial instruments to hedge its exposure to interest rate and currency risk. They are over-the-counter instruments arranged with blue chip counterparties.

Interest rate derivatives are recognised under "Other current assets and liabilities" and "Other non-current liabilities", depending on their maturity, and measured at fair value at the transaction date (see Note 4.12.1 "Interest rate risk management strategy").

Currency derivatives are recognised under "Other current assets and liabilities" and measured at fair value at the transaction date (see Note 4.12.2 "Currency risk").

4.12.1 INTEREST RATE RISK

Interest rate risk management strategy

Most of the Group's debt consists of domestic debt carrying floating rates of interest, and is therefore exposed to the risk of an increase in short-term rates in the eurozone.

The Group's strategy is to hedge a very large proportion of its consolidated net debt against the risk of fluctuations in floating interest rates. To do so, it uses financial instruments to hedge its floating-rate debt. These include:

- interest rate swaps under which it receives mainly the three-month Euribor 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 gains and losses arising from the remeasurement of these derivatives at market value are recognised in equity at the end of the reporting period, except for the time value at the inception of options, which is amortised in profit and loss over the effective lives of the instruments, in accordance with the "cost of hedging" approach under IFRS 9.

The use of these hedges to curb interest rate risk exposes the Group to counterparty risk. Counterparty risk is the risk of having to replace a hedge at going market rates should a counterparty default. The Group's analysis did not identify any material impact arising from this risk.

Interest rate derivatives

At 30 June 2022, the derivatives portfolio included fixed-for-floating interest rate swaps (mainly three-month Euribor) and interest rate options (caps). These derivatives have either a constant or decreasing nominal profile.

At 30 June 2022, the maturity profile of the interest rate derivatives was as follows:

	Maturity profile				
	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027
Average notional amount *(in millions of euros)*	2,470	2,096	2,282	1,152	72
Interest rate	0.7%	1.0%	1.3%	1.4%	2.2%

	30 June 2022	Less than 1 year	2 years	3 years	4 years	5 years	More than 5 years
Assets	37,616	(3,170)	17,140	12,924	7,010	853	2,859
Liabilities	5,434	(574)	2,527	1,904	1,033	126	418
INTEREST RATE DERIVATIVES	**32,182**	**(2,596)**	**14,613**	**11,020**	**5,977**	**727**	**2,441**

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

	Maturity profile				
	2022	2023	2024	2025	2026
Average notional amount *(in millions of euros)*	3,537	3,521	3,524	2,642	360
Interest rate	0.6%	0.7%	0.9%	1.1%	1.5%

	31 Dec. 2021	2022	2023	2024	2025	2026	More than 5 years
Current liabilities	37,283	37,283					
Non-current liabilities	81,328		25,829	28,152	22,047	4,130	1,170
INTEREST RATE DERIVATIVES	**118,611**	**37,283**	**25,829**	**28,152**	**22,047**	**4,130**	**1,170**

Accumulated changes in the fair value of these hedging derivatives, representing a negative amount of €133.2 million at 30 June 2022, were recognised under interest rate hedging reserves in equity in a negative amount of €134.8 million, and through financial expense for €1.6 million.

Analysis of sensitivity to fluctuations in interest rates

Analyses are performed based on the assumption of a 1% increase in the three-month Euribor yield curve and a 0.10% decrease. A 1% increase is a reasonable assumption given the ECB's recent rate hikes. A significant rate cut is unlikely in the current context.

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

Including hedges, the impact on expenses over the period would be as follows:

- a 1% (100 basis point) rise in the yield curve would increase the Group's financial expense by €10.0 million (before tax and capitalisation of financial expenses);
- a 0.1% (10 basis point) decrease would increase the Group's financial expense by €1.4 million.

At 30 June 2022, net debt amounted to €8,343 million, with approximately 43% arranged at fixed rates and the remainder at floating rates and partially hedged by derivatives.

Movements in the future cash flow hedging reserve

(in thousands of euros)	**First-half 2022**
Revaluation reserve at beginning of period	(100,525)
Revaluation reserve at beginning of period on discounted CAP premiums	(12,756)
New instruments	
Impact on net profit	5,660
Change in equity	139,803
REVALUATION RESERVE AT END OF THE PERIOD	**32,182**
of which assets	37,616
of which liabilities	(5,434)

4.12.2 CURRENCY RISK

The Group uses forward currency purchases and sales to hedge its future transactions in foreign currencies. To this end, forward currency agreements have been entered into with blue chip 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:

	Notional amount *(in thousands of currency)*	**Market value at 30 June 2022** *(in thousands of euros)*
Currency forwards (CHF)	(54,950)	52,733
Currency forwards (CZK)	(376,371)	14,651
Currency forwards (PLN)	(58,290)	12,457
Currency forwards (AED)	(11,100)	2,720
Currency forwards (RUB)	(7,000)	77
Currency forwards (SGD)	(710)	486
Currency forwards (HRK)	(41,650)	5,525
Currency forwards (GBP)	1,500	(1,742)
TOTAL		**86,907**

All these currency hedging instruments mature in the third quarter of 2022.

4.12.3 VALUE OF NON-DERIVATIVE FINANCIAL INSTRUMENTS

(in thousands of euros)	**30 June 2022**	**31 Dec. 2021**
Investments in subsidiaries	2,041	2,754
Other non-current financial assets	37,944	45,734
Deposits and guarantees	51,928	46,215
Cash equivalents	7,050	11,586
NON-DERIVATIVE FINANCIAL INSTRUMENTS	**98,963**	**106,289**

4.13 LEASE COMMITMENTS

To determine the incremental debt rate used when discounting flows, the Group has adopted a rate based on its incremental borrowing rate, the remaining term of leases and the impact of geographical areas to reflect the risks specific to each country. For Europe, for example, the discount rates used are between 5.49% and 7.24%.

The lease term corresponds to the non-cancellable period, plus (or minus) the periods covered by a renewal (or termination) option when the Group is reasonably certain that it will exercise such an option. Enforceable periods vary widely from one geographical area to another, depending on typical legal terms (for example, nine-year commercial leases in France with a termination option at the end of each three-year period, or emphyteutic leases in Belgium). The Group exercises its judgement to determine the term of a lease and the likelihood of exercising the options. Enforceable terms are reviewed annually in line with the Group's strategic intentions. The average duration of property leases is 9.8 years.

The breakdown by maturity of lease commitments is as follows:

	30 June 2022	Less than 1 year	1 to 5 years	More than 5 years
Lease commitments under IFRS 16	3,557,174	325,358	1,144,107	2,087,709
TOTAL	**3,557,174**	**325,358**	**1,144,107**	**2,087,709**

Changes in lease commitments break down as follows:

	Lease commitments
At 31 December 2021	**3,265,196**
Discount	46,726
New agreements	390,558
Repayments	(202,945)
Decreases	(28,317)
Reclassifications and other	62,817
Changes in scope	23,139
AT 30 JUNE 2022	**3,557,174**

4.14 OTHER PAYABLES, ACCRUALS AND PREPAYMENTS

	30 June 2022	31 Dec. 2021
Development-related liabilities	194,359	220,156
Security deposits	61,673	62,656
Commitments to carry out work on buildings sold	3	252
Customer accounts in credit	82,409	93,489
Other prepaid income	71,421	68,124
Interest rate derivatives	5,434	37,283
Currency derivatives	3,110	6,577
Advances and downpayments received on orders in progress	32,153	1,866
Current accounts (associates and related parties)	21,254	13,125
Miscellaneous	122,768	129,767
TOTAL	**594,585**	**633,297**

Development-related liabilities mainly comprise the deferred payment on exercising the put on non-controlling interests in Dagelijks Leven (€25.4 million) and the earn-outs from shares in Axion (€27.7 million) and SIS Brasil (€26.4 million).

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

4.15 REVENUE

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

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

In the first half of 2022, revenue amounted to €2,295 million, up 10.9% compared with first-half 2021, an increase of €225 million.

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

4.15.1 ORGANIC GROWTH

Organic revenue growth for the first half of the year was 6.4%.

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 period or year-earlier period, and the change in revenue of recently acquired facilities in comparison with the previous equivalent period.

4.15.2 ACQUISITIONS

This includes acquisitions of facilities in operation or under development (directly or indirectly through companies).

4.16 SEGMENT INFORMATION

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 area, 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 and Latin America: Spain, Portugal, Brazil, Uruguay, Chile, Mexico and Columbia;
- Rest of the World: China.

	30 June 2022	30 June 2021
REVENUE		
France Benelux	1,391,114	1,277,764
Central Europe	577,331	516,370
Eastern Europe	210,025	192,804
Iberian Peninsula and Latin America	114,194	81,141
Rest of the World	1,891	1,460
TOTAL	**2,294,554**	**2,069,538**
RECURRING OPERATING PROFIT BEFORE RENTS AND BEFORE DEPRECIATION, AMORTISATION AND CHARGES TO PROVISIONS		
France Benelux	251,800	332,785
Central Europe	133,463	137,271
Eastern Europe	30,101	29,239
Iberian Peninsula and Latin America	11,978	16,070
Rest of the World	(616)	(472)
TOTAL	**426,726**	**514,892**
ASSETS		
France Benelux	15,090,810	13,471,934
Excluding France Benelux	4,689,053	4,274,267
TOTAL	**19,779,863**	**17,746,201**
LIABILITIES EXCLUDING EQUITY		
France Benelux	11,948,854	10,460,234
Excluding France Benelux	4,129,147	3,721,061
TOTAL	**16,078,001**	**14,181,295**

4.17 RECURRING OPERATING PROFIT

Recurring operating profit breaks down as follows:

(in thousands of euros)	30 June 2022	30 June 2021
Revenue	2,294,554	2,069,538
Purchases used and other external costs before rental expenses	(498,935)	(373,827)
Personnel expenses	(1,310,288)	(1,181,211)
Taxes other than on income	(99,051)	(79,745)
Other non-recurring operating income and expense	40,446	80,137
Recurring operating profit before rents and before depreciation, amortisation and charges to provisions	**426,726**	**514,892**
Rental expenses	(11,813)	(15,513)
Depreciation, amortisation and charges to provisions	(333,150)	(268,727)
RECURRING OPERATING PROFIT	**81,763**	**230,652**

Depreciation, amortisation and changes to provisions include the revised amount of the IGAS-IGF provision (addition of €17.6 million during the period) (see Note 4.10).

4.18 OTHER NON-RECURRING OPERATING INCOME AND EXPENSE

Other non-recurring operating income and expense comprises:

- gains or losses on the Group's real-estate transactions: development costs and any impairment;
- the Group's development expenses and redevelopment costs for recently acquired facilities;
- income and expenses related to business combinations: transaction costs, negative goodwill;
- impairment of intangible assets and goodwill.

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

(in thousands of euros)	30 June 2022	30 June 2021
Proceeds from real estate transactions	730	0
Costs of real estate transactions	(5,718)	0
Reversals of provisions	474	3,032
Charges to provisions	(199,784)	(18,195)
Other income, of which sales of premises	4,751	71,643
Other expenses, of which sales of premises	(51,867)	(44,850)
OTHER NON-RECURRING OPERATING INCOME AND EXPENSE	**(251,414)**	**11,629**

In 2022, other non-recurring operating income and expense mainly comprised:

- €128 million in provisions for impairment of cash-generating units (including €79 million for goodwill and €49 million for operating assets);
- €58 million in impairment of receivables, within charges to provisions;
- €20 million in crisis management expenses, within other expenses.

4.19 FINANCIAL INCOME AND EXPENSE

	30 June 2022	30 June 2021
Interest on bank debt and other financial liabilities	(62,494)	(56,754)
Interest on items held under finance leases	(6,492)	(6,866)
Net income/(losses) on interest rate derivatives	15,779	(16,102)
Financial expenses on lease commitments	(46,722)	(39,238)
Interest income	43	226
Capitalised financial expenses*	3,783	9,574
NET FINANCIAL INCOME/(EXPENSE)	**(96,103)**	**(109,160)**

* *Calculated at a rate of 3.20% at 30 June 2022, as in 2021.*

4.20 INCOME TAX EXPENSE

(in thousands of euros)	30 June 2022	30 June 2021
Current income tax	(28,473)	(27,021)
Deferred taxes	22,841	(3,873)
TOTAL	**(5,632)**	**(30,893)**

Pursuant to IAS 12, the income tax expense includes the CVAE (*cotisation sur la valeur ajoutée des entreprises*) value-added levy of €7,547 thousand.

The CFE (*cotisation foncière des entreprises*) levy is recognised as a recurring operating expense in taxes other than on income.

5. Additional information

5.1 COMMITMENTS AND CONTINGENT LIABILITIES

5.1.1 OFF-BALANCE SHEET COMMITMENTS

Risks related to debt

Pledges, mortgages, security deposits and other collateral granted in connection with the Group's financing account for most of the Group's debt-related commitments.

(in thousands of euros)	30 June 2022
Real estate mortgages	1,039,348
Pledged shares*	893,826
Other pledges	73,660
Sureties	743,255
Other guarantees	203,434
Comfort letters	457,053
TOTAL	**3,410,576**

* *Drawdown in June 2022.*

The main commitments given and received by the ORPEA Group as part of a conciliation protocol signed with its main banking partners in June 2022 are as follows:

- Provision of loans by banking partners

  In particular, the Lenders have undertaken to finance the Group's cash flow requirements by making the A1 Loan, A2/A3 Loan, A4 Loan and B Loan available in the form of a syndicated loan (together, the "**Loans**").
- ORPEA's main commitments

  In particular, ORPEA has entered into the following main commitments, which are detailed in Note 4.11:
  - commitments relating to the disposal of operating assets and real estate assets;
  - commitments to use certain net sales proceeds and subscriptions to repay the Loans;
  - commitments to provide collateral to secure Loan repayment obligations.

As a guarantee for the *pari passu* repayment of the amounts due under the Loans, ORPEA granted the following security interests as from the first drawdown of one of the Loans:

- a *Dailly* assignment of intra-Group loans financed by drawing on the Loans;
- first-ranking pledges on:
  - 100% of the share capital of CEECSH (the "CEECSH Pledge"), and
  - 100% of the share capital of ORESC 25 S.à.r.l ("ORESC Pledge"), to which the Company will contribute, at the latest on the date of the second drawdown under the Loans (i.e., excluding the first drawdown of a maximum amount of €250,000,000 under the A1 Loan), 100% of the shares of its subsidiary CLINEA (the "ORESC Pledge", and together with the CEECSH Pledge, the "Pledges") (the assets pledged representing 25% and 32% of the Group's revenue respectively). Following certain reorganisations to be carried out within the Group, the pledges will be over shares in CLINEA France and the Group's business in Germany, representing 25% and 16% of consolidated revenue, respectively.

Commitments relating to the Group's operating activities

France

The main commitments relating to the Group's operating activities are linked to commitments given and received as part of business combinations.

The following respective commitment has been given concerning the potential acquisition of a 100% interest in 50.01%-held Immobiliere de Santé (France):

- agreement to buy given by ORPEA SA (i.e., put option for the partner) and exercisable between 1 July 2022 and 30 June 2023 (inclusive).

The following respective commitment has been given concerning the potential acquisition of a 100% interest in 50%-held AP6 (France):

- call option for SARL 97 (ORPEA) (i.e., agreement to sell given by the partner), exercisable between 1 January and 30 June 2024.

With regard the 55% stake in Clinique des Portes de l'Eure (France) and the receivables held by the partner at the reporting date, the following commitments have been given concerning the potential acquisition of a 100% interest:

- agreement to buy given by Groupe Sinoué (ORPEA) with the option of substitution in favour of any third party (i.e., put option for the partner) and exercisable at any time until 31 March 2030;
- call option for Groupe Sinoué (ORPEA) with the possibility of substitution in favour of any third party (i.e., agreement to sell given by the partner), exercisable between 1 April and 30 September 2030.

With regard to the 51% stake in ORESC 7 (France) and the associated shareholder current account at the reporting date, the following commitments have been given concerning the potential acquisition of a 100% interest:

- agreement to buy given by ORPEA Real Estate Luxembourg (i.e., put option for the partner), which may be exercised at any time by the partner until 25 November 2035, in the event of a serious breach by ORPEA Real Estate Luxembourg of one of its obligations (in particular, in respect of a call for funds);
- call option for ORPEA Real Estate Luxembourg (i.e., agreement to sell given by the partner), exercisable at any time until 25 November 2035, in the event of a serious breach by the partner of one of its obligations (in particular, in respect of a call for funds).

With regard to the 89.9% stake in ORESC 8 (France) and the associated shareholder current account at the reporting date, the following commitments have been given concerning the potential acquisition of a 100% interest:

- agreement to buy given by ORPEA Real Estate Luxembourg (i.e., put option for the partner), which may be exercised at any time by the partner until 25 November 2035, in the event of a serious breach by ORPEA Real Estate Luxembourg of one of its obligations (in particular, in respect of a call for funds);
- call option for ORPEA Real Estate Luxembourg (i.e., agreement to sell given by the partner), exercisable at any time until 25 November 2035, in the event of a serious breach by the partner of one of its obligations (in particular, in respect of a call for funds).

With regard to the 51% stake in ORESC 12 (France) and the associated shareholder current account at the reporting date, the following commitments have been given concerning the potential acquisition of a 100% interest:

- agreement to buy given by ORPEA Real Estate Luxembourg (i.e., put option for the partner), which may be exercised at any time by the partner until 25 November 2035, in the event of a serious breach by ORPEA Real Estate Luxembourg of one of its obligations (in particular, in respect of a call for funds);
- call option for ORPEA Real Estate Luxembourg (i.e., agreement to sell given by the partner), exercisable at any time until 25 November 2035, in the event of a serious breach by the partner of one of its obligations (in particular, in respect of a call for funds).

With regard, at the option of the parties, to (i) the 100% stake in SCI des Boucles de la Moselle (France) or (ii) the real estate lease or (iii) the SCI-owned building, the following commitments have been given concerning the potential acquisition of a 100% interest:

- agreement to buy given by ORPEA SA (i.e., put option for the partner) and exercisable until 16 July 2035;
- call option for ORPEA SA (i.e., agreement to sell given by the partner), exercisable between 17 July 2035 and 16 July 2038.

With regard, at the option of the parties, to (i) the 100% stake in SCI d'Yvetot (France) or (ii) the real estate lease or (iii) the SCI-owned building, the following undertakings have been given concerning the potential acquisition of a 100% interest:

- agreement to buy given by ORPEA SA (i.e., put option for the partner) and exercisable until 16 July 2035;
- call option for ORPEA SA (i.e., agreement to sell given by the partner), exercisable between 17 July 2035 and 16 July 2038.

With regard, at the option of the parties, to (i) the 100% stake in SCI Clinique du Campus (France) or (ii) the real estate lease or (iii) the SCI-owned building, the following undertakings have been given concerning the potential acquisition of a 100% interest:

- agreement to buy given by ORPEA SA (i.e., put option for the partner) and exercisable until 16 July 2035;
- call option for ORPEA SA (i.e., agreement to sell given by the partner), exercisable between 17 July 2035 and 16 July 2038.

With regard, at the option of the parties, to (i) the 100% stake in SCI de Châtillon (France) or (ii) the real estate lease or (iii) the SCI-owned building, the following undertakings have been given concerning the potential acquisition of a 100% interest:

- agreement to buy given by ORPEA SA (i.e., put option for the partner) and exercisable until 16 July 2035;
- call option for ORPEA SA (i.e., agreement to sell given by the partner), exercisable between 17 July 2035 and 16 July 2038.

With regard, at the option of the parties, to (i) the 100% stake in SAS du Champ de Gretz (France) or (ii) the real estate lease or (iii) the SCI-owned building, the following undertakings have been given concerning the potential acquisition of a 100% interest:

- agreement to buy given by ORPEA SA (i.e., put option for the partner) and exercisable until 16 July 2035;
- call option for ORPEA SA (i.e., agreement to sell given by the partner), exercisable between 17 July 2035 and 16 July 2038.

With regard, at the option of the parties, to (i) the 100% stake in SCI du Virval (France) or (ii) the real estate lease or (iii) the SCI-owned building held, the following undertakings have been given concerning the potential acquisition of a 100% interest:

- agreement to buy given by ORPEA SA (i.e., put option for the partner) and exercisable until 16 July 2035;
- call option for ORPEA SA (i.e., agreement to sell given by the partner), exercisable between 17 July 2035 and 16 July 2038.

With regard, at the option of the parties, to (i) the 100% stake in SCI de l'Épinoy (France) or (ii) the real estate lease contract or (iii) the SCI-owned building, the following undertakings have been given concerning the potential acquisition of a 100% interest:

- agreement to buy given by ORPEA SA (i.e., put option for the partner) and exercisable until 16 July 2035;
- call option for ORPEA SA (i.e., agreement to sell given by the partner), exercisable between 17 July 2035 and 16 July 2038.

With regard, at the option of the parties, to (i) the 100% stake in SCI Les Oyats (France) or (ii) the real estate lease or (iii) the SCI-owned building, the following undertakings have been given concerning the potential acquisition of a 100% interest:

- agreement to buy given by ORPEA SA (i.e., put option for the partner) and exercisable until 16 July 2035;
- call option for ORPEA SA (i.e., agreement to sell given by the partner), exercisable between 17 July 2035 and 16 July 2038.

International

The main commitments relating to the Group's operating activities are linked to commitments given and received as part of business combinations.

Commitments relating to companies accounted for using the equity method

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

- call option for ORPEA (i.e., agreement to sell given by the partner), exercisable between 1 January 2024 and 31 July 2024;
- agreement to buy given by ORPEA (i.e., put option for the partner) and exercisable until 31 July 2024.

The following respective commitments have been given concerning the potential acquisition of a 100% interest in 49%-held SIS Exploit Mexico (Mexico):

- call option for ORPEA (i.e., agreement to sell given by the partner), exercisable between 1 January 2022 and the second anniversary of the delivery of the building of the fifth facility (as well as at any time in the event that the partner ceases to be a manager);
- agreement to buy given by ORPEA (i.e., put option for the partner) and exercisable between 1 January 2022 and the second anniversary of the delivery of the building of the fifth facility.

The following respective commitments have been given concerning the potential acquisition of a 100% interest in 49%-held ORPEA Colombia Exploit (Colombia):

- call option for ORPEA (i.e., agreement to sell given by the partner), exercisable between 1 January 2022 and the second anniversary of the delivery of the building of the fifth facility (as well as at any time in the event that the partner ceases to be a manager);
- agreement to buy given by ORPEA (i.e., put option for the partner) and exercisable between 1 January 2022 and the second anniversary of the delivery of the building of the fifth facility.

With regard to the 49% stake in Thuismakers Holding (Netherlands), ORPEA has a call option in respect of each of the two co-shareholders for the remaining 51% of the share capital, exercisable for a period of 90 days after the co-shareholders no longer hold shares in Allerzorg Beheer B.V. and September Holding B.V.

With regard to the 49% stake in Gevea Seniors SA (Switzerland), ORPEA has a call option in respect of its partner for the remaining 51% of the share capital, exercisable from 1 January 2025 to 31 January 2025.

Commitments related to controlled companies

With regard to the 80% stake in Senecura s.r.o. (Czech Republic), the following respective commitments have been given concerning the potential acquisition of a 100% interest:

- call option for ORPEA (i.e., agreement to sell given by the partner), exercisable between 1 January 2028 and 31 March 2028;
- agreement to buy given by ORPEA (i.e., put option for the partner) and exercisable between 1 April 2028 and 30 June 2028.

The following respective commitments have been given concerning the potential acquisition of a 100% interest in 75%-held ORPEA Premium Holding GmbH (Germany – ORPEA Deutschland):

- agreement to buy given by ORPEA (i.e., put option for the partner) and exercisable between 1 January 2024 and 31 December 2025;
- call option for ORPEA (i.e., agreement to sell given by the partner), exercisable at any time from 1 January 2026 (or in the event of a bad leaver until 1 January 2026).

With regard to the 97.9% stake in September Holding (Netherlands), ORPEA has a call option in respect of each of the two co-shareholders for the remaining 2.1% of the share capital, which can be exercised in certain well-defined circumstances (good/bad leaver, change of control/insolvency of the co-shareholders, event relating to the company's reputation).

With regard to the 99.7% stake in Allerzorg Beheer (Netherlands), ORPEA has a call option in respect of the co-shareholder for the remaining 0.3% of the share capital, exercisable in certain well-defined circumstances (good/bad leaver, change of control/insolvency of the co-shareholder, event relating to the company's reputation).

The following respective commitments have been given concerning the potential acquisition of a 100% interest in 89.09%-held ORPEA Rus (Russia):

- agreement to buy given by ORPEA (i.e., NCI put option) and exercisable between 27 December 2025 and 27 December 2029 (and at any time in the cases listed in Article 3.1.2 of the Deed of Covenant [in particular, if no project has been approved within 18 months of the initial investment]);
- call option for ORPEA (i.e., NCI agreement to sell), exercisable between 27 December 2025 and 27 December 2028 (and at any time in the cases listed in Article 4.1.2 of the Deed of Covenant [particularly if no project has been approved within 18 months of the initial investment]).

Commitments received

In addition to the above-listed call options for the ORPEA Group which represent commitments received, the Group also holds options to buy real-estate assets currently leased in Belgium.

5.1.2 CONTINGENT LIABILITIES

Overall, Executive 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.

As explained in Note 2.2 "Subsequent events", ORPEA has taken note of the announcement by the government of its decision to transmit to the public prosecutor the report of the investigation carried out by the IGAS and the IGF in February and March 2022. Since April 2022, lawyers claiming to represent the families of residents and patients in the Group's facilities have announced that they have filed several criminal complaints alleging various personal injury offences. Other civil or criminal proceedings, either related or unrelated to the allegations of wrongdoing, could result in civil or criminal liability of the Group, its managers and/or current or former employees. With the exception of the risks that are the subject of a provision described in Note 3.11 "Provisions", the Group considers at this stage that these proceedings are not likely to have a material adverse effect on its financial position or profitability. However, since the outcome of any proceedings is inherently unpredictable, proceedings in progress could represent contingent liabilities.

In April 2022, the Group filed a complaint with the public prosecutor against unnamed persons for past events and operations – totally unrelated to the living and care conditions of residents – that could adversely affect ORPEA's corporate interests and which were discovered following internal investigations. The Company has not currently identified any material adverse impact on its cash flow or real estate assets resulting from the reported fraudulent activities. Nevertheless, the proceedings that may be initiated in this respect, which are inherently unpredictable, could represent contingent liabilities.

5.2 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES IN ACCORDANCE WITH IFRS 7

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

			Carrying amount		Fair value	
(in thousands of euros)	**Classification**	**Level***	**30 June 2022**	**31 Dec. 2021**	**30 June 2022**	**31 Dec. 2021**
Held-to-maturity financial assets			**0**	**0**	**0**	**0**
Bonds and negotiable debt securities	Cash and cash equivalents					
Loans and receivables			**1,573,589**	**1,533,603**	**1,573,589**	**1,533,603**
Short-term loans	Short-term loan					
Long-term loans	Non-current financial assets	2	37,944	45,734	37,944	45,734
Receivables related to asset disposals	Receivables related to asset disposals in the short term		21,556	20,723	21,556	20,723
Deposits and guarantees	Non-current financial assets	2	51,928	46,215	51,928	46,215
Other receivables	Other receivables	2	1,016,074	989,301	1,016,074	989,301
Trade receivables	Trade receivables	2	446,087	431,630	446,087	431,630
Available-for-sale financial assets			**0**	**0**	**0**	**0**
Other						
Financial assets at fair value			**1,170,349**	**957,698**	**1,170,349**	**957,698**
Interest rate derivatives		2	36,888	5,330	36,888	5,330
Currency derivatives		2			0	0
Money market (SICAV) and mutual funds	Cash and cash equivalents	1	7,050	11,586	7,050	11,586
Cash at bank and at hand	Cash and cash equivalents	1	1,126,411	940,782	1,126,411	940,782
Financial assets			**2,743,938**	**2,491,301**	**2,743,938**	**2,491,301**

* *Level 1: financial assets and liabilities quoted on an active market, where fair value is the listed price.*
Level 2: financial assets and liabilities not quoted on an active market, for which fair value is measured using directly observable market inputs.
Level 3: financial assets and liabilities not quoted in an active market, for which fair value is measured using inputs not based on observable market data.

			Carrying amount		Fair value	
(in thousands of euros)	**Classification**	**Level***	**30 June 2022**	**31 Dec. 2021**	**30 June 2022**	**31 Dec. 2021**
Financial liabilities at fair value			**7,816**	**125,188**	**7,816**	**125,188**
Currency derivatives	Other payables		3,110	6,577	3,110	6,577
Interest rate derivatives	Other payables	2	4,706	118,611	4,706	118,611
Change in the fair value of the equity component of ORNANE bonds		2	0	0	0	0
Other bonds	Other payables					
Financial liabilities at amortised cost			**10,433,742**	**9,786,533**	**10,432,201**	**9,790,594**
Bonds convertible into, exchangeable for or redeemable in shares Non-current and current debt		1	2,112,041	2,106,439	2,110,500	2,110,500
Bank borrowings	Non-current and current debt	2	6,537,582	5,880,787	6,537,582	5,880,787
Finance lease obligations	Non-current and current debt	2	826,510	875,073	826,510	875,073
Other payables	Current liabilities	2	586,041	589,437	586,041	589,437
Trade payables	Trade payables	2	371,568	334,797	371,568	334,797
Financial liabilities			**10,441,558**	**9,911,721**	**10,440,017**	**9,915,782**

* *Level 1: financial assets and liabilities quoted on an active market, where fair value is the listed price.*
Level 2: financial assets and liabilities not quoted on an active market, for which fair value is measured using directly observable market inputs.
Level 3: financial assets and liabilities not quoted in an active market, for which fair value is measured using inputs not based on observable market data.

5.3 RELATED-PARTY TRANSACTIONS

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

At 30 June 2022, the main exposures to related parties are as follows:

- Partners in real estate development projects:
  - advances granted by the ORPEA Group to its associates and joint ventures, in the amount of €477.6 million at 30 June 2022 (see Note 4.5);
  - advances granted by the ORPEA Group to other companies, in the amount of €219.6 million (see Note 4.7 "Other receivables, accruals and prepayments").

A significant proportion of the receivables relate to a single partner. The ORPEA Group has initiated negotiations with the partner with a view to terminating the partnerships and recovering the real estate assets in return for the receivables. To date, and without attempting to predict the outcome of the negotiations in the second half of the year, the Group does not anticipate significant future losses on the receivables given the value of the underlying real estate.

- Advances received by the ORPEA Group from its associates and joint ventures and from related parties amounted to €21 million at 30 June 2022.
- The ORPEA Group leases certain operating properties from related parties within the meaning of IAS 24 – *Related Party Disclosures*. The amount of lease payments recognised as expenses for the period was €5.6 million before the application of IFRS 16.

5.4 SCOPE OF CONSOLIDATION AT 30 JUNE 2022

The main operating companies and holding companies involved in ORPEA Group activities and management of its property portfolio are:

			Percentage control	Percentage ownership	Consolidation method
SA ORPEA	France	Nursing home holding and operating company	100%	100%	Parent
SAS Clinea	France	Hospital holding and operating company	100%	100%	Full
SARL Niort 94	France	Real estate company	100%	100%	Full
Domidom – Adhap	France	Domidom operating company	100%	100%	Full
SA ORPEA Belgium	Belgium	Holding company	100%	100%	Full
Orpimmo	Belgium	Real estate company	100%	100%	Full
ORPEA Italia SRL	Italy	Holding company	100%	100%	Full
LTC Invest	Italy	Holding company	100%	100%	Full
ORPEA Iberica	Spain	Holding and operating company	100%	100%	Full
ORPEA Suisse	Switzerland	Holding company	100%	100%	Full
ORPEA Deutschland	Germany	Holding company	100%	100%	Full
ORPEA Netherland	Netherlands	Holding company	100%	100%	Full
ORPEA UK	United Kingdom	Holding company	100%	100%	Full
Celenus	Germany	Operating company	100%	100%	Full
Senecura	Austria	Operating company	100%	100%	Full
ORPEA Polska	Poland	Holding company	100%	100%	Full
CEECSH	Luxembourg	Holding company	100%	100%	Full
GCSE	Luxembourg	Holding company	100%	100%	Full
ORPEA Latam	Brazil – Uruguay	Holding company	100%	100%	Full
Niorpea	Portugal	Holding company	100%	100%	Full
ORPEA Care Ireland	Ireland	Holding company	100%	100%	Full
Senior Baltic	Latvia	Operating company	100%	100%	Full

4. Statutory Auditors' review report on the half-year financial information

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Six-month period ended 30 June 2022

To the shareholders of ORPEA,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying half-year condensed consolidated financial statements of ORPEA for the six months ended 30 June 2022;
- the verification of the information contained in the half-year business report.

These half-year condensed consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France. A review of half-year financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-year condensed consolidated financial statements have not been prepared in all material respects, in accordance with IAS 34 – *Interim Financial Reporting*, as adopted by the European Union.

Without qualifying our conclusion, we draw your attention to Note 1.2 to the half-year condensed consolidated financial statements "Significant estimates and judgements made by management for the preparation of the half-year consolidated financial statements at 30 June 2022", which describes the context in which the half-year financial statements were prepared by management.

SPECIFIC VERIFICATION

We have also verified the information given in the half-year business report on the half-year condensed consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and its consistency with the half-year condensed consolidated financial statements.

Paris, Courbevoie and Paris-La Défense, 28 September 2022

The Statutory Auditors

Mazars	Saint-Honoré BK&A	Deloitte & Associés
Gaël Lamant	Xavier Groslin	Damien Leurent

5. Statement by the person responsible for the half-year financial report

I hereby declare that, to the best of my knowledge, the half-year condensed consolidated financial statements for the six-month period ended 30 June 2022 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 half-year business report on pages 2 *et seq.* 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 and the main related-party transactions, and also describes the main risks and uncertainties for the remaining six months of the financial year.

Puteaux, 30 September 2022

Laurent Guillot
Chief Executive Officer

French joint-stock company (*société anonyme*) with share capital of €80,867,313.75
Registered with the Nanterre Trade and Companies Registry under no. 401 251 566/APE 853 D

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