life goes on with us

INTERIM FINANCIAL REPORT
Period from 1 January 2016 to 30 June 2016

This financial report has been prepared in accordance with Article L. 451-1-2 of the French Monetary and Financial Code and Article L. 222-4 of the AMF General Regulation.

It will be distributed in accordance with applicable procedures. It is available on the Company's website: www.orpea-corp.com.

CONTENTS

1 - INTERIM BUSINESS REPORT page 2

1.1 – Expansion and network

1.2 – Strong revenue growth

1.3 – Solid margins in first-half 2016

1.4 - Financial structure, consolidated debt and property portfolio

1.5 – Cash flows

1.6 - Short and medium-term outlook

2 - FINANCIAL STATEMENTS page 11

Income statement

Balance sheet

Statement of cash flows

Statement of changes in equity

Notes

3 - STATEMENT BY THE PERSON RESPONSIBLE FOR THE INTERIM REPORT page 47

4 - STATUTORY AUDITORS' REPORT page 48

1. INTERIM BUSINESS REPORT

1.1 EXPANSION AND NETWORK

After two years of intensive developments outside France and setting up operations in new countries, Orpea continued its international expansion strategy in the first half of 2016 with two acquisitions. The Group strengthened its footprint in the south of Germany with Vitalis. Orpea also started operations in a new country with very high potential: Poland, with the acquisition of MEDI-System, the leading private dependency care operator.
At the same time, the Group continued to roll-out its facility creation and selective acquisition projects in the 10 countries in which it is located.
Lastly, during the half-year Orpea opened its first facility in China, in Nankin, with 140 beds.

Acquisition of Vitalis in Germany

Signed in September 2015, Orpea consolidated the acquisition of Vitalis in Germany from 1 January 2016. Vitalis is a regional group, mainly based in the south of Germany, with 2,487 beds spread across 25 facilities (including 295 beds under construction). This network has attractive features: facilities with 100 beds on average, 78% private rooms and 80% buildings that are less than five years old.

Furthermore, Vitalis provides an excellent extension the geographic footprint of the German network and enables Orpea to strengthen its operations across the south of Germany (Bavaria), as well as in the south-east (Saxony), where the Group's presence was limited. Lastly, this Group has high margin growth potential: synergies, optimisation of operations backed by the roll-out of Orpea processes, ramp-up of newly opened sites, etc.

In 2015, Vitalis posted revenue of €58 million. The acquisition was funded entirely by the Group's cash.

Acquisition of MEDI-System in Poland

On 1 January 2016, Orpea acquired MEDI-System, Poland's No. 1 private dependency care operator with 7 facilities (704 beds).

Founded in 2001, MEDI-System has developed a unique network of modern care facilities in Poland, with an offering covering a variety of areas of dependency care, including nursing homes and post-acute care and rehabilitation clinics.

MEDI-System corresponds fully to Orpea’s acquisition criteria:
- facilities that are large (average of 100 beds) and modern (80% of buildings are less than 10 years old);
- urban locations, with 6 out of 7 facilities located in the Warsaw region;
- an excellent reputation for quality and innovation;
- a real estate policy based on ownership, corresponding to Orpea’s ambitions. Six out of seven buildings are fully owned.

In 2015, MEDI-System generated revenue of around €10 million.

Thanks to this new platform in a country offering rapid economic growth, Orpea will be able to roll out its model in Poland to meet fast-growing demand.

Network of 70,972 beds/715 facilities

At End-June 2016, the Orpea network totalled 70,972 beds, in 715 facilities.

	Number of facilities	Number of beds	% No. of beds		of which operational beds excluding beds under redevelopment	of which beds under redevelopment	of which beds under construction
France	352	32,688	46.1%		29,695	1,140	1,853
Belgium	61	7,387	10.4%		5,538	322	1,527
Spain	25	4,034	5.7%		4,034	0	0
Italy	16	1,728	2.4%		1,136	60	532
Switzerland	27	2,705	3.8%		2,243	0	462
Germany	166	16,810	23.7%		13,914	82	2,814
Austria	58	4,591	6.5%		4,462	0	129
Czech Rep.	3	325	0.5%		205	0	120
Poland	7	704	1.0%		704	0	0
TOTAL	**715**	**70,972**	**100.0%**		**61,931**	**1,604**	**7,437**

With 38,284 beds outside France, representing 54% of the network, Orpea reaffirms its desire to grow its international footprint. Orpea has a significant growth pipeline, with 9,041 beds under construction or refurbishment.

1.2 STRONG REVENUE GROWTH

The Orpea Group, a market leader in long-term and short-term dependency care in Europe through a network of nursing homes, post-acute and psychiatric care facilities, delivered 23.0% revenue growth in first-half 2016.

This strong growth in activity resulted notably from the contributions of acquisitions made outside France:
- over the first-half 2016: Celenus Kliniken, Residenz Gruppe Bremen and Vitalis in Germany, as well as MEDI-System in Poland;
- over the first quarter 2016: SeneCura in Austria.

In addition to this strong external growth, the Group delivered solid organic growth[1] of 5.7% in the first-half, without factoring in the positive impact of the leap year. This sound performance, both in France and abroad, was mainly due to:
- the firm momentum of mature facilities, with occupancy rates remaining high, reflecting the attractiveness of Orpea facilities;
- the fast ramp-up in the facilities opened in 2015;
- the continued openings of new facilities in the first-half, in France, Belgium, Germany and the Czech Republic.

In €m - IFRS	H1 2016	H1 2015	▲%
France	**835.9**	788.2	*+6.1%*
% of total revenue	*61%*	*70%*	
International	**544.6**	334.2	*+63.0%*
% of total revenue	*39%*	*30%*	
Belgium	79.6	77.6	
Spain	34.5	31.4	
Italy	23.8	22.2	
Switzerland	70.6	62.3	
Germany	246.6	105.4	
Austria	83.6	35.3	
Czech Republic	0.6	-	
Poland	5.3	-	
Consolidated revenue	**1,380.5**	1,122.4	*+23.0%*
O/w organic growth[1]			*+5.7%*

ACTIVITY IN FRANCE IN FIRST-HALF 2016

Orpea Group's activities in France continued to grow, with revenue up 6.1% over the half-year to €835.9 million, representing 61% of the Group's consolidated revenue.
This increase was mainly driven by organic growth. Acquisitions remained very limited, in line with the Group's international expansion strategy.

The strong organic growth stemmed mainly from:

- the opening of approximately 270 beds, within newly built facilities (Cannes, 17th district of Paris, Montpellier) and redevelopments. These modern facilities boast high standards and are located in attractive areas;
- the ramp-up of facilities opened over the past 18 months;
- resilient occupancy rates in mature facilities, made possible by the high-quality of care, accommodation, catering and other services provided by Orpea facilities.

ACTIVITY ABROAD IN FIRST-HALF 2016

After having already doubled between first-half 2014 and first-half 2015, international revenue totalled €544.6 million in first-half 2016, up by another 63.0%. Orpea's international operations now represent 39% of consolidated revenue.

In **Belgium**, the Group's revenue came to €79.6 million, compared with €77.6 million in the first-half 2015, a limited increase of 2.6%, due to a number of redevelopments and openings in progress, including two new facilities during the half-year and the deconsolidation of three facilities operated in Deurne.

In **Spain**, half-year revenue amounted to €34.5 million, a 9.9% increase compared with first-half 2015. This can be attributed primarily to good performance from long-standing facilities, of which three-quarters are located in Madrid, and from the acquisition of a few carefully selected and very well located facilities.

---

[1] *Organic growth in the Group's revenue reflects the following factors: 1. the variation in revenue (in period N vs. period N-1) of existing facilities as a result of changes in their occupancy rates and daily rates; 2. The change in the revenue (in period N vs. period N-1) of redeveloped facilities or those where capacity has been increased in the current or year-earlier period; 3 The revenues of facilities created in the current year or the previous year, and the change in revenues at recently acquired facilities by comparison with the previous equivalent period.*

In **Italy,** half-year revenue rose 7.2% to €23.8 million, from €22.2 million in first-half 2015. This increase resulted solely from the continuing ramp-up in the facilities opened in 2015.

In **Switzerland**, revenue amounted to €70.6 million over this half-year, compared with €62.3 million in the previous half-year. This 13.3% revenue growth resulted from the good performance of long-standing facilities and the ramp-up of Senevita facilities opened in 2015. However, exchange rates had an adverse impact on the half-year.

In **Germany**, revenue came to €246.6 million, compared with €105.4 million in first-half 2015. This doubling in business mainly stemmed from the contribution made by the acquisitions in the half-year of Celenus Kliniken, Residenz Gruppe Bremen and Vitalis. These three acquisitions represent more than 8,000 additional beds. The Group also opened two facilities in Germany during the half-year.

In **Austria**, revenue amounted to €83.6 million, compared with €35.3 million in first-half 2015, following the consolidation of SeneCura as from 1 April 2015.

In the **Czech Republic,** revenue amounted to €0.6 million, following the opening of the Group's first two facilities in this half-year.

In **Poland**, revenue totalled €5.3 million, following the acquisition of MEDI-System, with 704 beds.

1.3 SOLID MARGINS IN FIRST-HALF 2016

In €m - IFRS	H1 2016	H1 2015	*Change*
Revenues	1,380.5	1,122.4	*+23.0%*
EBITDAR[2]	368.5	303.6	*+21.4%*
Recurring EBITDA[3]	220.5	184.6	*+19.5%*
Recurring operating profit	163.6	138.9	*+17.8%*
Operating profit	168.1	151.4	*+11.0%*
Net finance cost	-53.5	-48.1	*+11.2%*
Pre-tax profit on ordinary activities[4]	110.0	90.8	*+21.1%*
Change in the Fair Value of the entitlement to the allotment in ORNANE bonds	0.0	-19.5	*N.A.*
Pre-tax profit	114.6	83.8	*+36.8%*
Net profit	75.5	55.4	*+36.3%*
Net profit (Group share) excluding change in net FVO	75.5	67.4	*+12.0%*

RECURRING OPERATING PROFIT

EBITDAR (EBITDA before rents) was up by 21.4% to €368.5 million, a margin representing 26.7% of revenue. The EBITDAR margin increased by 50 basis points in France to 28.3% and that of international operations totalled 24.2% compared with 22.1% in first-half 2015.
Excluding the acquisitions consolidated in first-half 2016 (the Celenus Kliniken, Vitalis, Residenz Gruppe Bremen groups in Germany and MEDI-System in Poland, which were not consolidated in first-half 2015), the EBITDAR margin remained stable at 27.0%.

Recurring **EBITDA** was up by 19.5% to €220.5 million, compared with €184.6 million in first-half 2015.
The EBITDA margin totalled 16.0% of revenue, compared with 16.4% in first-half 2015, due to the technical effect from the lease payments of the groups acquired.
Lease payments totalled €148.0 million, compared with €119.0 million in first-half 2015. More than 86% of this increase is due to the integration of new acquisitions. Most of these groups only have leased property. On a like-for-like basis, lease payments posted a very moderate increase of less than 1%.

[2] EBITDAR = EBITDA before rents, including provisions relating to "external charges" and "staff costs"
[3] EBITDA = recurring operating profit before depreciation, amortisation and provisions, including provisions relating to "external charges" and "staff costs"
[4] Pre-tax profit on ordinary activities = Recurring EBIT – Net finance cost

Excluding the acquisitions consolidated in first-half 2016 (the Celenus Kliniken, Vitalis, Residenz Gruppe Bremen groups in Germany and MEDI-System in Poland, which were not consolidated in first-half 2015), the EBITDA margin totalled 17.0%, up 60 basis points compared with first-half 2015. This performance can be attributed to the good results from the Group's long-standing facilities, the successful integration of the acquisitions completed in 2014 and the property assets acquired in 2015.

After depreciation of €57 million (up 24.7%), **Recurring Operating Profit** amounted to €163.6 million (up 17.8%).

OPERATING PROFIT

Operating profit came to €168.1 million (+11.0%). Other non-recurring net income totalled €4.6 million (compared with €12.5 million in first-half 2015). These non-current items include in particular gains on property sales, which were lower in the half-year, in line with the Group's strategy, which consists of owning more property and therefore selling less.

NET FINANCE COST

Net finance cost came to €53.5 million, a moderate increase of 11.2%, despite numerous acquisitions completed over the past 12 months. This financial cost control was due to the reduction of 40 basis points in the average cost of debt compared with 2015.

PRE-TAX PROFIT ON ORDINARY ACTIVITIES

The pre-tax profit on ordinary activities (Recurring Operating Profit – Net finance cost) totalled €110.0 million, up 21.1% compared with €90.8 million a year previously, thus reflecting the Group's capacity to deliver profitable growth.

The pre-tax profit came to €114.6 million, compared with €83.8 million in first-half 2015 (which was affected by the change in the fair value of the entitlement to the allotment of shares from ORNANE bonds in the amount of -€19.5 million).

NET PROFIT

The income tax amounted to €40.4 million, compared with €29.9 million the previous year, taking into account the impact of the change in the fair value of the ORNANE bonds (no impact in H1 2016).
The share in profit of associates totalled €1.3 million over the half-year compared with €1.4 million the previous half-year.
Net profit Group share amounted to €75.5 million in first-half 2016 compared with €55.4 million in first-half 2015, an increase of 36.3%. Excluding change in the fair value of the entitlement to the allotment of shares from ORNANE bonds, the increase in net profit Group share was 12.0%.

1.4 FINANCIAL STRUCTURE, DEBT AND PROPERTY PORTFOLIO

At 30 June 2015, shareholders' equity, Group share, stood at €1,802 million, compared with €1,810 at the start of the year, including in particular profit for the half-year and the allocation of dividends.

Net financial debt stood at €3,227 million[5], compared with €3,014 million at 31 December 2015, a moderate increase of 7%, despite the acquisitions of Vitalis in Germany and MEDI-System in Poland and a €227 million strengthening of the property portfolio.

At 30 June 2016, the Group's two main debt ratios were significantly lower than the authorised limits:

- restated financial leverage of property = 2.5 (authorised level 5.5) compared with 2.9 at 31 December 2015;
- restated debt-to-equity ratio = 1.5 (authorised level 2.0). compared with 1.4 at 31 December 2015.

The portion of real estate debt of the financial debt increased compared with 31 December 2015, to 80% thus strengthening the financial structure, as it is linked to high-quality property assets with low volatility and operated by the Group.

The average cost of debt continued to decrease, down to 3.4% in first-half 2016. On the back of continued optimisation of interest rate hedging, the net finance cost will continue its way down to 2.9% by 2021, regardless of the monetary policy decisions or interest rate fluctuations. Orpea has hedged almost all its floating-rate debt over more than six years with fixed-rate instruments.

Over the first-half 2016: disposals of property assets only amounted to €54 million, compared with €130 million in first-half 2015, in line with the Group's strategy, which consists of holding more property and therefore selling less. To this end, the Group continued its real estate investments over the first six months of 2016 for a net amount of €227 million[5].

At 30 June 2016, the real estate portfolio represented a developed area of 1,250,000 sq.m., with a total value of €3,672 million[6]. The share of own real estate thus came to 37%.

It is a strategic asset for the Group, comprising modern buildings in prime locations in town centres or large conurbations.

1.5 CASH FLOWS

Net cash provided by operating activities amounted to €140 million in first-half 2016, compared with €117 million the previous half-year, an increase of 19.5%.

Net cash used by investing activities, including building and maintenance expenditure, acquisitions of property and intangible assets, net of property sales, amounted to €271 million compared with €381 million in first-half 2015. These include the acquisition of Vitalis in Germany and MEDI-System in Poland, as well as several acquisitions of property assets.

[5] Excluding liabilities associated with assets held for sale, €172 million
[6] Excluding the impact of available for sale assets, €98 million

Net cash provided by financing activities came to €68 million compared with €104 million in first-half 2015.

Cash and cash equivalents stood at €658 million at 30 June 2016, compared with €519 million at 31 December 2015.

1.6 SHORT AND MEDIUM-TERM OUTLOOK FOR THE ORPEA GROUP

EVENTS AFTER THE CLOSE OF THE INTERIM FINANCIAL STATEMENTS:

Acquisition of Sanyres in Spain
After 30 June 2016, Orpea achieved a major milestone in Spain with the acquisition of the Sanyres group, representing a total of 3,300 beds in 18 facilities.

On 5 July 2016, Orpea announced that it had acquired the Sanyres group in Spain, thus enabling it to double its size in Spain. Hence Orpea is now a benchmark operator in this country, with 7,334 beds at 43 sites, located in major population centres (55% of the facilities are based in Madrid) and with a majority of private rooms (72%).
Sanyres meets Orpea criteria perfectly: 67% private beds, over 60% private rooms, modern buildings (10 years old on average), locations in major population centres (Madrid, Malaga, Cordoba, etc.). In addition, Sanyres owns almost all of its buildings, allowing Orpea to expand its real estate portfolio.
In 2015, Sanyres posted revenue of approximately €55 million.
Orpea acquired Sanyres on 1 July 2016, and it will be consolidated as from that date.
This acquisition was paid for entirely in cash and funded using cash.

Schuldschein-type bond issue for a value of €291.5 million
As part of its strategy of diversifying its funding sources and strengthening its financial flexibility, Orpea issued a new Schuldscheindarlehen (German debt instrument) in July 2016. This transaction was a great success: the initial amount of €100 million was increased to €291.5 million, driven by very strong demand from investors at different maturities, on particularly favourable terms and conditions.
This Schuldschein was set-up with BNP Paribas and Société Générale CIB.

LONG-TERM VISIBILITY

We are confident in our ability to meet our 2016 targets:
- 17.5% revenue growth to €2,810 million;
- solid operating margins;
- ongoing reduction in the cost of debt;
- increased property ownership.

With 25 years' experience in long-term care, and thanks to strong growth platforms in nine European countries as well as in China, Orpea now has the resources to take opportunities that may arise, and to thereby continue rolling out its ambitious value creation strategy.

MAIN RISKS AND UNCERTAINTIES

The main risks are the same as those presented in section 5.5, pages 130 to 141 of the 2015 Registration Document filed with the *Autorité des Marchés Financiers* on 19 May 2016 under number D. 16-0509.

We are not aware of any significant legal proceedings that may influence the Group's financial position at the balance sheet date.

RELATED PARTIES

There has been no material change relative to the information provided in section 3.5, pages 80 to 84 of the Company's 2015 Registration Document.
Readers should also refer to Note 3.24 of the notes to the consolidated interim financial statements in this report.

2. FINANCIAL STATEMENTS

Orpea

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

Orpea SA, *French société anonyme* with share capital of €75,342,114
Paris Trade and Companies Register No. 401 251 566

Head office: 12 rue Jean Jaurès - CS 10032 - 92813 Puteaux Cedex

Consolidated Income Statement

in thousands of euros	*Notes*	30 June 2016	30 June 2015
REVENUE		**1,380,501**	**1,122,405**
Cost of materials consumed and other external charges		(401,716)	(328,640)
Staff costs		(710,936)	(568,386)
Taxes other than income tax		(56,771)	(49,541)
Depreciation, amortisation and provisions		(57,017)	(45,677)
Other recurring operating income		13,258	11,706
Other recurring operating expense		(3,764)	(2,973)
Recurring operating profit		**163,556**	**138,895**
Other non-recurring operating income	*3.19*	69,932	103,020
Other non-recurring operating expense	*3.19*	(65,362)	(90,488)
Operating profit		**168,126**	**151,427**
Financial income	*3.20*	6,968	7,492
Financial expenses	*3.20*	(60,483)	(55,593)
Net financial cost		**(53,515)**	**(48,101)**
Change in FVO (*)	*3.12*		(19,500)
PRE-TAX PROFIT		**114,611**	**83,826**
Income tax expense	*3.21*	(40,411)	(29,861)
Share in profit (loss) of associates and joint ventures	*3.4*	1,317	1,370
CONSOLIDATED NET PROFIT		**75,517**	**55,337**
Attributable to non-controlling interests		7	(19)
Attributable to owners of the Company		75,510	55,356
NET PROFIT (GROUP SHARE) excluding change in net FVO		**75,510**	**67,447**
Number of shares		60,273,691	60,182,859
Basic earnings per share (in euros)		1.25	0.93
Diluted earnings per share (in euros)		1.25	0.89

(*) FVO: Fair Value of the entitlement to the allotment of shares in ORNANE bonds

The notes form an integral part of the financial statements.

Statement of comprehensive income

in thousands of euros		30 June 2016	30 June 2015
Net profit for the period	***a***	**75,510**	**55,357**
Change in translation adjustments			26,619
Change in fair value of available-for-sale financial assets			
Cash flow hedging		(33,223)	26,880
Share of other comprehensive income of associates			
Tax effect on other items of comprehensive income		11,439	(10,214)
Total items that may be reclassified subsequently to profit or loss	***b***	(21,784)	43,285
Total comprehensive income after reclassification items	***a+b***	**53,726**	**98,642**
Actuarial gains or losses		(5,335)	10,607
Revaluation of property assets			
Tax effect on items that will not be reclassified to profit or loss		1,837	(3,897)
Total items that will not be reclassified to profit or loss	***c***	(3,498)	6,710
Comprehensive income after items that will not be reclassified to profit or	***a+b+c***	**50,228**	**105,352**
Other items of comprehensive income (after tax)	***b+c***	**(25,283)**	**49,995**
Comprehensive income	***a+b+c***	**50,228**	**105,352**

Consolidated balance sheet

in thousands of euros		30 June 2016	31 December 2015
Assets	*Notes*		
Goodwill	*3.1*	880,008	841,532
Net intangible assets	*3.2*	1,778,562	1,751,217
Net property, plant & equipment	*3.3*	3,224,521	3,008,814
Properties under construction	*3.3*	447,147	436,301
Investments in associates and joint ventures	*3.4*	63,185	58,184
Non-current financial assets	*3.5*	35,046	36,934
Deferred tax assets	*3.21*	35,609	36,389
Non-current assets		**6,464,077**	**6,169,371**
Inventories		8,158	8,076
Trade receivables	*3.6*	132,328	127,409
Other assets, accruals and prepayments	*3.7*	377,611	347,542
Current tax assets			
Cash and cash equivalent	*3.11*	657,986	518,925
Current assets		**1,176,083**	**1,001,952**
Assets held for sale		**171,807**	**200,000**
TOTAL ASSETS		**7,811,967**	**7,371,324**

Liabilities	*Notes*		
Share capital		75,342	75,342
Consolidated reserves		1,425,181	1,356,321
Revaluation reserve		225,940	251,223
Net profit for the period		75,510	126,634
Equity - Group share	*3.9*	**1,801,974**	**1,809,520**
Non-controlling interests		198	190
Total equity		**1,802,172**	**1,809,710**
Non-current financial liabilities	*3.11*	3,551,371	3,218,989
Change in the fair value of the entitlement to the allotment in ORNANE bonds	*3.12*	72,993	72,993
Provisions	*3.10*	88,960	86,243
Post-employment and other employee benefits obligation	*3.10*	61,101	51,215
Deferred tax liabilities	*3.21*	846,548	851,714
Non-current liabilities		**4,620,974**	**4,281,153**
Current financial liabilities	*3.11*	333,209	314,218
Provisions	*3.10*	22,521	23,241
Trade payables	*3.14*	248,675	254,137
Tax and payroll liabilities	*3.15*	234,856	215,141
Current income tax liability		8,760	
Other liabilities, accruals and prepayments	*3.16*	368,993	273,724
Current liabilities		**1,217,014**	**1,080,460**
Liabilities associated with assets held for sale		**171,807**	**200,000**
TOTAL LIABILITIES		**7,811,967**	**7,371,324**

The notes form an integral part of the financial statements.

Consolidated statement of cash flows

in thousands of euros	*Notes*	**30 June 2016**	**30 June 2015**
Cash flow from operating activities			
● Consolidated net income		75,510	55,357
● Elimination of non-cash items related to operating activities(*)		52,820	36,966
Net financial cost	*3.20*	53,515	48,101
● Gains on disposals not related to operating activities, net of tax		(5,762)	(11,727)
Cash generated by consolidated companies		**176,083**	**128,697**
● Change in operating working capital requirements			
- Inventories		(10)	116
- Trade receivables	*3.6*	(2,984)	(3,441)
- Other receivables	*3.7*	(10,743)	663
- Tax and payroll liabilities	*3.15*	23,300	11,960
- Trade payables	*3.14*	(28,702)	14,943
- Other liabilities	*3.16*	(16,561)	(35,484)
Cash flow from operating activities		**140,383**	**117,454**
Cash flow from investing and development activities			
● Real estate investments		(263,863)	(352,403)
● Real estate sales		54,026	129,947
● Acquisitions of operating assets (intangible assets)		(68,440)	(134,190)
● Current accounts and other movements		7,288	(23,861)
Cash flow from investing and development activities		**(270,989)**	**(380,507)**
Cash flow from financing activities			
● Proceeds from capital increases	*3.9*		2,797
● Dividends paid to shareholders of the parent company	*3.9*		
● Additions to (repayments of) bridging loans and bank overdrafts	*3.11*	123,265	47,544
● Proceeds from new finance leases	*3.11*	73,640	156,823
● Additions to other debt	*3.11*	313,345	248,496
● Repayments of other debt	*3.11*	(122,802)	(263,433)
● Proceeds from finance leases	*3.11*	(64,266)	(40,526)
● Net financial cost and other changes	*3.20*	(53,515)	(48,104)
Cash flow from financing activities		**269,667**	**103,597**
Change in cash and cash equivalents		**139,061**	**(159,456)**
Opening cash and cash equivalents		518,925	621,906
Closing cash and cash equivalents		**657,986**	**462,450**
Breakdown of closing cash and cash equivalents		**657,986**	**462,450**
● Short-term investments	*3.11*	26,928	32,950
● Cash	*3.11*	631,058	429,500
● Bank overdrafts			

The notes form an integral part of the financial statements.

(*) Mainly depreciation, amortisation, provisions, deferred tax, share in profit (loss) of associates, excess of acquisition cost over fair value of assets and liabilities acquired, restructuring costs and non-recurring costs incurred on acquisition of facilities.

Consolidated equity

Statement of changes in consolidated equity

in thousands of euros *except for the number of shares*	Number of shares	Notes	Share capital	Share premiums	Revaluation reserves	Other reserves	Profit or loss	Total Group share	Non-controlling interests	Total
31 December 2014	**55,567,893**	**0**	**69,460**	**476,121**	**225,812**	**605,797**	**120,777**	**1,497,967**	**379**	**1,498,346**
Change in fair value of properties					11,160			11,160		11,160
Post-employment benefit obligation					1,856			1,856		1,856
Financial instruments					12,395			12,395		12,395
Translation adjustments						19,054		19,054		19,054
Other								0		0
Fair value changes recognised in other comprehensive income			**0**	**0**	**25,411**	**19,054**	**0**	**44,466**	**0**	**44,466**
Appropriation of net profit				(35,000)		111,322	(120,777)	(44,454)		(44,454)
2015 net profit							126,634	126,634	(48)	126,586
Exercise of stock options								0		0
Exercise of share warrants	169,210		212	5,828				6,039		6,039
Exercise of OCEANE bonds	4,536,588		5,671	173,226				178,897		178,897
Capital increase								0		0
Other						(28)		(28)	(140)	(168)
31 December 2015	**60,273,691**	**0**	**75,342**	**620,175**	**251,223**	**736,145**	**126,634**	**1,809,519**	**190**	**1,809,710**
Change in fair value of properties								0		0
Post-employment benefit obligation					(3,498)			(3,498)		(3,498)
Financial instruments					(21,784)			(21,784)		(21,784)
Translation adjustments								0		0
Other								0		0
Fair value changes recognised in other comprehensive income			**0**	**0**	**(25,283)**	**0**	**0**	**(25,283)**	**0**	**(25,283)**
Appropriation of net profit				(40,069)		112,457	(126,634)	(54,246)		(54,246)
Net profit in first-half 2016							75,510	75,510	7	75,517
Exercise of stock options								0		0
Capital increase								0		0
Treasury shares						(3,527)		(3,527)		(3,527)
Other								0		0
30 June 2016	**60,273,691**	**0**	**75,342**	**580,106**	**225,940**	**845,075**	**75,510**	**1,801,974**	**198**	**1,802,172**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

1. SIGNIFICANT ACCOUNTING POLICIES 18
2. SCOPE OF CONSOLIDATION 20
3. NOTES TO THE FINANCIAL STATEMENTS 22
3.1 Goodwill 22
3.2 Intangible Assets 22
3.3 Property, Plant and Equipment 24
3.4 Investments in associates and joint ventures 26
3.5 Non-current financial assets 27
3.6 Trade receivables 28
3.7 Other assets, accruals and prepayments 28
3.8 Assets held for sale 28
3.9 Equity 28
3.10 Provisions 30
3.11 Financial liabilities and cash and cash equivalents 32
3.12 Change in the fair value of the entitlement to the allotment of shares from ORNANE bonds 35
3.13 Financial instruments 36
3.14 Trade payables 38
3.15 Tax and payroll liabilities 38
3.16 Other liabilities and prepayments 40
3.17 Liabilities associated with assets held for sale 38
3.18 Segment information 39
3.19 Other non-recurring operating income and expense 40
3.20 Net finance cost 40
3.21 Income tax expense 41
3.22 Commitments and contingent liabilities 42
3.23 Analysis of financial assets and liabilities in accordance with IFRS 7 44
3.24 Related-party transactions 45
3.25 Events after the Reporting Period 46
3.26 Scope of consolidation at 30 June 2016 46

Notes to the condensed consolidated financial statements

Amounts are expressed in thousands of euros unless otherwise stated

The Orpea Group's 2016 condensed interim consolidated financial statements were approved by the Board of Directors on 26 September 2016.

1. SIGNIFICANT ACCOUNTING POLICIES

Orpea SA is a French company with its registered office at 12 rue Jean Jaurès, 92800 Puteaux. It is the parent company of a group that operates in the short and long-term dependency care sector, with nursing homes, post-acute and rehabilitation care and psychiatric facilities.

Accounting standards

As required by European regulation 1606/2002 dated 19 July 2002, the Orpea Group's 2016 condensed interim consolidated financial statements have been prepared in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) as adopted by the European Union and mandatory on the closing date of those financial statements.

They include International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), all of which are available on the European Commission's website (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

These condensed interim consolidated financial statements for the six months to 30 June 2016 have been prepared in accordance with IAS 34 "Interim Financial Reporting", which permits the disclosure of selected information in the notes. They should be read in conjunction with the 2015 consolidated financial statements.

The accounting methods described below have been applied consistently in all financial years presented in the consolidated financial statements.

The significant accounting policies used to prepare the Orpea Group's condensed interim consolidated financial statements are identical to those used to prepare the consolidated financial statements at 31 December 2015. They are described in the consolidated financial statements drawn-up on the same date, except for standards and interpretations adopted by the European Union and that are mandatory for fiscal years as from 1 January 2016, such as:

- Amendments to IAS 16 and IAS 38: "Property, plant and equipment and Intangible assets - Clarification of Acceptable methods of depreciation and amortisation";
- Amendments to IFRS 11: "Accounting for acquisitions of interests in joint operations";
- Amendments to IAS 1: "Presentation of financial statements - Disclosure Initiative";
- Amendments to IAS 27: "Equity method in separate financial statements";
- Amendments to IAS 19: "Defined Benefit Plans: Employee Contributions";
- Amendments to IFRS 10, IFRS 12, IAS 28: "Investment entities: Applying the consolidation exception";
- Annual improvements to IFRS (2010-2012 and 2012-2014).

These texts do not have a material effect on the financial statements.

The Group did not apply any new standards or interpretations which were not obligatory on 1 January 2016.
The Group is currently analysing any potential impacts on the financial statements.

The only seasonal effect is the number of days in operation, which is slightly lower in the first half of the calendar year than the second.

The consolidated financial statement and its notes are presented in euros.

2. SCOPE OF CONSOLIDATION

Revenue for the first half 2016 rose by 23% or €258 million compared with first-half 2015.

The Group has expanded through both organic growth and acquisitions.

Organic revenue growth came to 5.7% in the first-half.

In the first-half, the Group opened facilities in France and abroad after the completion of construction or redevelopments initiated in prior years, as follows:

- In France: three facilities located in Cannes, the 17th district of Paris and Montpellier;
- In Belgium: a facility in Knokke;
- In Germany: two facilities located in Berlin and Iffezheim;
- In the Czech Republic: two facilities in Prague and Chrudim.

Orpea also continued its external growth policy with the acquisition of the following existing or planned facilities:

- In Germany: the VITALIS group with 25 facilities (2,487 beds);
- In Spain: three facilities located in Malaga, Corunna and Barcelona Esplugues (462 beds);
- In Austria: KRAUTERGARTEN GRUPPE with five facilities (343 beds);
- In Poland: the MEDI-SYSTEM group with seven facilities (704 beds);
- In Switzerland: a facility in Lenk (31 beds).

The disposal of an operating subsidiary was also completed in Belgium.

Lastly, the Group has also made some ad hoc acquisitions, directly or via companies, of standalone assets necessary for its expansion, comprising intangible and property operating rights.

Based on a provisional estimate of the fair value of assets acquired, the total investment on the acquisition date can be summarised as follows:

		Number of facilities	Number of beds	Operating licences (in millions €)	Goodwill and intangibles not yet allocated (in millions €)	Properties (in millions €)
France				1		
International		41	4,027	36	37	71
	Italy					
	Switzerland	*1*	*31*	*3*		
	Germany	*25*	*2,487*		*37*	*1*
	Austria	*5*	*343*	*14*		
	Poland	*7*	*704*	*11*	*0*	*16*
	Belgium			*1*		*27*
	Spain	*3*	*462*	*7*		*27*
Total		41	4,027	37	37	71

Deferred tax liabilities recognised in respect of these acquisitions amounted to about €10 million.

In the first half 2015, total investments on the date of consolidation were:

		Number of facilities	Number of beds	Operating licences (in millions €)	Goodwill and intangibles not yet allocated (in millions €)	Properties (in millions €)
France		3	152	15	10	0
International		55	4,609	147	0	173
	Italy	*1*	*100*	*4*		*15*
	Switzerland					
	Germany					
	Austria	*52*	*4,236*	*128*		*158*
	Belgium	*2*	*273*	*15*		
	Spain					
Total		58	4,761	162	10	174

3. NOTES TO THE FINANCIAL STATEMENTS

3.1- Goodwill

The main movements during the year were as follows:

	France	International	Total
Opening goodwill, net	359,334	482,199	841,532
Business combinations		37,321	37,321
Adjustments of prior goodwill and exclusions from the scope	1,154		1,154
Translation adjustments			0
Closing goodwill, net	**360,488**	**519,520**	**880,008**

The business combinations notably include the provisional allocation of the goodwill of the German sub-group VITALIS.

The following CGU groups represent significant goodwill:

	30 June 2016	31 December 2015
MEDITER MIEUX VIVRE sub-group acquired in 2010	87,652	87,652
SENEVITA sub-group	60,245	60,245
German scope	370,232	332,998
Other	361,880	360,637
Closing goodwill, net	**880,008**	**841,532**

No other CGU group accounts for more than 5% of total goodwill at the end of the period.

3.2 - Intangible assets

The following table shows the main intangible assets and accumulated amortisation:

	30/06/2016			31/12/2015		
	Gross	Depr., Amort., Prov.	Net	Gross	›pr., Amort., Pr‹	Net
Operating licences	1,813,043	4,386	1,808,657	1,786,449	4,386	1,782,064
Advances and downpayments	2,168		2,168	2,235		2,235
Other intangible assets	62,308	21,180	41,128	61,761	21,452	40,309
Intangible assets held for sale	-73,391		-73,391	-73,391		-73,391
Total	1,804,127	25,565	**1,778,562**	1,777,054	25,837	**1,751,217**

At 30 June 2016, "Operating licences" comprised the licences to operate facilities in France, Belgium, Italy, Spain, Switzerland, Austria and Poland considered to have an indefinite useful life.

Intangible assets held for sale correspond to operating licences scheduled to be disposed of within 12 months.

The following CGU groups represent significant licence values:

	30 June 2016	31 December 2015
MEDITER MIEUX VIVRE sub-group acquired in 2010	195,850	195,840
SENEVITA sub-group	101,448	98,050
SENECURA sub-group	125,800	109,689
Other	1,385,559	1,378,485
Net operating licences at end of period	**1,808,657**	**1,782,064**

No other CGU group accounts 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 provisions".

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

There was no objective evidence of potential impairment requiring a revaluation test on goodwill and intangible assets as at 30 June 2016.

The following table shows the movement in intangible assets by type (net):

	Operating licences	Advances and downpayments	Other	Intangible assets held for sale	Total
At 31 December 2014	**1,575,127**	**6,161**	**37,837**	**(75,546)**	**1,543,579**
Increase	19,707	3,164	5,252		28,123
Decrease			(24)		(24)
Amortisation and provisions	(240)		(1,737)		(1,977)
Reclassifications and other	10,168	(7,091)	(2,251)	2,155	2,981
Changes in scope	177,302		1,231		178,534
At 31 December 2015	**1,782,064**	**2,235**	**40,309**	**(73,391)**	**1,751,217**
Increase	9,928	7	1,744		11,678
Decrease	(22,815)		(59)		(22,874)
Amortisation and provisions			(771)		(771)
Reclassifications and other	2,745	(74)	(208)		2,463
Changes in scope	36,736		113		36,849
At 30 June 2016	**1,808,657**	**2,168**	**41,128**	**(73,391)**	**1,778,562**

The changes in scope are mainly linked to the acquisitions in Austria (€14 million), Poland (€11 million) and Spain (€7 million).

The reduction was due to the disposal of a Belgian branch in the amount of €23 million.

Advances and downpayments recognised as intangible assets mainly comprise prepayments made under contractually agreed acquisitions of operating licences.

"Other intangible assets" include €28 million in operating licences acquired in Spain in 2012.

3.3 - Property, plant and equipment

3.3.1 - Changes in property, plant & equipment including those under construction

The following table shows the main items of property, plant and equipment, including those in the course of construction, and accumulated depreciation:

	30/06/2016			31/12/2015		
	Gross	epr., Amort., Pro	Net	Gross	epr., Amort., Pro	Net
Lands	990,872	2,874	987,998	953,576	2,829	950,747
Buildings	2,531,775	463,723	2,068,052	2,354,854	429,325	1,925,529
Technical installations	288,889	179,076	109,812	311,867	185,398	126,469
Properties under construction	448,398	1,251	447,147	437,552	1,251	436,301
Other Property, plant and equipment	298,605	141,530	157,074	247,850	115,173	132,677
Properties held for sale	-98,416		-98,416	-126,609		-126,609
Total	4,460,123	788,455	**3,671,668**	4,179,090	733,976	**3,445,115**

Depreciation is recognised in profit or loss under "Depreciation, amortisation and provisions". Impairment losses are recognised in "Other non-recurring operating expense".

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

	Land	Buildings	Technical Installations	Properties under construction	Other	Properties held for sale	Total
At 31 December 2014	**796,161**	**1,394,755**	**87,105**	**584,532**	**44,428**	**(124,454)**	**2,782,528**
Acquisitions	40,583	206,630	62,008	184,596	81,726		575,543
Change in fair value	18,000						18,000
Disposals and terminations	(7,555)	(29,808)	206	(89,616)	(548)		(127,321)
Depreciation & provisions	(3)	(64,082)	(29,614)		(9,639)		(103,338)
Reclassifications and other	71,839	224,701	(12,472)	(290,909)	11,100	(2,155)	2,104
Changes in scope	31,723	193,333	19,236	47,698	5,609		297,599
At 31 December 2015	**950,747**	**1,925,529**	**126,469**	**436,301**	**132,677**	**(126,609)**	**3,445,115**
Acquisitions	9,521	70,817	15,293	101,205	15,815		212,651
Change in fair value							0
Disposals and terminations	(614)	(4,124)	448	(20,983)	(1,629)		(26,902)
Depreciation & provisions	(46)	(34,593)	(14,705)		(7,324)		(56,668)
Reclassifications and other	15,003	78,443	(17,824)	(95,099)	16,319	28,193	25,035
Changes in scope	13,386	31,980	132	25,722	1,216		72,436
At 30 June 2016	**987,998**	**2,068,052**	**109,812**	**447,147**	**157,074**	**(98,416)**	**3,671,668**

The main movements in first-half 2016 included:

- capital expenditure required for the ongoing operation of facilities, investments in new facilities or extensions, acquisitions of properties or other assets through business combinations and acquisitions of properties in the course of construction;
- property disposals in France.

3.3.2 Revaluation of operating properties

The fair value of the operated properties was not subject to a new review at 30 June 2016.

The impact of revaluing operating properties in accordance with IAS 16 was as follows:

Impact of IAS16 remeasurement			
	30 June 2016	**31 December 2015**	**Change**
Gross revaluation reserve	459,953	459,953	0
Depreciation	-18,447	-17,439	-1,008
Net revaluation reserve	**441,506**	**442,514**	**-1,008**

The gross revaluation reserve of properties stood at €460 million at 30 June 2016, unchanged from 31 December 2015.

The change in depreciation was due to additional depreciation stemming from the revaluation of buildings for first-half 2016 amounting to €1 million.

The corresponding tax, calculated at standard rates, amounted to €160.2 million.

3.3.3 - Finance leases

Property, plant and equipment financed by finance leases include the following assets at their gross value:

	30 June 2016	**31 December 2015**
Land	211,585	204,285
Buildings	884,630	822,958
Finance leases	**1,096,215**	**1,027,243**

Finance leases are mainly property leases.

Future minimum payments under finance leases are disclosed in note 3.22.

3.3.4 Operating leases

Operating lease payments are as follows:

	30 June 2016	30 June 2015
Lease payments	147,967	119,002
Total	**147,967**	**119,002**

Operating leases are almost exclusively comprised of renewable leases with fixed rents revisable mainly at fixed rates, or in accordance with the construction cost index or the rate of revaluation of old age pensions.

Operating lease payments totalled €148 million, compared with €119 million in first-half 2015. A large part of this increase is the result of acquisitions in Germany where almost all properties operated are leased. On a like-for-like basis, lease payment fluctuations remained limited to less than 1%.

Minimum future lease payments under operating leases are presented in note 3.22.

3.4 - Investments in associates and joint ventures

At 30 June 2016, investments in associates and joint ventures broke down as follows:

Associates and joint ventures	Percentage held at 30 June 2016	Carrying amount of investments (in thousands of euros)
PCM (six short-term care facilities)	45.0%	20,604
COFINEA (property company)	49.0%	5,011
IDS (property company)	49.9%	13,210
Other	from 25% to 49.9%	13,222
	Total	52,047
Equity accounted profit (loss) for prior periods		9,820
Equity accounted profit (loss) for the current period		1,317
Profit (loss) from MEDIBELGE previously accounted for at equity		
Investments in associates and joint ventures		63,185

In light of the value of the individual investments, the existing financial flows with these companies and the global strategy of the Orpea Group in and outside France, the management deems that these interests are not significant taken individually.

At 30 June 2016, the main aggregates from associates and joint ventures, presented proportionally to the investment, broke down as follows:

	(in thousands of euros)
Non-current assets	166,624
Current assets	36,238
OCI	29,245
Non-current liabilities	106,435
Current liabilities	65,866
Revenue	21,469
Share in profit (loss)	1,317
Equity accounted net profit	29
Net comprehensive income	1,346

3.5 Non-current financial assets

Non-current financial assets break down as follows:

	30 June 2016 Net	31 December 2015 Net
Non-consolidated investments	12,516	13,752
Loans	16,009	16,206
Security deposits	6,522	6,976
Total	**35,046**	**36,934**

Non-consolidated investments are investments in companies whose business is not material in relation to that of the Group as a whole, and investments in mutual banks.

"Loans" mainly consist of construction loans taken out by French subsidiaries.

"Security deposits" comprise all types of deposits the Group might pay in the course of its operations.

3.6 - Trade receivables

	30 June 2016	31 December 2015
Trade receivables	132,328	127,409
Trade receivables	**132,328**	**127,409**

Due to the nature of its activity, all trade receivables are due within one month.

In June 2016, the Group sold receivables totalling €60 million. These receivables were deconsolidated for the amount financed, namely €56 million. The remainder (€3) million, held as security, continues to be recognised on the balance sheet.

At the end of 2015, the derecognised, assigned receivables amounted to €51 million.

3.7 - Other assets, accruals and prepayments

	30 June 2016	31 December 2015
Development-related expenses	107,702	85,179
Receivables related to property disposals	23,740	25,102
VAT receivables	33,476	31,203
Advances and downpayments made	5,723	6,742
Current accounts (associated and related parties)	105,242	121,021
Other receivables	63,434	46,374
Supplier receivables	14,561	12,202
Prepaid operating expenses	23,732	19,720
Total	**377,611**	**347,542**

Development-related assets mainly comprise amounts paid in connection with acquisitions of companies, operating licences for short-term or long-term care facilities, or the construction of new properties.

The amount of VAT receivables is mainly due to property construction projects forming part of the Group's growth strategy.

3.8 - Assets held for sale

Assets held for sale comprise €98 million in properties that the Group has decided to sell, in a block or by lots, to investors and €73 million in operating licences.

3.9 - Equity

3.9.1 - Share capital

	30 June 2016	31 December 2015
Total number of shares	60,273,691	60,273,691
Number of shares issued	60,273,691	60,273,691
Par value per share (€)	1.25	1.25
Share capital (€)	75,342,114	75,342,114
Treasury shares	55,974	11,442

Since 31 December 2014, the exercise of stock options has had the following impact on share capital and share premiums:

(in thousands of euros)	Number of shares	Share capital	Share premiums
Share capital at 31/12/2014	**55,567,893**	**69,460**	**476,121**
Appropriation of net profit			(35,000)
Exercise of share warrants	169,210	212	5,828
Exercise of OCEANE bonds	4,536,588	5,671	173,226
Capital increase			
Share capital at 31/12/2015	**60,273,691**	**75,342**	**620,175**
Appropriation of 2015 net profit			(40,069)
Capital increase			
Share capital at 30/06/2016	**60,273,691**	**75,342**	**580,106**

3.9.2 - Earnings per share

Calculation of the weighted average number of shares held

	30 June 2016		30 June 2015	
	Basic	Diluted	Basic	Diluted
Ordinary shares	60,273,691	60,239,983	55,567,893	60,193,163
Treasury shares	(33,708)		(14,905)	
Exercise of share warrants			36,312	
Exercise of OCEANE bonds			3,684,411	4,068,295
Weighted average number of shares	**60,239,983**	**60,239,983**	**59,273,711**	**64,261,458**

Earnings per share

(in euros)	30 June 2016		30 June 2015	
	Basic	Diluted	Basic	Diluted
Net earnings	**1.25**	**1.25**	**0.93**	**0.89**

3.9.3 – ORNANE

During the second half of 2013, Orpea issued 4,260,631 bonds with a cash redemption option and/or convertible into new or existing shares (ORNANE).

In first-half 2016, no ORNANE options were exercised.

3.9.4 - Treasury shares

The General Meeting of Shareholders authorised a share buyback programme.

This programme enables the company to ensure liquidity and make a market in the shares, optimise its capital management and grant shares to employees particularly through stock award plans.

At 30 June 2016, the Group held 55,974 treasury shares.

On 10 February 2016, the Board of Directors, acting on a proposal from the General Meeting of Shareholders of 6 November 2015, approved the introduction of a scheme to award bonus shares to certain employees and corporate officers of the Company or its associates. This scheme is intended for two categories of beneficiaries (categories A and B) and provides for the allocation of a maximum of 118,350 Orpea SA shares, subject to performance conditions related to EBITDA and revenue.

The allocation of bonus shares will become definitive and the ownership of these shares will be transferred to the beneficiaries on 10 April 2017 (Category A) or on 10 April 2018 (Category B), subject to the condition of continuing employment. Beneficiaries will only be able to transfer the shares received as part of the scheme following the expiration of a two-year period after the vesting date.

3.9.5 – Dividends

The General Meeting of Shareholders of 23 June 2016 approved the payment of a dividend in respect of the 2015 financial year of €0.90 per share, representing a total of €54,246,322 paid in July 2016.

3.10 - Provisions

Provisions break down as follows:

(in thousands of euros)	01 January 2016	Actuarial gains or losses	Reclassification	Charge for the period	Reversal in the period (used)	Reversal in the period (not used)	Changes in scope and other	30 June 2016
Liabilities and charges	63,724		(3,370)	9,310	(2,787)	(2,186)		64,692
Restructuring	45,760			4	(2,576)		3,600	46,788
Total	109,483	0	(3,370)	9,314	(5,363)	(2,186)	3,600	111,481
Post-employment benefit obligation	51,215	5,335	3,370	1,180				61,101

Movements in provisions were mainly due to changes in the scope of consolidation and to the risk of Orpea and the tax authorities arriving at different results in the application of rules to calculate VAT pro rata. These amounted to €3.5 million (at 30 June 2015, this provision amounted to €30.6 million).

Orpea and CLINEA, as well as some of the Group's subsidiaries are undergoing tax audits. Most of the adjustments notified by the tax authorities have been disputed by these companies, and no provision has thus been made for these adjustments. Undisputed adjustments are recognised in the financial year.

At 30 June 2016, short-term provisions totalled €22.5 million, including €15.6 million for employment disputes and a €7.0 million restructuring provision.

The provision for post-employment benefits breaks down as follows:

(in thousands of euros)	30 June 2016	31 December 2015
France	28,797	23,480
International	32,304	27,736
Total	**61,101**	**51,215**

Movements in the French post-employment benefit obligation break down as follows:

(in thousands of euros)	30 June 2016				31 December 2015			
	Present value of obligation	Provisions on balance sheet	Profit or loss	OCI	Present value of obligation	Provisions on balance sheet	Profit or loss	OCI
Opening	23,480	(23,480)			31,286	(31,286)		
Current service cost	1,104	(1,104)	(1,104)		2,547	(2,547)	(2,547)	
Interest cost	230	(230)	(230)		613	(613)	(613)	
Expected return on assets								
Employer's contributions								
Actuarial gains or losses	5,335	(5,335)		(5,335)	(9,606)	9,606		9,606
Benefits paid	(1,352)	1,352			(1,948)	1,948		
Changes in scope					589	(589)		
Closing	**28,797**	**(28,797)**	**(1,334)**	**(5,335)**	**23,480**	**(23,480)**	**(3,160)**	**9,606**

Movements in the International post-employment benefit obligation break down as follows:

(in thousands of euros)	30 June 2016				31 December 2015			
	Present value of obligation (*)	Provisions on balance sheet	Profit or loss	OCI	Present value of obligation (*)	Provisions on balance sheet	Profit or loss	OCI
Opening	27,736	(27,736)			14,851	(14,851)		
Current service cost	1,677	(1,677)	(1,677)		1,287	(1,287)	(1,287)	
Interest cost	66	(66)	(66)		261	(261)	(261)	
Expected return on assets					(137)	137	137	
Employer's contributions	(381)	381	381		(629)	629	629	
Actuarial gains or losses					5,579	(5,579)		(5,579)
Past service cost					(189)	189	189	
Changes in scope					5,206	(5,206)		
Other (translation adjustment, reclassification, etc.)	3,206	(3,206)			1,507	(1,507)		
Closing	**32,304**	**(32,304)**	**(1,362)**		**27,736**	**(27,736)**	**(593)**	**(5,579)**

The main actuarial assumptions at 30 June 2016 were:

	30 June 2016		31 December 2015	
	France	International	France	International
Discount rate	0.78%	between 0.85% and 1.20%	1.96%	between 0.85% and 1.20%
Annual rate of salary increase taking account of inflation	2.50%	between 1.25% and 1.75%	2.50%	between 1.25% and 1.75%
Expected rate of return on plan assets	NA	between 1% and 1.20%	NA	between 1% and 1.20%
Retirement age	65	65	65	65
Social security contribution rate	Average actual rate		Average actual rate	

The actuarial gains or losses recognised in equity arise from changes in financial assumptions (discount rate).

At 30 June 2016, sensitivity of the French post-employment benefit obligation to a 0.5% increase in the discount rate was €2.3 million.

3.11 - Financial liabilities and cash and cash equivalents

Orpea's net debt breaks down as follows:

(in thousands of euros)	**30 June 2016 Net**	**31 December 2015**
Bonds	720,436	704,089
Finance lease obligations	798,536	789,162
Bridging loans	681,243	557,978
Other borrowings and financial liabilities	1,856,174	1,681,978
Total gross financial liabilities (*)	**4,056,387**	**3,733,207**
Cash	(631,058)	(491,824)
Cash equivalents	(26,928)	(27,101)
Total net financial liabilities (*)	**3,398,401**	**3,214,282**

(*) Including liabilities associated with assets held for sale

Changes in financial liabilities during the first half 2016 break down as follows:

(in thousands of euros)	31-déc-15	Increase	Decrease	Changes in scope	**30-juin-16**
Bonds	704,089	16,347			**720,436**
Finance lease obligations	789,162	73,640	(64,266)		**798,536**
Bridging loans	557,978	291,531	(168,266)		**681,243**
Other borrowings and financial liabilities	1,681,978	267,153	(122,802)	29,845	**1,856,174**
Total gross financial liabilities (*)	3,733,207	648,671	(355,334)	29,845	**4,056,387**
Cash and cash equivalents	(518,925)	(139,061)			**(657,986)**
Total net financial liabilities (*)	3,214,282	509,610	(355,334)	29,845	**3,398,401**
Liabilities associated with assets held for sale	(200,000)	28,193			**(171,807)**
Net financial liabilities excluding liabilities associated with assets held for sale	3,014,282	537,803	(355,334)	29,845	**3,226,594**

(*) Including liabilities associated with assets held for sale

The following table shows a breakdown of net debt by maturity:

	30 June 2016	Under one year (*)	One to five years	Over five years
Bonds	720,436	(735)	551,330	169,841
Finance lease obligations	798,536	137,179	332,813	328,544
Bridging loans	681,243	92,469	587,878	896
Other borrowings and financial liabilities	1,856,174	276,103	1,120,988	459,083
Total gross financial liabilities (*)	**4,056,387**	505,016	2,593,009	958,364
Cash and cash equivalents	(657,986)			
Total net financial liabilities (*)	**3,398,401**	505,016	2,593,009	958,364

(*) Including liabilities associated with assets held for sale

Debts maturing in more than one year and less than five years break down as follows:

	One to five years	2,018	2,019	2,020	2,021
Bonds	551,330	64,488	235,959	230,985	19,898
Finance lease obligations	332,813	96,910	92,743	71,832	71,328
Bridging loans	587,878	456,960	101,391	24,971	4,556
Other borrowings and financial liabilities	1,120,988	282,801	226,288	340,228	271,671
Total gross financial liabilities per year	**2,593,009**	901,159	656,381	668,016	367,453

Financing policy

The Group's financing can be broken down into three categories:

- financing operating properties through finance leases or bank loans repayable over a typical period of 12 years;

- financing the acquisition of facilities, operating licences, etc., mainly through bank loans repayable over a period of 5 or 7 years;

- financing properties recently acquired or in the course of redevelopment or construction through bridging loans.

  Bridging loans comprise financing lines dedicated to a specific project and general bank credit lines. These properties are intended either to be sold to third parties or to be kept by the Group, in which case they are usually subsequently refinanced through finance leases.

The Group's expansion policy requires it to regularly obtain new bank credit facilities or sell properties to investors.

Banking covenants

Certain loans taken out by the Group, other than property finance leases, have been subject to the following contractually defined covenants since 31 December 2006:

R1 = consolidated net debt (excluding property debt)

consolidated EBITDA - 6% of property debt

and

R2= consolidated net debt

Equity + quasi equity (i.e. deferred tax liabilities arising on the revaluation of intangible assets in the consolidated financial statements)

At 30 June 2016, these ratios stood at 2.5 and 1.5 respectively, within the required limits of 5.5 for R1 and 2.0 for R2 at 30 June 2016.

Bonds

ORNANE bond issue: On 9 July 2013, Orpea issued bonds with a cash redemption option and/or convertible into new or existing shares (ORNANE) with an entitlement date of 17 July 2013 and maturing on 1 January 2020. The terms and conditions of these bonds can be found in the securities note approved by the AMF under no. 13-338 on 9 July 2013.

The 4,260,631 bonds have a par value of €46.56 each, and a total par value of €198 million.

The coupon payable on the bonds is 1.75% per year throughout the life of the bonds, payable six-monthly in arrears.

The ORNANE agreement gives bondholders the option to convert their bonds into cash or new shares, from the issue date up to the 18th trading day (exclusive) prior to 1 January. Orpea may, however, exercise a right of early redemption if the share price exceeds 130% of the par value of the bond, but only from 1 February 2017.

The right to receive shares constitutes a derivative for the purposes of IAS 39, with any change in fair value being recognised in profit or loss.

In effect, Orpea enjoys a call option on its own securities in the event the threshold of 130% of the benchmark price is exceeded, but over a more limited exercise period and the bondholder, enjoying an exercise right in the event of early redemption by Orpea, holds a cross call option enabling it to lock in its gain.

The agreement also contains standard anti-dilution provisions in the event of capital increases, the distribution of reserves (including earnings for the 2012-2018 period), etc.

Other bonds:

In addition to the bonds subscribed to previously, as set out in note 3.12 to the financial statements at 31 December 2015, the Orpea Group carried out a bond issue in first-half 2016, similar to the €6 million bond issue in 2015, for a total amount of €13 million, with 130 bonds at a unit price of €100,000 (securities note approved by the AMF under no. 15-635).

Cash

At 30 June 2016, cash and cash equivalents comprised €26,928 thousand in short-term investments such as risk-free money-market mutual funds and €631,058 thousand in bank deposits.

3.12 - Change in the fair value of the entitlement to the allotment of shares from ORNANE bonds

Since the launch, the fair value of the entitlement to the allotment of shares from ORNANE bonds has changed as follows:

	(in thousands of euros)
Change in 2013	4,893
Change in 2014	25,100
Change in 2015	43,000
Change in first-half of 2016	
Total change since inception	**72,993**

As there was no change in the fair value of the entitlement to the allotment of shares from ORNANE bonds between 31 December 2015 and 30 June 2016, no change was recognised in net finance costs in the period. On the basis of data at 30 June 2016, a +/- 10% change in the price of the Orpea stock would produce a +/- €7 million change in the value of the option, impacting profit or loss.

3.13 - Financial Instruments

3.13.1 Interest rate risk

Interest rate risk management strategy:

The Group's debt mainly comprises domestic debt at floating rates and is therefore exposed to the risk of an increase in short-term rates in the euro zone.

The Group's strategy consists of hedging three quarters of its current net debt against the risk of changes in interest rates. To do this, it uses fixed-rate loans or financial instruments to hedge its floating-rate debt. These financial instruments take the form of interest rate swaps under which it receives mainly three-month Euribor and pays a fixed rate specific to each contract, and interest rate options (caps, collars etc.). These financial instruments are qualified as cash flow hedges in accordance with IAS 39. Unrealised gains and losses arising from the remeasurement of these derivatives at fair value are recognised in equity at the year end.

The use of hedging products to limit interest rate risk exposes the Group to counterparty risk. Counterparty risk is the risk of replacing a hedge at current market rates in the case a counterparty defaults. The Group did not identify any significant impact from this risk in the course of its analysis.

Interest rate derivatives portfolio:

At 30 June 2016, the derivatives portfolio included fixed for floating (mainly three-month Euribor) interest rate swaps and interest rate options. These derivative instruments have either a constant or decreasing nominal profile.

At the end of first-half 2016, the maturity of interest rate derivatives was as follows:

	Maturity (€m)				
	2016	2017	2018	2019	2020
Average notional (€m)	1,899	1,906	1,904	1,890	1,846
Effective rate	1.4%	1.4%	1.3%	0.9%	0.8%

At the end of 2015, the maturity of the interest rate derivatives was as follows:

	Maturity (€m)				
	2016	2017	2018	2019	2020
Average notional (€m)	1,403	1,396	1,348	1,285	1,211
Effective rate	1.8%	1.7%	1.6%	1.1%	1.0%

At 31 June 2016, fair value changes on these cash flow hedges accumulated in equity amounted to (€115.7) million.

In addition, SeneCura uses derivative trading instruments (excluding the Group's cash flow hedging portfolios) subscribed prior to the takeover by the Orpea Group, the value of which at 30 June 2016 was (€2.4) million.

At 31 December 2015, fair value changes on these cash flow hedges accumulated in equity amounted to (€82.5) million.

Analysis of sensitivity to changes in interest rates:

The impact of a +/- 1% change in interest rates on the Group's earnings stems from:

- the change in interest payable on floating-rate net debt;
- changes in the fair value of hedging instruments.

The fair value of hedging instruments is sensitive to changes in interest rates and in volatility. This latter is assumed to be constant for the purposes of the analysis.

At 30 June 2016, net debt amounted to €3,398 million, of which around 36% was contracted at fixed rates and the remainder at floating rates.

Taking account of the hedges:

- the impact of a 1% (100 basis points) rise in interest rates would increase the Group's financial expense by €3.9 million (before tax and capitalisation of financial expenses);
- the impact of a 0.2% drop (20 basis points given current interest rate levels) would have no impact on financial expense.

Movement in cash flow hedging reserve:

(in thousands of euros)	30 June 2016	31 December 2015
Opening hedging reserve	(82,498)	(102,490)
Change in equity fair value for the period	(17,550)	51,267
Fair value recognised in profit and loss for the period	(15,673)	(31,275)
Impact on comprehensive income for the period	(33,223)	19,992
Closing hedging reserve	**(115,721)**	**(82,498)**

3.13.2- Value of financial assets excluding derivatives

(in thousands of euros)	30 June 2016	31 December 2015
Equity investments	12,516	13,752
Other non-current financial assets	16,009	16,206
Short-term investments	26,928	27,101
Financial assets excluding derivatives	**55,453**	**57,059**

3.14 - Trade Payables

	30 June 2016 Net	31 December 2015 Net
Net trade and related payables	248,675	254,137
Trade payables	**248,675**	**254,137**

3.15 - Tax and payroll liabilities

The change in tax and payroll liabilities is linked to the Group's robust expansion. It is the consequence of the higher number of employees and the VAT increase connected to the Group’s construction projects.

3.16 - Other liabilities, accruals and prepayments

	30 June 2016 Net	31 December 2015 Net
Development-related liabilities	63,634	50,992
Security deposits	52,863	49,217
Commitments to work on buildings sold	1,201	1,323
Client accounts in credit	1,359	1,133
Other prepaid income	22,743	19,689
Derivative financial instruments	118,120	87,188
Advances and downpayments received	15,964	17,749
Dividends	54,246	
Current accounts (associated and related parties)	7,968	10,754
Other	30,894	35,680
Total	**368,993**	**273,724**

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

3.17 - Liabilities associated with assets held for sale

Liabilities associated with assets held for sale corresponds to the debt that financed these assets.

3.18 – Segment information

	30 June 2016	30 June 2015
Revenue		
France	835,927	788,184
Belgium	79,620	77,600
Spain	34,468	31,375
Italy	23,828	22,211
Switzerland	70,628	62,293
Germany	246,625	105,400
Austria	84,104	35,343
Poland	5,300	
Total	**1,380,501**	**1,122,405**
Recurring operating profit before rent and depreciation, amortisation and provisions		
France	236,934	218,261
Belgium	13,617	13,958
Spain	7,437	6,646
Italy	4,108	3,359
Switzerland	28,365	25,740
Germany	61,994	28,349
Austria	15,330	7,261
Poland	754	
Total	**368,540**	**303,574**
Assets		
France	4,852,537	5,174,000
Rest of Europe	2,959,429	1,579,384
Total	**7,811,967**	**6,753,385**
Liabilities excluding equity		
France	4,235,733	4,031,124
Rest of Europe	1,774,062	981,342
Total	**6,009,795**	**5,012,467**

Amounts paid for the acquisition of segment assets are disclosed in note 2.

3.19 - Other non-recurring operating income and expense

(in thousands of euros)	30 June 2016	30 June 2015
Proceeds from property transactions	50,066	78,013
Cost of property transactions	(43,108)	(61,409)
Provision reversal	3,686	2,022
Provision charge	(4,859)	(2,847)
Other income	16,180	22,985
Other expense	(17,396)	(26,231)
Other non-recurring operating income and expense	**4,571**	**12,533**

Other non-recurring operating income and expense mainly comprises net gains on sales of property assets for €7 million, income and expense from acquisitions through business combinations for €13 million and expenses associated with the redevelopment of recently acquired facilities and other development costs for €11 million.

Profit on property development recognised using the percentage of completion method includes:

(in thousands of euros)	30 June 2016	30 June 2015
Sale price	21,432	37,811
Cost	(16,296)	(25,513)
Gains on sales of off-plan properties	**5,135**	**12,297**

3.20 - Net finance cost

	30 June 2016	30 June 2015
Interest on bank debt and other financial liabilities	(38,083)	(32,888)
Interest on finance leases	(6,727)	(6,809)
Net expense on interest rate derivatives	(15,673)	(15,896)
Capitalised borrowing costs (*)		
Financial expenses	**(60,483)**	**(55,593)**
Interest income	88	175
Capitalised borrowing costs (*)	6,880	7,317
Net income on interest rate derivatives		
Interest income	**6,968**	**7,492**
Net financial cost ……………………………………………………….	**(53,515)**	**(48,101)**

(*) calculated at a rate of 4% at 30 June 2016, compared with 4.15% at 30 June 2015, for facilities under construction or redevelopment

3.21 Income Tax Expense

Orpea SA has elected for group tax relief with all its French subsidiaries that are more than 95% owned. All subsidiaries that meet this condition are included in the tax consolidation group except for those acquired during the first half 2016.

(in thousands of euros)	30-juin-16	30-juin-15
Current income taxes	(34,311)	(36,924)
Deferred income taxes	(6,101)	7,063
Total	**(40,411)**	**(29,861)**

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

(in thousands of euros)	30-juin-16	31-déc-15
Fair value of intangible assets	(492,708)	(492,696)
Fair value of PPE (*)	(341,502)	(338,739)
Finance leases	(100,563)	(91,268)
Timing differences	(5,189)	(5,110)
Tax loss carryforwards	35,609	36,389
Deferral of capital gains	802	876
Employee benefits	11,994	10,157
CVAE deferred tax (**)	(6,418)	(6,580)
Financial instruments and other	87,035	71,646
Total	**(810,939)**	**(815,325)**

(*) Including €160.2 million of deferred tax relating to the revaluation of properties (see Note 3.3.2)

(**) Deferred tax recognised in accordance with IAS 12 on depreciable property, plant & equipment and amortisable intangible assets of French entities subject to CVAE tax as of 1 January 2010

Deferred taxes calculated on the basis of the IFRS valuation of intangible assets came to €493 million at 30 June 2016. These intangible assets are not held for sale.

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

(in thousands of euros)	30 June 2016	31 December 2015
Assets	35,609	36,389
Liabilities	(846,548)	(851,714)
Net	**(810,939)**	**(815,325)**

The difference between the theoretical tax rate, i.e. 34.43% in 2016, and the effective tax rate appearing in the income statement, breaks down as follows:

(in thousands of euros)	**30 June 2016**	**30 June 2015**
Effective rate:	**34.86%**	**35.05%**
- Permanent differences:	-1.42%	1.10%
- Business combinations:	4.17%	9.35%
- Impact of reduced tax rates:	1.04%	0.88%
- Impact of companies accounted for at equity	0.43%	0.70%
- Impact of foreign companies	1.53%	-0.38%
- Other	0.24%	-0.57%
(tax on company added value)	-6.42%	-8.13%
Theoretical rate	**34.43%**	**38.00%**

3.22 - Commitments and Contingent liabilities

3.22.1 - Off-balance sheet commitments

Debt-related commitments

	30 June 2016	**31 December 2015**
Contractual commitments	1,758,894	1,860,756
Contractual commitments	**1,758,894**	**1,860,756**

Debt-related commitments mainly stem from pledges, mortgages, collateral and other securities.

Commitments relating to the Group's operations

Lease commitments

Minimum future lease payments on finance leases break down as follows at 30 June 2016:

	Minimum future payments
Under one year	105,659
One to five years	381,130
Over five years	585,134
Total	**1,071,923**

Operating lease commitments break down as follows at 30 June 2016:

	Minimum future payments
Under one year	302,191
One to five years	1,210,104
Over five years	2,936,249
Total	**4,448,544**

The Group mainly enters into leases with a non-cancellable period of 12 years in France and an average term of 21 years in Switzerland, 17 years in Germany, 20 years in Austria and 27 years in Belgium.

Commitments relating to the scope of consolidation

At 30 June 2016, conditional commitments to acquire facilities, operating licences and land, subject to a number of conditions precedent being met, amounted to €7 million.

In terms of the 45% stake held via PCM Santé, the following conditional commitments were exchanged for a possible acquisition of a 100% controlling interest:

- promise of purchase approved by Orpea until 2021;
- promise of sale approved by the current majority shareholders from 2021;
- rent guarantee for a clinic until 2044.

In terms of the 49.9% stake in Immobilière de Santé, the following commitments were exchanged for a possible acquisition of a 100% controlling interest:

- sale undertaking given to Orpea between 1 July 2018 and 30 June 2019;
- promise of purchase by Orpea between 1 July 2019 and 30 June 2020.

In addition, from second-half 2016 the Group will be able to issue securities against 51% of the share capital of the two companies.

Commitments received

The Group has been given a pledge over land in Spain as collateral for a €2.2 million loan granted by Orpea SA.

It also has call options over property assets currently leased in Belgium.

3.22.2 - Contingent liabilities

Management broadly believes that the provisions recognised on the balance sheet for known disputes involving the Group should be sufficient to avoid any substantial impact on the Group's financial position or results.

3.23 - Analysis of financial assets and liabilities in accordance with IFRS 7

Financial assets and liabilities in accordance with IFRS 7 break down as follows:

			Carrying amount		Fair value	
(in thousands of euros)	Balance sheet classification	Level (*)	**30-juin-16**	**31-déc.-15**	**30-juin-16**	**31-déc.-15**
HELD-TO -MATURITY ASSETS			**0**	**0**	**0**	**0**
Bonds and negotiable debt securities	Cash and cash equivalents					
LOANS AND RECEIVABLES			**532,470**	**498,133**	**532,470**	**498,133**
Short-term loans	Short-term loans					
Long-term loans	Non-current financial assets	2	16,009	16,206	16,009	16,206
Receivables related to asset disposals	Non-current financial assets	2	23,740	25,102	23,740	25,102
Security deposits	Short-term receivables related to asset disposals		6,522	6,976	6,522	6,976
Other receivables	Other receivables	2	353,871	322,440	353,871	322,440
Trade receivables	Trade receivables	2	132,328	127,409	132,328	127,409
AVAILABLE-FOR-SALE FINANCIAL ASSETS			**0**	**0**	**0**	**0**
Equity investments	Non-current financial assets					
Other						
FINANCIAL ASSETS AT FAIR VALUE			**657,986**	**518,925**	**657,986**	**518,925**
Interest rate derivatives						
Currency derivatives						
Mutual funds	Cash and cash equivalents	1	26,928	27,101	26,928	27,101
CASH	Cash and cash equivalents	1	631,058	491,824	631,058	491,824
FINANCIAL ASSETS			**1,821,514**	**1,017,058**	**1,821,514**	**1,017,058**

(*) Level 1: financial assets and liabilities listed on an active market, where fair value is the listed price.

(*) Level 2: financial assets and liabilities not listed on an active market, where fair value is measured using observable market inputs.

(*) Level 3: financial assets and liabilities listed on an active market, for which there are no observable market inputs that can be used to measure fair value reliably.

(in thousands of euros)	Balance sheet classification	Level (*)	Carrying amount 30-juin-16	Carrying amount 31-déc.-15	Fair value 30-juin-16	Fair value 31-déc.-15
FINANCIAL LIABILITIES AT FAIR VALUE			**191,113**	**160,181**	**191,113**	**160,181**
Currency derivatives	Other liabilities					
Interest rate derivatives	Other liabilities	2	118,120	87,188	118,120	87,188
Change in the fair value of the entitlement to the allotme		2	72,993	72,993	72,993	72,993
Other obligations	Other liabilities					
FINANCIAL LIABILITIES AT AMORTISED COST			**4,555,937**	**4,173,880**	**4,671,403**	**4,225,340**
Bonds convertible, exchangeable or redeemable	Non-current and current financial liabilities	1	720,436	704,089	835,902	755,549
Bank borrowings	Non-current and current financial liabilities	2	2,537,417	2,239,956	2,537,417	2,239,956
Finance lease obligation	Non-current and current financial liabilities	2	798,536	789,162	798,536	789,162
Other liabilities	Recurring liabilities	2	250,873	186,536	250,873	186,536
Trade payables	Trade payables	2	248,675	254,137	248,675	254,137
FINANCIAL LIABILITIES			**4,747,050**	**4,334,061**	**4,862,516**	**4,385,521**

(*) Level 1: financial assets and liabilities listed on an active market, where fair value is the listed price.

(*) Level 2: financial assets and liabilities not listed on an active market, where fair value is measured using observable market inputs.

(*) Level 3: financial assets and liabilities listed on an active market, for which there are no observable market inputs that can be used to measure fair value reliably.

3.24 - Related-party transactions

Related-party transactions

As part of its activity, the Orpea Group carries out various transactions with related parties within the meaning of IAS 24.

During this period, the impacts were as follows:

- Advances granted by the Orpea Group to associates and joint ventures as well as related parties amounted to €105 million at 30 June.
- Advances granted to Orpea Group by associates and joint ventures as well as related parties amounted to €8 million at 30 June 2016.
- Orpea Group leases certain operating premises from related parties within the meaning of IAS 24 "Related Party Disclosures". €8.5 million in lease payments were expensed in this respect during the period.

3.25 - Events after the Reporting Period

Orpea continued its expansion with the acquisition of the Spanish group SANYRES in July 2016, with 18 facilities (3,300 beds).

In July 2016, the Group also issued a new Schuldscheindarlehen-type loan for an amount of €291.5 million.

3.26 - Scope of consolidation at 30 June 2016

The main companies that enable the Orpea Group to carry out its activity and to manage its property portfolio are:

Consolidated Companies	Control Group	Interest Group	Consolidation Method
SA ORPEA	100%	100%	Parent
SAS CLINEA	100%	100%	FC
SARL NIORT 94	100%	100%	FC
DOMIDOM – ADHAP	100%	100%	FC
SA ORPEA BELGIUM	100%	100%	FC
ORPIMMO	100%	100%	FC
ORPEA ITALIA SRL	100%	100%	FC
CASAMIA IMMOBILIARE	100%	100%	FC
ORPEA IBERICA	100%	100%	FC
SL DINMORPEA	100%	100%	FC
SENEVITA AG	100%	100%	FC
SILVER CARE GROUP	100%	100%	FC
CELENUS	100%	100%	FC
SENECURA	100%	100%	FC
MEDISYSTEM	100%	100%	FC
CEESCH	100%	100%	FC
GCSE	100%	100%	FC

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

We declare that, to the best of our knowledge and belief, the condensed interim consolidated financial statements have been prepared in accordance with the applicable accounting standards and present fairly in all material respects the assets, liabilities, financial position and results of operations of the company and the consolidated companies comprising the Orpea Group for the six months ended 30 June 2014, and that the interim business report provides a true and fair view of the significant events that occurred during the first six months of the year and their impacts on the half-year financial statements, as well as descriptions of the main transactions between related-parties and the key risks and uncertainties for the remaining six months of the year.

Puteaux, 7 October 2016.

Dr Jean-Claude Marian Chairman	Yves Le Masne CEO

4 - STATUTORY AUDITORS' REPORT

This is a free translation into English of the statutory auditors' review report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' review report also includes information relating to the specific verification of information in the group management report.
The statutory auditors' review report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

Saint-Honoré BK&A
140 rue du Faubourg Saint-Honoré
75008 Paris

Deloitte & Associés
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex

Orpea
Société Anonyme
12, rue Jean Jaurès
92813 Puteaux Cedex

STATUTORY AUDITORS' REPORT
on the interim financial information

Period from 1 January to 30 June 2016

To the Shareholders,

In our capacity as Statutory Auditors and pursuant to the provisions of article L.451-1-2 III of the French Monetary and Financial Code, we have:

- carried out a review of the Orpea Group's condensed interim consolidated financial statements for the period from 1 January to 30 June 2016 as attached to this report;
- we have also reviewed the information provided in the interim business report.

The Board of Directors is responsible for the preparation and presentation of the condensed interim consolidated financial statements. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review consists of making enquiries, primarily of management members responsible for accounting and financial matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with professional

standards in France and therefore provides a lower level of assurance that the financial statements as a whole are free from material misstatement.
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 on Interim Financial Reporting, as adopted in the European Union.

II. Specific investigations and disclosures

We also reviewed the information provided in the interim financial report, commenting on the interim condensed consolidated financial statements reviewed by us. We have no matters to report as to its fairness or its consistency with the condensed interim consolidated financial statements.

Paris and Neuilly-sur-Seine, 7 October 2016
The Statutory Auditors

Saint-Honoré BK&A	Deloitte & Associés
Emmanuel Klinger	Joël Assayah