INTERIM FINANCIAL REPORT
Six-month period from 1 January 2019 to 30 June 2019

This financial report has been prepared in accordance with Articles L.451-1-2 of the French Monetary and Financial Code and 222-4 to 222-6 of the AMF's General Regulation.

It will be distributed in line with the standards in force. It is available on the Company's website at www.orpea-corp.com.

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1. INTERIM BUSINESS REPORT

1.1 DEVELOPMENT AND OPTIMISATION OF THE BALANCE SHEET

During the first half of 2019, ORPEA continued to pursue its globalisation strategy via its five regional clusters coupled with the “premiumisation” of its offering and network. The Group thus acquired Axion in Germany (premium nursing homes) and Sinoué in France (premium psychiatric hospitals). In the Netherlands, the Group has strengthened its offering with the acquisition of home care specialist Allerzorg. The Group moved into the lead in Latin America though a 50% equity investment in Senior Suites, the leading operator in Chile, and a 20% stake in BSL, the leader in Brazil.
Finally, the Group continued to optimise its balance sheet with an 8-year €500-million OCEANE convertible bond issue.

Acquisition of Axion in Germany
As part of its selective expansion strategy, ORPEA acquired the facilities of the German group Axion to strengthen its position in the high-end nursing homes segment in Germany.

The Axion group was founded in 2001 by Mr Tavridis, its current CEO. He is regarded as a renowned expert in the German market, given his professional experience of more than 20 years in the nursing homes sector and the successful premium model he built up. Axion operates seven facilities with 985 beds, including two premium facilities (275 beds) in Hamburg.
In 2017, this group’s facilities generated revenue of €30 million.

At the same time, ORPEA and Mr Tavridis are setting up a joint venture, 75%-owned by ORPEA, to develop premium facilities in Germany. The aim of the new joint venture is to create new facilities in Germany’s major cities by focusing solely on locations where purchasing power is very high. Mr Tavridis will be the CEO of the joint venture.

This deal fits perfectly with ORPEA’s strategy of moving the German network upmarket, which aims to create significantly more value over the medium to long term, primarily by building new facilities that stand out from those run by other operators.

Acquisition of September and Allerzorg in the Netherlands
Following the acquisitions of Dagelijks Leven and Woonzorgnet in 2018, ORPEA strengthened its position in the Netherlands by purchasing Allerzorg and September, which generated combined revenue in excess of €61 million in 2017.

Founded in 2006, Allerzorg is a specialist provider of home care services and boasts nationwide coverage. Allerzorg’s addition broadens ORPEA’s offering in the Dutch market and brings on board a high-calibre workforce of qualified employees (94% of employees are qualified nurses).
At the same time, ORPEA has scaled up its presence in nursing homes by acquiring September and its network of 125 beds in seven facilities.

ORPEA’s diversified offering now covers the full span of the long-term care sector in the Netherlands. It operates more than 1,000 beds in the country and has tremendous scope for organic growth given the strength of demand for new beds.

Acquisition of the Sinoué group in psychiatry

Founded in 1998 by a team of psychiatrists and led by its Chairman, Dr Philippe Cléry-Melin, the Sinoué group has become a key player in mental health in France in just 20 years. The group boasts cutting-edge expertise in psychosocial care and rehabilitation, coupled with an excellent standard of accommodation services. It successfully manages a diverse and innovative mental health care offering, treating all types of psychiatric disorders such as depression, addiction, bipolar disorder and sleeping disorders.

The Sinoué group operates seven psychiatric facilities (592 beds), which were recently renovated or built, all of which enjoy a first-class reputation, in particular:

- a hospital in Meudon one of the best-known Parisian facilities of its kind, founded 150 years ago;
- a new 140-bed hospital in Grenoble;
- the prestigious hospital located in Garches, west of Paris;
- the Nightingale hospital in London, a private psychiatric facility located in the Marylebone district in the heart of London.

This transaction, which began 8 years ago with the acquisition of a 40% stake, later increased to 45%, perfectly highlights ORPEA's long-term development strategy.
ORPEA has thus acquired the remaining stake in the Sinoué group[1], which generated revenue of €65 million in 2018.
The acquisition of the Sinoué group is fully in line with ORPEA's strategy of strengthening its premium positioning.

Other developments and equity investments

The Group also continued its targeted acquisition policy, completing deals with a facility in Switzerland and another in Montevideo, Uruguay.
These targeted developments are part and parcel of the Group's strategy for creating value.

Moreover, as part of its expansion strategy in Latin America, ORPEA took strategic positions with first-class partners through:

- a 50% stake in Senior Suites, Chile's leading nursing homes operator, with a 5-year call option on the remaining 50%;
- a 20% stake in Brasil Senior Living (BSL), the Brazilian market leader, with a 5-year call option on the remaining share capital.

In Chile, the Senior Suites Group, founded in 1995, owns the real estate of four facilities (616 beds) that were recently opened and three facilities (350 beds) under construction. These facilities are built to a high specification, with private rooms accounting for 95% of the total, and are located in Santiago's prime districts. For future developments, ORPEA will work with its key partner Cimenta, Chile's state-owned real estate fund, which founded and developed Senior Suites.

In Brazil, Brasil Senior Living (BSL), founded in 2012, is the leading integrated long-term care provider in the country, with nursing homes, post-acute and rehabilitation hospitals, and home care. BSL has a network of 22 facilities (more than 3,000 beds), all located in São Paulo, with nine facilities opened (1,283 beds) and 13 facilities under construction or at the planning stage (1,800 beds).
BSL's real estate strategy is similar to that of ORPEA, with a targeted real-estate ownership rate of 50%.

[1] Transaction subject to authorisation by the French Competition Authority.

BSL is owned by Patria Investments, a leading investment fund in Latin America which operates in partnership with the Blackstone Group (a 40%-shareholder in Patria Investments).

Balance sheet optimisation

In May 2019, ORPEA issued bonds convertible into new or existing shares (OCEANEs) maturing in 2027, i.e., a maturity term of eight years. This transaction garnered enormous interest from investors which allowed the Group to obtain the most favourable conditions, with a conversion premium of 47.5% and a 0.375% coupon. Thanks to this new source of financing at a particularly low cost, ORPEA will be able to step up its growth while optimising its balance sheet.

The Group has also issued a €63 million Schuldschein on its Austrian subsidiary to finance developments in the Eastern Europe cluster. Finally, ORPEA continued its conventional loans, bank loans, finance leases and mortgage loans.

These transactions as a whole contribute to reducing borrowing cost, extending the maturing of its debt and diversifying the credit investor base.

1.2 BUSINESS GROWTH

	H1 2019	H1 2018	*Chg.*
France Benelux	**1,093.2**	1,009.3	*+8.3%*
Central Europe	**473.9**	429.8	*+10.2%*
Eastern Europe	**175.7**	163.0	*+7.8%*
Iberian peninsula and Latam	**96.5**	75.9	*+27.1%*
Rest of the world	**1.4**	0.9	*n/a*
Total revenue	**1,840.6**	1,678.9	*+9.6%*
Of which organic growth[2]			*+4.7%*

Clusters' composition: Central Europe (Germany, Italy, Switzerland), Eastern Europe (Austria, Poland, the Czech Republic), Iberian Peninsula and Latam (Spain, Portugal and Uruguay), Rest of the world (China).

The ORPEA Group, the world leader in long-term care (nursing homes, post-acute and rehabilitation hospitals, psychiatric hospitals, and home care services), posted a 9.6% improvement in revenue during the first half of 2019.

[2] Organic growth in the Group's revenue 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 year or year-earlier period, and the change in revenue of recently-acquired facilities by comparison with the previous equivalent period.

This business growth was mainly driven by the contribution of international acquisitions such as Dagelijks Leven, September and Allerzorg in the Netherlands and Axion in Germany. In parallel with this acquisition-led growth, the Group recorded strong organic growth[2] of +4.7% over the half-year. This strong performance, across all regional clusters, was mainly due to:

- uniformly high occupancy rates across the network in mature facilities;
- the ramp-up in facilities opened over the past two years, predominantly in large towns and cities or in areas with strong purchasing power;
- the successful integration of the groups acquired in recent years;
- further openings of new capacity during the six-month period, consisting of both new facilities and extensions.

FRANCE BENELUX REGION

The France Benelux region includes operations in France, Belgium and the Netherlands. Revenue growth in this region picked up pace, climbing +8.3% to €1,093.2 million. This improvement was due to strong organic growth and the contribution of acquisitions in the Netherlands: Dagelijks Leven consolidated since 1 July 2018, September and Allerzorg consolidated since 1 January 2019.
This cluster represents 59% of the Group's business.

CENTRAL EUROPE REGION

The Central Europe region encompasses operations in Germany, Switzerland and Italy. Revenue in the region posted a strong increase of +10.2% to €473.9 million.
This rise driven by a healthy level of organic growth and the contribution made by acquisitions, in particular that of Axion in Germany, which has been consolidated since 1 January 2019.
Central Europe is the Group’s second largest cluster in terms of revenue and represented 26% of the Group’s business during the first half of 2019.

EASTERN EUROPE REGION

The Eastern Europe region is made up of operations in Austria, the Czech Republic and Poland. Revenue in this region was up +7.8% at €175.7 million, boosted by the impact of many openings in the Czech Republic and Poland. This cluster now represents 10% of the Group's business.

IBERIAN PENINSULA AND LATAM REGION

The Iberian Peninsula and Latam region includes business in Spain, Portugal and the facility acquired in Uruguay. Revenue for this region climbed sharply +27.1% to €96.5 million, thanks to strong organic growth and, above all, the contribution of acquisitions in Uruguay, Portugal and the Ecoplar group acquired in Spain in 2018.
This cluster represents 5% of the Group's business at the end of the first half of 2019.

REST OF THE WORLD REGION

Operations in China make up the Rest of the world region, with €1.4 million in revenue deriving from the facility in Nanjing.

1.3 HALF-YEAR 2019 FINANCIAL RESULTS

In compliance with applicable regulations, the aggregates of the Group's income statement for the first half of 2019 that include the impact of the initial application of IFRS 16 as of 1 January 2019 are presented first below. In addition, the impact of IFRS 16 and the aggregates of the Group's income statement for the first half of 2019 restated for said impact are also presented for comparison purposes with 2018 aggregates.

In €m	H1 2019	Impact of IFRS 16	H1 2019 restated for IFRS 16	H1 2018	*Chg. H1 2019 restated for IFRS 16 / H1 2018*
Revenue	**1,840.6**	**0**	**1,840.6**	**1,679.0**	*+9.6%*
Purchases used and other external expenses	-323.7	0	-323.7	-296.4	*+8.9%*
Staff costs	-986.5	0	-986.5	-886.6	*+11.3%*
Taxes other than on income	-61.7	0	-61.7	-64.5	*-4.3%*
Other recurring operating income and expense	11.0	0	11.0	8.8	*n/a*
EBITDAR	**479.7**	**0**	**479.7**	**440.2**	*+9.0%*
Rental expenses	-15.2	-146.9	-162.1	-150.7	*+7.6%*
EBITDA	**464.5**	**-146.9**	**317.6**	**289.5**	*+9.7%*
Depreciation, amortisation and charges to provisions	-220.4	+121.6	-98.8	-87.7	*+12.6%*
Recurring operating profit	**244.1**	**-25.3**	**218.8**	**201.9**	*+8.4%*
Other non-recurring operating income and expense	15.4	-0.4	15.0	16.0	*n/a*
Operating profit	**259.5**	**-25.7**	**233.8**	**217.9**	*+7.3%*
Net interest expense	-106.3	+32.6	-73.7	-65.2	*+13.1%*
Profit before tax	**153.2**	**+6.9**	**160.1**	**152.8**	*+4.8%*
Income tax expense	-42.6	-1.5	-44.1	-49.0	*-10.0%*
Share in profit/(loss) of associates and joint ventures	4.1	0	4.1	4.3	*n/a*
Net profit attributable to ORPEA's shareholders	114.6	+5.4	120.1	107.6	*+11.6%*

RECURRING OPERATING PROFIT

EBITDAR restated for IFRS 16 (EBITDA before rental expenses) rose +9.0% to €479.7 million, accounting for 26.1% of revenue. Excluding the Allerzorg acquisition, the margin was up 10 basis points at 26.3%, despite the continued solid pace of new openings and restructuring within the Group. With its 600 nurses, home care specialist Allerzorg is an excellent example of the investment required to pave the way for the future growth of ORPEA in the Netherlands.
EBITDAR for the first half of 2019 was the same at €479.7 million, as IFRS 16 impacts leases which are not included in EBITDAR.

By geographical region, the France Benelux EBITDAR margin was down 30 basis points at 28.4%, due to the acquisition of Allerzorg in the Netherlands. The Central Europe EBITDAR margin fell by 40 basis points to 24.4% due to the opening of new facilities and the end of restructuring at the German administrative headquarters. The Eastern Europe EBITDAR margin stood at 16.9% at the end of the first half of 2019, compared with 17.5% at the end of the first half of 2018, due to the opening of many facilities in the Czech Republic and Poland. The Iberian Peninsula and Latam EBITDAR margin was up 340 basis points at 25.3%, mainly due to the absence of new facility openings, acquisitions in Uruguay and Portugal, and the successful integration of past acquisitions, in particular Sanyres, acquired in 2017.

Recurring EBITDA restated for IFRS 16 was up +9.7% to €317.6 million, representing a margin of 17.3% of revenue, a 10 basis point improvement on the first-half 2018 level. This increase was due to a 7.6% rise in rental costs to €162.1 million.
EBITDA for the first half of 2019 stood at €464.5 million following the cancellation of €146.9 million in rent which was transferred to depreciation, amortisation and financial expenses.

Recurring operating profit restated for IFRS 16 was €218.8 million, versus €201.9 million in the first half of 2018, i.e., an increase of +8.4%, after depreciation, amortisation and charges to provisions of €98.8 million (+12.6% due to the increase in the real-estate portfolio).
Recurring operating profit for the first half of 2019 stood at €244.1 million, following an increase of €121.6 million in the depreciation of real estate usage rights.

Operating profit

Net non-recurring gains restated for IFRS 16 reached €15.0 million versus €16.1 million in the first half of 2018. Operating profit restated for IFRS 16 was up +7.3% at €233.8 million, compared with €218.0 million in the first half of 2018.
Operating profit for the first half of 2019 stood at €259.5 million.

Net interest expense

Net interest expense restated for IFRS 16 reached €73.7 million (+13.1%), within a context of sustained investments.
Net interest expense for the first half of 2019 was €106.3 million, due to an additional financial expense relating to lease debt of €32.6 million.

Profit before tax

Profit before tax restated for IFRS 16 came to €160.1 million, up +4.8% from €152.8 million in the first half of 2018.
Profit before tax for the first half of 2019 was €153.2 million.

Net profit

Consolidated companies’ income tax expense restated for IFRS 16 came to €44.1 million.
Lastly, ORPEA’s share in the profit/(loss) of associates contributed income of €4.1 million in the first half, compared with €4.3 million in the year-earlier period.
Net profit attributable to ORPEA’s shareholders restated for IFRS 16 in the first half of 2019 grew +11.6% compared with the first half of 2018 to reach €120.1 million.

Income tax expense for the first half of 2019 was €42.6 million and ORPEA’s share in the profit/(loss) of associates €4.1 million. Net profit attributable to ORPEA’s shareholders for the first half of 2019 thus stood at €114.6 million.

1.4 BALANCE SHEET, DEBT AND REAL-ESTATE PORTFOLIO

At 30 June 2019, Group equity attributable to ORPEA's shareholders restated for IFRS 16 was €3,028 million, compared with €2,969 million at 31 December 2018. After a negative IFRS 16 adjustment of €118 million, Group equity attributable to ORPEA's shareholders stood at €2,910 million at 30 June 2019.

Net financial debt climbed €350 million to €5,372 million[3] compared with 31 December 2018, against a backdrop of strong growth with investments in real estate, operations and the acquisition of minority stakes (BSL in Brazil, Senior Suites in Chile).

At 30 June 2019, the Group's two principal debt ratios were well below the authorised limits:

- financial leverage restated for real estate assets = 2.4x, compared with 2.3x at 31 December 2018;
- adjusted gearing = 1.6x compared with 1.5x at 31 December 2018.

The proportion of net debt accounted for by real estate debt now stands at close to 85%. That strengthens ORPEA's balance sheet, as this debt is backed by high-quality and low-volatility real estate assets operated by the Group.

The average borrowing cost restated for IFRS 16 continued to decrease and stood at 2.8% over the first half of 2019, 10 basis points lower than at 31 December 2018. Net debt is still fully hedged against the risk of an increase in interest rates.
The issue in May 2019 of an 8-year €500m OCEANE bond at an interest rate of 0.375% improved the Group's financial flexibility.

During the first half, ORPEA pressed ahead with its strategy of expanding its real-estate portfolio. Its real estate ownership rate now stands at 48% of all buildings, compared with 47% at 31 December 2018.
At 30 June 2019, ORPEA's portfolio with its developed area of 2,100,000 m^2 was worth a total of €5,961 million[4], an increase of more than €248 million over the six-month period. This strategic, resilient and high-quality asset base is increasingly diversified across the Group's geographical footprint.

Following the application of IFRS 16, on the asset side of the balance sheet, the right to use an asset, which corresponds to the discounting of future rents giving the right to use leased assets, stood at €2,274 million. On the liability side of the balance sheet, the lease commitment stood at €2,426 million; of which €2,202 million under non-current liabilities and €224 million under current liabilities.

1.5 CASH FLOWS

In the first half of 2019, ORPEA's cash flow generated by operating activities came to €244 million, compared with €189 million in the first half of 2018.

Net cash used in investing activities, which includes investments in construction projects and maintenance, acquisitions of real-estate assets and intangible assets, net of real estate and intangible asset disposals, was negative and totalled €605 million, compared with

[3] Excluding €250 million in liabilities associated with assets held for sale.
[4] Excluding the impact of €190 million in real-estate assets held for sale.

€494 million in the first half of 2018. Real estate investments (new builds or acquisitions of buildings) accounted for 63% of these investments.

Net cash generated by financing activities was positive at €541 million, compared with €514 million in the first half of 2018. This includes the €500 million OCEANE bond issue in May 2019.
ORPEA held €947 million in cash at 30 June 2019, compared with €768 million at 31 December 2018.

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

- **SUBSEQUENT EVENTS:**

Further optimisation of the balance sheet
As every year, ORPEA went ahead with a Schuldschein issue in July 2019. The €233 million raised from the 5- to 12-year maturities will be devoted to funding future development and will help extend the maturity of its debt through the redemption of shorter maturities.

Investments in innovation
ORPEA decided to support the growth of Bordeaux e-health start-up Exelus. The Group has invested with the start-up to continue the development of the Nomadeec telemedicine solution by taking a 28% stake in its capital. This partnership will help adapt telemedicine to the specific needs of health facilities, nursing homes, post-acute hospitals and psychiatric facilities. ORPEA intends to maintain a minority interest to enable the roll-out of this solution to all players in the sector.

- **LONG-TERM VISIBILITY**

ORPEA already has a solid growth pipeline of more than 17,000 beds under construction and is continuing to strengthen it significantly with numerous new projects in the world's largest cities. In addition to this organic growth, ORPEA is continuing to apply its targeted acquisition strategy to many-carefully selected opportunities.

For 2019, the Group has confirmed its goal of generating revenue in excess of €3,700 million (+8.2% compared with 2018), strong profitability and a plan to sell €250 million in real estate on a forward 12-month basis.

- **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks remain identical to those presented on pages 67 to 71 in Chapter 2.6.2 of the 2018 Registration Document filed with the Autorité des Marchés Financiers on 10 May 2019 under no. D.19-0474.
We are not aware of any significant disputes or litigation liable to affect the Group's financial position at the date of the financial statements.

- **RELATED PARTIES**

There have been no significant changes to the information presented on pages 191 to 194 in Chapter 4.8.3 of the Company's 2018 Registration Document.
Please also refer to Note 3.25 to the interim consolidated financial statements in this report.

2. FINANCIAL STATEMENTS

ORPEA

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

SA ORPEA *Société Anonyme* (public limited company) with share capital of €80,769,796
Registered on the Nanterre Trade and Companies Registry under no. 401 251 566/APE Code 853 D

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

Consolidated income statement

(in thousands of euros)	*Notes*	30-Jun-19	30-Jun-18
REVENUE		**1,840,585**	**1,678,993**
Purchases used and other external expenses		(338,873)	(447,128)
Staff costs		(986,506)	(886,642)
Taxes other than on income		(61,693)	(64,488)
Depreciation, amortisation and charges to provisions		(220,401)	(87,691)
Other recurring operating income		15,581	13,749
Other recurring operating expense		(4,629)	(4,930)
Recurring operating profit		**244,066**	**201,865**
Other non-recurring operating income	*3.20*	44,744	98,265
Other non-recurring operating expense	*3.20*	(29,325)	(82,207)
OPERATING PROFIT		**259,485**	**217,923**
Financial income	*3.21*	7,109	5,413
Financial expense	*3.21*	(113,431)	(70,576)
Net financial result		**(106,322)**	**(65,163)**
PROFIT BEFORE TAX		**153,162**	**152,760**
Income tax expense	*3.22*	(42,583)	(48,995)
Share in income of associates and joint venture	*3.5*	4,067	4,313
CONSOLIDATED NET PROFIT		**114,646**	**108,079**
Attributable to non-controlling interest		13	504
Attributable to Orpea's shareholders		**114,633**	**107,574**
Net change in FVO			
NET PROFIT ATTRIBUTABLE TO ORPEA'S SHAREHOLDERS		114,633	107,574
Number of shares		64,615,837	64,586,323
Basic earnings per share (€)		1.77	1.67
Diluted earnings per share (€)		1.77	1.67

The accompanying notes are an integral part of the financial statements

Statement of comprehensive income

(in thousands of euros)		30-Jun-19	30-Jun-18
Net profit for the year	*a*	**114,633**	**107,574**
Change in exchange differences		592	2,555
Available-for-sale financial assets			
Cash flow hedges		(49,728)	(15,008)
Extended income/(loss) from equity accounted entities			
Tax effect on items that may be reclassified as income		12,842	3,876
Total items that may be reclassified as income	*b*	(36,293)	(8,577)
Comprehensive income net of items that may be reclassified as income	*a+b*	**78,340**	**98,997**
Actuarial gains/(losses)			679
Revaluation of property assets			
Tax effect on items that will not be reclassified as income		0	(175)
Total items that will not be reclassified as income	*c*	0	504
Comprehensive income after items that will not be reclassified as income	*a+b+c*	**78,340**	**99,500**
Other comprehensive income (net of tax)	*b+c*	**(36,293)**	**(8,073)**
Comprehensive income	*a+b+c*	**78,340**	**99,501**

Consolidated balance sheet

(in thousands of euros)	*Notes*	**30-Jun-19**	**31-Dec-18**
Assets			
Goodwill	*3.1*	1,238,706	1,137,160
Intangible assets, net	*3.2*	2,404,149	2,256,670
Property, plant and equipment, net	*3.3*	5,392,963	5,267,667
Assets under construction	*3.3*	585,427	445,627
Right of use of assets	*3.4*	2,273,718	
Investments in associates and joint ventures	*3.5*	153,094	111,136
Non-current financial assets	*3.6*	42,325	42,161
Deferred tax assets	*3.22*	89,512	43,383
Non-current assets		**12,179,894**	**9,303,806**
Inventories		10,128	9,697
Trade receivables	*3.7*	270,740	229,964
Other assets, accruals and prepayments	*3.8*	661,078	626,626
Cash and cash equivalents	*3.13*	947,286	767,987
Current assets		**1,889,232**	**1,634,274**
Assets held for sale		**251,521**	**206,493**
TOTAL ASSETS		**14,320,647**	**11,144,573**

Liabilities and equity			
Share capital		80,770	80,733
Consolidated reserves		2,194,108	2,110,438
Revaluation reserves		520,834	557,720
Net profit for the year		114,633	220,391
Equity attributable to ORPEA's shareholders	*3.10*	**2,910,346**	**2,969,282**
Non-controlling interests		1,406	1,392
Total consolidated equity		**2,911,751**	**2,970,675**
Non-current financial liabilities	*3.13*	5,815,350	5,104,441
Lease commitments		2,201,487	
Provisions	*3.12*	109,368	114,851
Post-employment and related benefit obligations	*3.12*	84,061	83,717
Deferred tax liabilities	*3.22*	1,000,775	930,770
Non-current liabilities		**9,211,041**	**6,233,778**
Current financial liabilities	*3.13*	501,979	685,224
Short-term lease commitments		224,420	
Provisions	*3.12*	27,182	32,489
Trade payables	*3.15*	235,353	268,456
Tax and payroll liabilities	*3.16*	355,845	363,170
Current income tax liabilities		0	25,374
Other financial liabilities, accruals and prepayments	*3.17*	601,555	358,914
Current liabilities		**1,946,334**	**1,733,627**
Liabilities associated with assets held for sale		**251,521**	**206,493**
TOTAL EQUITY AND LIABILITIES		**14,320,647**	**11,144,573**

The accompanying notes are an integral part of the financial statements

Consolidated cash flow statement

(in thousands of euros)	*Notes*	30-Jun-19	30-Jun-18
Cash flow from operating activities			
● Net profit of consolidated companies		114,633	107,574
● Elimination of non-cash income and expense related to operating activities (*)		68,322	68,566
Net financial result	*3.21*	106,322	65,163
● Gains on asset disposals not related to operating activities, net of tax		0	(12,226)
Gross cash flow from operations generated by consolidated companies		**289,277**	**229,077**
● Change in the operating working capital requirement			
- Inventories		(405)	(679)
- Trade receivables	*3.7*	(39,844)	(38,349)
- Other receivables	*3.8*	48,937	13,672
- Tax and payroll liabilities	*3.16*	902	45,891
- Trade payables	*3.15*	(2,975)	21,037
- Other financial liabilities	*3.17*	(51,852)	(81,680)
Net cash generated by/(used in) operating activities		**244,040**	**188,969**
Cash flow from investing and development activities			
● Real estate investments		(380,033)	(219,027)
● Disposals of real estate		0	19,027
● Acquisition of other non-current assets used in operations		(225,702)	(301,263)
● Current accounts and other movements		116	7,151
Net cash generated/(used by) investing activities		**(605,619)**	**(494,112)**
Net cash generated/(used by) financing activities			
● Net cash inflows/(outflows) related to bridging loans and bank overdrafts	*3.13*	53,606	(18,507)
● Proceeds from new finance leases	*3.13*	56,979	102,583
● Proceeds from other borrowings	*3.13*	1,090,959	906,363
● Repayments of other borrowings	*3.13*	(434,453)	(313,325)
● Repayments under finance leases	*3.13*	(119,891)	(98,228)
● Net financial result and other changes	*3.21*	(106,322)	(65,163)
Net cash generated/(used by) financing activities		**540,878**	**513,723**
Change in cash and cash equivalents		**179,299**	**208,580**
Cash and cash equivalents at beginning of period		767,987	613,898
Cash and cash equivalents at end of period		**947,286**	**822,478**
Analysis of cash and cash equivalents at end of period		**947,286**	**822,478**
● Cash equivalents	*3.13*	123,946	132,701
● Cash	*3.13*	823,340	689,777

The accompanying notes are an integral part of the financial statements

(*) Of which mainly depreciation, amortisation and charges to provisions, deferred taxes, share in income of associates, excess of fair value of assets and liabilities acquired, redevelopment costs, non-recurring expenses arising from the acquisition of facilities, IFRS 16 income and expenses.

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	Profit (loss)	Total attributable to Orpea's shareholders	Non-controlling interests	Total
31-Dec-18	**64,586,323**	**80,733**	**950,642**	**557,720**	**1,159,796**	**220,391**	**2,969,283**	**1,392**	**2,970,675**
Change in value of real estate							0		0
Post-employment benefit obligations							0		0
Financial instruments				(36,886)			(36,886)		(36,886)
Exchange differences					592		592		592
Impact of the measurement of deferred taxes							0		0
Change in value recognised directly in equity		**0**	**0**	**(36,886)**	**592**	**0**	**(36,293)**	**0**	**(36,293)**
Appropriation of net profit					142,852	(220,391)	(77,539)		(77,539)
Profit or loss at 30 June 2019						114,633	114,633	13	114,646
OCEANE					51,839		51,839		51,839
Other					(7,664)		(7,664)		(7,664)
Other (IFRS 16)					(112,318)		(112,318)		(112,318)
Bonus share allotment plan	29,514	37	(37)		8,405		8,405		8,405
Cancellation of treasury shares							0		0
30-Jun-19	**64,615,837**	**80,770**	**950,605**	**520,834**	**1,243,503**	**114,633**	**2,910,346**	**1,406**	**2,911,751**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2019

Notes to the condensed consolidated financial statements

Amounts are stated in thousands of euros unless otherwise stated

The ORPEA Group's interim condensed consolidated financial statements for the first half of 2019 were approved by the Board of Directors on 24 September 2019.

1. SIGNIFICANT ACCOUNTING POLICIES

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

1.1 - Accounting standards

In accordance with EC Regulation 1606/2002 of 19 July 2002, the ORPEA Group has prepared its 2019 interim condensed consolidated financial statements in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) as adopted by the European Union and mandatory at the reporting date of these financial statements.

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

The interim condensed consolidated financial statements for the six-month period ended 30 June 2019 have been prepared in accordance with IAS 34 - Interim Financial Reporting, which allows a selection of notes to the financial statements to be presented. These condensed consolidated financial statements must be read together with the consolidated financial statements for FY 2018.

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

The accounting principles used to prepare the interim condensed consolidated financial statements of the ORPEA Group are identical to those used to prepare the consolidated financial statements for the financial year ended 31 December 2018 and presented in the consolidated financial statements for that period.

The new mandatory standards and interpretations for periods beginning on or after 1 January 2019 and applicable to the ORPEA Group are:

- IFRS 16: Leases;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- Amendments to IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IFRIC 23: Uncertainty over Income Tax Treatments;
- Annual improvements to IFRS (2015-2017 cycle);
- Amendment to IAS 19: Plan Amendment, Curtailment or Settlement.

The Group did not apply any of the new standards or interpretations that were not mandatory at 1 January 2019. These standards are:

Standards not yet adopted by the European Union:

- IFRS 17: Insurance Contracts;
- Amendment to IFRS 3 Definition of a Business;
- Amendments to References to the IFRS Conceptual Framework;
- Amendments to IAS 1 and IAS 8: amendment to the definition of the term "material";
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform.

The application of these new standards and amendments did not have a material impact on the financial statements for the period except for IFRS 16, the impact of which is set out in detail in Note 1.2.

IFRIC 23 Note
The interpretation of IFRIC 23 clarifies the application of the provisions of IAS 12 Income Taxes regarding recognition and assessment when there is uncertainty about the treatment of income tax. The application of the IFRIC 23 interpretation Uncertainty over Income Tax Treatments did not have an impact on the financial statements at 30 June 2019.

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

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

1.2 - IFRS 16

The Group applied IFRS 16 as of 1 January 2019 to current leases at the transition date, using the "simplified retrospective" method. Data for the 2018 financial year, which are presented for comparative purposes, have therefore not been restated in accordance with the transitory provisions of IFRS 16.
IFRS 16 Leases modifies the accounting treatment of leases for lessees. It replaces IAS 17 and IFRIC 4, SIC 15 and SIC 27 interpretations. IFRS 16 imposes a single accounting treatment of leases for lessees which consists in recognising under liabilities a lease commitment equal to the amount of discounted future payments and under assets a right of use.
Except for certain intra-group agreements, the Group does not have any material lease agreements in place as a lessor. The accounting treatment of leases for lessors remains substantially unchanged by IFRS 16 compared with texts applicable up until 31 December 2018.

The Group applies the provisions of IFRS 16, described below, to all of its leases covering underlying assets with material replacement values and/or for which the duration of the lease is more than twelve months including any renewal options provided for in the agreement.
Leases entered into by the Group mainly relate to real estate and certain transport material and equipment necessary for the care of patients and residents.

The simplified retrospective method allows for a simplified calculation of certain impacts at the date of initial application.

This method consists in recognising:

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

Leases with a duration of twelve months or less or leases of low value assets continue to be recognised in the income statement without an impact on the Group's balance sheet.

To determine the incremental borrowing rate used for the discounted cash flow (DCF), the Group has used, as a basis of calculation, the Group's incremental borrowing rate based on the residual term of the leases as well the impact of geographical regions to reflect risks specific to each country and business unit.
Deferred tax was recognised for the difference between the rights of use and lease commitments governed by IFRS 16 in a similar manner to the method adopted for finance leases.

Accounting treatment of leases under IFRS 16

To finance properties acquired, for their restructuring or the construction of new real estate, the Group has in the past frequently made lease arrangements with its financial partners.

Leases give rise to the legal disposal of properties but do not lead to the de-recognition of the asset as these are financing transactions and the Group maintains control of the asset. Debt relating to the lease transaction is therefore recognised as financial debt.

The Group reviewed the historical classification of these leases as finance leases, as it considers that it had maintained control of the asset as set out above. The amount of assets and liabilities recognised in relation to these leases therefore continue to be recognised as property, plant and equipment and financial debt. These amounts are set out in the corresponding notes to the financial statements and for the same amount as that provided under IAS 32 and IFRS 9.

The impacts of the initial application of IFRS 16 at 1 January 2019 are as follows:

Assets (in thousands of euros)		*Liabilities (in thousands of euros)*	
Right of use	2,228,773	Other reserves	-111,871
Deferred taxes	36,113	LT rental liabilities	2,154,985
Other assets, accruals and prepayments	-3,508	ST rental liabilities	218,264
Total	**2,261,378**	**Total**	**2,261,378**

Reconciliation of the amount of the lease commitment with off-balance sheet commitments at 1 January 2019:

Commitments given for operating leases at 31/12/2018 (in thousands of euros)		**3,098,153**
Impact of option periods not factored into off-balance sheet commitments		28,597
Impact of short-term leases not recognised as lease commitments at 1 January 2019	-	274,370
Other impacts (other IFRS 16 exemptions)	-	258
Lease commitment before discounting		2,852,122
Impact of discounting	-	478,873
Lease commitment at 01/01/2019		**2,373,249**

2. SCOPE OF CONSOLIDATION

ORPEA's first-half 2019 revenue rose 10% compared with the first half of 2018, representing an increase of €162 million.

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

Organic revenue growth ran at 4.7% during the period.

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

Lastly, the Group purchased, directly or via companies, specific assets necessary for its expansion, such as intangible rights and operating properties. It also sold a number of facilities and properties.

Based on provisional estimates of the fair value of assets acquired and liabilities assumed, the total investment at their acquisition date breaks down as follows:

First-half 2019	Number of facilities	Number of beds	Goodwill (in €m)	Intangible assets used in operations (in €m)	Properties (in €m)	Contingent liabilities (in €m)	Other assets & other liabilities (1) (in €m)	Deferred taxes (in €m)	Cost (in €m)
France Benelux	12	4,132	29	99	30	-2	-46	-24	78
Central Europe	8	1,053	57	42	24	-4	-6	-8	93
Iberian peninsula, Latam	1	100	15	0	3	0	1	0	19
Eastern Europe	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
Total	**21**	**5,285**	**100**	**141**	**57**	**-6**	**-51**	**-31**	**190**

(1) Of which intangible concession assets, where applicable

The Group carries out regular acquisitions as part of its external growth strategy.
During the first six months of the year, the Group has completed the following transactions: residential homes (AXION) in Germany, home care (ALLERZORG) and residential homes (SEPTEMBER) in the Netherlands as well as psychiatric hospitals (SINOUE) in France.

Other non-recurring income and expenses relating to acquisitions as part of business combinations are presented in Note 3.20.

The ORPEA Group has also boosted its growth in South America through the 20% equity investment in Brazilian company BRAZIL SENIOR LIVING and a 50% investment in SENIOR SUITES in Chile.

In the first half of 2018, total investments at the date of their first-time consolidation were:

First-half 2018	Number of facilities	Number of beds	Goodwill (in €m)	Intangible assets used in operations (in €m)	Properties (in €m)	Contingent liabilities (in €m)	Other assets & other liabilities (1) (in €m)	Deferred taxes (in €m)	Cost (in €m)
France Benelux	40	1,068	85	18	57	-8	-40	-8	99
Central Europe	5	486	39	12	6	-1	-6	-3	42
Iberian Peninsula	2	218	0	7	34	0	-18	-5	13
Eastern Europe	2	366	1	2	25	0	-19	-2	6
Other	0	0	0	0	0	0	0	0	0
Total	**49**	**2,138**	**125.0**	**39.9**	**121.5**	**-9.7**	**-83.5**	**-17.8**	**160.1**

(1) Of which intangible concession assets, where applicable

3. COMMENTARY ON THE FINANCIAL STATEMENTS

3.1 - Goodwill

The main movements during the period were as follows:

Net goodwill at beginning of period	1,137,160
Business combinations	165,292
Previous goodwill adjustments and deconsolidations	(63,746)
Exchange differences	(0)
Net goodwill at end of period	**1,238,706**

Of which goodwill on assets held for sale €58,133 thousand.

Business combinations include the provisional allocation of the goodwill arising on the acquisition of the SINOUE and AXION sub-groups.

Goodwill adjustments correspond to the allocation of goodwill arising on the acquisition of the Dutch sub-groups and of the INOGES sub-group in Germany.

The following groups of cash-generating units (CGUs) account for significant goodwill:

	30-Jun-19	31-Dec-18
MEDITER MIEUX VIVRE sub-group acquired in 2010	87,010	87,010
SENEVITA sub-group	58,280	58,280
Existing operations in Germany	341,649	341,649
DAGELIJKS LEVEN sub-group	76,735	122,860
AXION sub-group	83,084	
SINOUE sub-group	66,190	
Other	525,759	527,362
Net goodwill at end of period	**1,238,706**	**1,137,160**

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

3.2 - Intangible assets

Gross intangible assets and accumulated amortisation break down as follows:

	30-06-19			31-12-18		
	Gross	)ep. Amort. Prov	Net	Gross	)ep. Amort. Prov	Net
Operating licences	2,327,611	11,106	2,316,505	2,182,651	10,356	2,172,295
Advances and down payments	8,314		8,314	8,978		8,978
Other intangible assets	118,144	34,979	83,165	110,558	31,326	79,232
Intangible assets held for sale	-3,835		-3,835	-3,835		-3,835
Total	2,450,235	46,086	**2,404,149**	2,298,353	41,682	2,256,670

At 30 June 2019, the operating licences item includes the non-amortisable intangible assets of sites located in France, Belgium, Italy, Spain, Switzerland, Austria, the Czech Republic, Poland and the Netherlands.

Intangible assets held for sale correspond to operating licences held for facilities earmarked for sale within 12 months.

Groups of CGUs with material operating licences are as follows:

	30-Jun-19	31-Dec-18
MEDITER MIEUX VIVRE sub-group acquired in 2010	187,125	187,125
SENEVITA sub-group	116,337	116,337
SENECURA sub-group	123,989	123,989
Other	1,889,053	1,744,844
Net operating licences at end of period	**2,316,505**	**2,172,295**

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

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

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

No indicators of impairment requiring impairment testing of the measurement of goodwill and intangible assets with an indefinite life were identified at 30 June 2019.

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

	Operating licences	Advances and down payments	Other	Intangible assets held for sale	Total
At 31 December 2017	**2,024,496**	**2,642**	**85,705**	**(30,776)**	**2,082,066**
Increase	20,095	7,752	9,059		36,907
Decrease	(12,991)		(10,523)		(23,514)
Depreciation, amortisation and charges to provisions	(1,406)		(7,614)		(9,021)
Reclassifications and other	3,986	(1,416)	1,094	26,941	30,605
Changes in scope	138,117		1,511		139,627
At 31 December 2018	**2,172,295**	**8,978**	**79,232**	**(3,835)**	**2,256,670**
Increase	3,511	(663)	5,101		7,949
Decrease	(580)		414		(166)
Depreciation, amortisation and charges to provisions	(750)		(1,610)		(2,360)
Reclassifications and other	1,106		(1,118)		(12)
Changes in scope	140,923		1,146		142,069
At 30 June 2019	**2,316,505**	**8,314**	**83,165**	**(3,835)**	**2,404,149**

Changes in scope of consolidation are mainly related to acquisitions in France Benelux (€100 million) and Central Europe (€42 million).

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

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

3.3 - Property, plant and equipment

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

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

	30-06-19			31-12-18		
	Gross	Dep. Amort. Prov.	Net	Gross	Dep. Amort. Prov.	Net
Land	1,721,750	3,019	1,718,731	1,707,985	3,183	1,704,802
Buildings	4,334,533	897,892	3,436,641	4,139,467	802,601	3,336,867
Technical installations	537,740	301,613	236,127	472,758	279,196	193,562
Assets under construction	586,678	1,251	585,427	446,878	1,251	445,627
Other property, plant and equipment	445,883	254,866	191,018	408,241	231,280	176,961
Assets held for sale	-189,553		-189,553	-144,525		-144,525
Total	7,437,031	1,458,641	5,978,390	7,030,805	1,317,510	5,713,294

Depreciation is recognised in the income statement under depreciation, amortisation and charges to provisions.
Any impairment losses are recognised in other non-recurring operating expense.

Movements in the net carrying amount of property, plant and equipment break down by category of asset as follows:

	Land	Buildings	Technical installations	Assets under construction	Other	Property, plant and equipment held for sale	Total
At 31 December 2017	**1,439,231**	**2,962,780**	**137,204**	**369,415**	**165,873**	**(32,929)**	**5,041,574**
Acquisitions	37,405	189,051	99,161	235,162	32,600		593,382
Change in value	171,710						171,710
Disposals and retirements	(7,810)	(10,808)	(367)	(25,623)	(3,290)		(47,898)
Depreciation, amortisation and charges to provisions	224	(107,746)	(43,340)		(22,221)		(173,083)
Reclassifications and other	8,297	140,384	(2,427)	(152,011)	(3,641)	(111,596)	(120,993)
Changes in scope	55,745	163,205	3,332	18,683	7,637		248,602
At 31 December 2018	**1,704,802**	**3,336,867**	**193,562**	**445,627**	**176,960**	**(144,525)**	**5,713,294**
Acquisitions	38,126	84,575	63,752	171,599	23,337		381,386
Change in value							0
Disposals and retirements		(108)	(92)	(1,594)	(2,242)		(4,036)
Depreciation, amortisation and charges to provisions	164	(70,038)	(22,603)		(13,338)		(105,816)
Reclassifications and other	(30,650)	34,679	452	(30,215)	4,029		(21,704)
Changes in scope	6,288	50,666	1,056	10	2,273	(45,028)	15,265
At 30 June 2019	**1,718,731**	**3,436,641**	**236,127**	**585,427**	**191,018**	**(189,553)**	**5,978,390**

The principal changes in the first half of 2019 include:

- investments necessary for the continuing operation of the facilities, investments in new buildings or extensions, as well as properties and other items of property, plant and equipment acquired during the period through business combinations and those under construction.

At 30 June 2019, the amount of fixed assets financed through finance leases was €1,477,597, of which €266,686 was for land and €1,210,911 for buildings.

3.3.2 - Revaluation of operating properties

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

Impact of IAS 16 measurement		
	30-Jun-19	**31-Dec-18**
Gross revaluation reserves	861,879	861,879
Depreciation and amortisation	-17,439	-17,439
Net revaluation reserves	**844,440**	**844,440**

The gross revaluation reserve for real estate totalled €862 million at 30 June 2019, the same as end-2018.
The corresponding tax expense, calculated at the statutory tax rate, amounted to €223 million at 30 June 2019.

3.3.3 - Leases

Rental costs break down as follows:

	30-Jun-19	30-Jun-18
Rental expenses	15,239	150,682
Total rental costs	**15,239**	**150,682**

Pursuant to the application of IFRS 16 as of 1 January 2019, rental payments now only include renewable leases with a duration of twelve months or less or on low value assets (see Note 1.2).

3.4 - Right of use of assets

At 30 June 2019, pursuant to IFRS 16 (see Note 1.2) the Group recognised, under assets, a right of use in the amount of €2,273,718.

3.5 - Investments in associates and joint ventures

At 30 June 2019, investments in associates and joint ventures break down as follows:

Associates and joint ventures	Percentage ownership at 30 June 2019	Carrying amount of investments (in thousands of euros)
COFINEA (real estate company)	49.0%	5,011
IDS (real estate company)	49.9%	13,210
DANUVIUS KLINIK (psychiatric care)	49.0%	6,941
SIS BRASIL EXPLOIT (nursing home)	49.9%	15,000
SIS PORTUGAL EXPLOIT (nursing home)	49.5%	15,000
BRAZIL SENIOR LIVING	20.0%	38,877
SENIOR SUITES	50.0%	28,845
Other	25%- to 49.9%-owned	10,001
Total		132,885
Equity accounted income in previous financial years		16,142
Equity accounted income in current period		4,067
Investments in associates and joint ventures		153,094

In light of the value of the individual investments, existing cash flows with these companies and the ORPEA Group's global strategy in and outside France, the Group's management considers that these interests are not significant taken individually.

At 30 June 2019, the main aggregates related to associates and joint ventures, presented based on the Group's percentage ownership, break down as follows:

	(in thousands of euros)
Non-current assets	183,275
Current assets	38,781
Equity	45,796
Non-current liabilities	143,250
Current liabilities	33,010
Revenue	33,156
Equity accounted income	4,067
Other comprehensive income	
Net comprehensive income	4,067

3.6 - Non-current financial assets

Non-current financial assets break down as follows:

	30-Jun-19 Net	31-Dec-18 Net
Unconsolidated investments	11,237	11,624
Loans	22,115	22,482
Security deposits and guarantees	8,973	8,055
Total	**42,325**	**42,161**

Unconsolidated securities are made up of 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 current construction loans arranged by French subsidiaries.

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

3.7 - Trade receivables

	30-Jun-19	31-Dec-18
Trade receivables	270,740	229,964
Trade receivables	**270,740**	**229,964**

All trade receivables are payable within one month given the nature of the Group's business activities.

3.8 - Other assets, accruals and prepayments

	30-Jun-19	31-Dec-18
Development-related receivables	169,000	141,417
Receivables related to disposals of real estate	24,583	24,431
VAT receivables	50,404	41,438
Advances and down payments made	2,726	3,514
Current accounts (associates and related parties)	246,383	276,249
Interest rate derivatives	7,977	7,977
Miscellaneous receivables	110,516	84,539
Receivables from suppliers	9,464	8,508
Prepaid operating expenses	40,026	38,553
Total	**661,078**	**626,626**

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

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

At the end of 2018, the Group had sold a total of €30.6 million in receivables. These receivables had been deconsolidated for the amount of financing received, i.e., €29.1 million. The remaining €(1.5) million held as security continues to be recognised as an asset on the balance sheet.

3.9 - Assets held for sale

Assets held for sale comprise €190 million in properties that the Group decided to sell in a block or in lots to investors.

3.10 - Equity

3.10.1 - Share capital

	30-Jun-19	31-Dec-18
Total number of shares	64,615,837	64,586,323
Number of shares in issue	64,615,837	64,586,323
Nominal value of the share (€)	1.25	1.25
Share capital (€)	80,769,796	80,732,904
Treasury shares	45,920	39,146

Since 31 December 2017, the exercise of stock options has 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 31/12/2017	**64,553,123**	**80,691**	**950,684**
Appropriation of 2017 net profit			
Capital increase	33,200	42	(42)
Share capital at 31/12/2018	**64,586,323**	**80,733**	**950,642**
Appropriation of 2018 net profit			
OCEANE			
Capital increase	29,514	37	(37)
Share capital at 30/06/2019	**64,615,837**	**80,770**	**950,605**

3.10.2 - Earnings per share

Weighted average number of shares in issue

	30-Jun-19		30-Jun-18	
	Basic	Diluted	Basic	Diluted
Ordinary shares	64,595,781	64,595,781	64,568,164	64,568,164
Stock options				
Treasury shares	6,774	6,774	(7,019)	(7,019)
Shares related to the conversion of OCEANE bonds		848,528		
Weighted average number of shares	**64,602,555**	**65,451,083**	**64,561,145**	**64,561,145**

Basic earnings per share

(in euros)	30-Jun-19		30-Jun-18	
	Basic	Diluted	Basic	Diluted
Net profit attributable to ORPEA's shareholders	**1.77**	**1.77**	**1.67**	**1.67**

3.10.3 - Treasury shares

The Annual General Meeting authorised a share repurchase programme.

This programme has a number of aims, including to allow ORPEA to maintain the liquidity of and stimulate trading in its shares, to optimise its capital management and to grant shares to employees including under bonus share allotment plans.

At 30 June 2019, the Group held 45,920 shares in treasury.

On 4 May 2017, the Board of Directors approved the introduction of a new bonus share allotment plan for corporate officers covering a total of 29,514 shares. The allotment vested definitively on 4 May 2019, subject to the satisfaction of performance criteria, and the shares will be covered by a two-year lock-up period.

On 13 December 2017, the Board of Directors approved the introduction of two other bonus share allotment plans for certain employees of ORPEA or its affiliated companies covering a total of 26,000 shares. The allotment will vest definitively on 13 December 2020 for plan A employees and on 13 December 2021 for plan B employees, provided in both cases that the employees are still with the Group at those dates. A one-year lock-up period will apply to both plans.

On 28 June 2018, the Board of Directors approved the introduction of a new bonus share allotment plan for corporate officers covering a total of 44,701 shares. The allotment will vest definitively on 28 June 2021 subject to the satisfaction of performance criteria.

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

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

For each plan, the fair value of the benefits provided to the grantees under IFRS 2 was measured by an actuary. This takes into account the market value of the shares granted, less a discount to reflect the fact that no dividend is paid until the end of the vesting period and that shares may not be sold for two years following the vesting date. The total expense is then calculated taking into account the probability that grantees will remain with the Group and the probable number of shares that they will be granted according to whether the performance criteria are satisfied.

The fair value of the plans (excluding social security contributions) under IFRS 2 was €14.4 million. The amount expensed in the first half of 2019 was €2.1 million (excluding social security contributions).

3.11 - Dividends

The Annual General Meeting on 27 June 2019 approved payment of a dividend in respect of the 2018 financial year of €1.20 per share, representing a total payout of €77,539,004 in July 2019.

3.12 - Provisions

Provisions break down as follows:

(in thousands of euros)	31-Dec-18	Actuarial gains or losses	Reclassification	Additions during period	Reversals in the period (prov. used)	Reversals in the period (prov. not used)	Changes in scope and other	30-Jun-19
Prov. for liabilities and charges	48,409		(0)	10,060	(8,589)	(4,229)	776	46,426
Prov. for restructuring	98,931		0	74	(13,677)		4,795	90,124
Total	**147,340**	**0**	**0**	**10,134**	**(22,266)**	**(4,229)**	**5,571**	**136,550**
Post-employ. benefit oblig.	83,717			464	(120)			84,061

ORPEA and CLINEA, as well as some of the Group's subsidiaries, are undergoing 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 year in which they are received.

The current portion of provisions (i.e. due in less than one year) at 30 June 2019 totalled €27 million, breaking down into €18 million for labour disputes and €9 million for restructuring.

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

(in thousands of euros)	30-Jun-19	31-Dec-18
France	34,502	34,414
International	49,558	49,303
Total	**84,061**	**83,717**

The main actuarial assumptions adopted at 30 June 2019 are as follows:

	30-Jun-19		31-Dec-18	
	France	International	France	International
Discount rate	1.60%	between 0.85% and 1.20%	1.60%	between 0.85% and 1.20%
Annual rate of salary increase taking account of inflation	2.00%	between 1.25% and 1.75%	2.00%	between 1.25% and 1.75%
Expected rate of return on plan assets	n/a	between 1% and 1.20%	n/a	between 1% and 1.20%
Retirement age	65 years	65 years	65 years	65 years
Social security contribution rate	average actual rate		average actual rate	

3.13 - Financial liabilities and cash

ORPEA's net debt breaks down as follows:

(in thousands of euros)	Net 30 June 2019	Net 31 December 2018
Bond issues	1,288,270	1,028,048
Finance lease liabilities	982,049	1,044,961
Bridging loans	435,259	381,653
Other borrowings and financial liabilities	3,863,272	3,541,496
Total gross debt (*)	**6,568,850**	**5,996,158**
Cash	(823,340)	(690,112)
Cash equivalents	(123,946)	(77,876)
Total net debt (*)	**5,621,564**	**5,228,171**

(*) o/w liabilities associated with assets held for sale

Movements in financial liabilities in the first half of 2019 were as follows:

(in thousands of euros)	31-Dec-18	Increase	Decrease	Changes in scope	30-Jun-19
Bond issues	1,028,048	427,353	(167,131)		**1,288,270**
Finance lease liabilities	1,044,961	56,979	(119,891)		**982,049**
Bridging loans	381,653	171,735	(121,720)	3,591	**435,259**
Other borrowings and financial liabilities	3,541,496	576,092	(267,322)	13,006	**3,863,272**
Total gross debt (*)	5,996,158	1,232,159	(676,064)	16,597	**6,568,850**
Cash and cash equivalents	(767,987)	(179,299)			**(947,286)**
Total net debt (*)	**5,228,171**	1,052,860	(676,064)	16,597	**5,621,564**
Liabilities associated with assets held for sale	(206,493)	(45,028)			**(251,521)**
Net debt excluding liabilities associated with assets held for sale	5,021,678	1,007,832	(676,064)	16,597	**5,370,043**

(*) o/w liabilities associated with assets held for sale.

Debt net of cash breaks down by maturity as follows:

	30-Jun-19	Less than 1 year (*)	1 to 5 years	Over 5 years
Bond issues	1,288,270	18,123	263,000	1,007,147
Finance lease liabilities	982,049	147,582	531,798	302,669
Bridging loans	435,259	86,390	284,319	64,550
Other borrowings and financial liabilities	3,863,272	501,405	2,626,152	735,715
Total gross debt (*)	**6,568,850**	753,500	3,705,269	2,110,081
Cash and cash equivalents	(947,286)	(947,286)		
Total net debt (*)	**5,621,564**	(193,786)	3,705,269	2,110,081

(*) o/w liabilities associated with assets held for sale.

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

	1 to 5 years	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024
Bond issues	263,000	10,000	(10,000)	60,000	203,000
Finance lease liabilities	531,798	145,005	124,901	123,807	138,085
Bridging loans	284,319	117,922	9,898	9,000	147,499
Other borrowings and financial liabilities	2,626,152	601,259	671,113	640,933	712,847
Total gross debt per year	**3,705,269**	874,186	795,912	833,740	1,201,431

The Group's financing policy

The Group uses three main types of financing for its business:

- financing for operating properties under real estate finance leases or bank loans repayable over a typical period of 12 years;

- financing for the acquisition of facilities in service, operating licences, etc., mainly provided by bank loans repayable over a term of five or seven years;

- financing for properties recently acquired or under redevelopment or construction provided by real estate bridging loans.
  Real estate bridging loans comprise financing lines dedicated to a specific project as well as general bank credit lines. These real estate projects are intended either to be sold to third parties or to be kept by the Group, in which case they are usually refinanced subsequently under finance leases.

Bank covenants

Since 31 December 2006, certain loans arranged by the Group are subject to the following contractually agreed covenants based on the following ratios:

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

and

$$R2 = \frac{\text{consolidated net debt}}{\text{Equity + quasi equity (i.e. deferred tax liabilities linked to the measurement of intangible assets used in operations under IFRS in the consolidated financial statements)}}$$

At 30 June 2019, these two ratios were at 1.3x and 1.7x respectively, within the required limits of 5.5x for R1 and 2.0x for R2.

After the €147 million positive impact of IFRS 16 on EBITDA and the €118 million negative impact on equity was neutralised, the R1 and R2 ratios stood at 2.4x and 1.6x respectively.

Bond issues

In addition to the bond issues arranged previously and presented in Note 3.12 to the financial statements at 31 December 2018, the ORPEA Group completed the placement during the first half of 2019 of a public eight-year bond issue of €500 million (due in May 2027) with an annual fixed-rate coupon of 0.375%.

The issue is in line with the Group's financing strategy of diversifying its funding sources. Thus, after having issued Schuldscheindarlehen, private and public investments in bonds, this new convertible bond issue has further widened the Group's credit investor base.

Mortgage loans

During the first half of 2019, the ORPEA Group have taken out mortgage loans in the amount of €149 million, due in 12 years.

Cash and cash equivalents

At 30 June 2019, ORPEA's cash and cash equivalents consisted of €123,946 thousand in short-term investments in non-speculative time deposit accounts with prime financial institutions and €823,340 thousand in cash at bank.

3.14 - Financial instruments

3.14.1 - Interest rate risk

Interest rate risk management strategy:

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

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

- interest rate swaps under which the counterparty receives mainly the three-month Euribor rate and pays a fixed rate specific to each contract; and
- interest rate options (caps, collars, etc.)

The Group applies hedge accounting under IFRS 9, and these transactions qualify as future cash flows. Unrealised capital gains or losses on the market value of these derivatives are recognised in equity at the end of the financial year, except for the original time value of the options which is amortised in the income statement across the effective lifetime of these instruments, in line with the "cost of hedging" approach set out in the standard.

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

Interest rate derivatives:

At 30 June 2019, the derivatives portfolio includes fixed for floating (mainly 3-month Euribor) interest rate swaps and interest rate options. These derivatives have either a constant or decreasing nominal profile.

At the end of the first half of 2019, the maturity profile of the interest rate derivatives was as follows:

	Maturity profile				
	19 - 20	20 - 21	21 - 22	22 - 23	23 - 24
Average notional amount (in €m)	3,024	3,261	3,517	3,507	3,507
Interest rate	0.7%	0.7%	0.6%	0.6%	0.8%

At the end of 2018, the maturity profile of the interest rate derivatives was as follows:

	Maturity profile				
	2019	2020	2021	2022	2023
Average notional amount (in €m)	3,006	2,999	3,001	2,999	2,987
Interest rate	0.7%	0.7%	0.6%	0.6%	0.7%

Accumulated changes in the fair value of these hedging derivatives, which came to €(127.5) million at 30 June 2019, were recognised in full under interest rate hedging reserves in equity.
Accumulated changes in the fair value of these hedging derivatives, which came to €(77.5) million at 31 December 2018, were recognised under interest rate hedging reserves in equity for an amount of €(75.0) million and in financial expense for an amount of €(2.5) million.

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

The impact of a +/- 1% shift in the yield curve on the Group's earnings derives from:
- the amount of floating-rate debt net of cash via fluctuations in interest rates;
- changes in the fair value of its derivatives.

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

At 30 June 2019, Group net debt amounted to €5,622 million, of which about 41.3% was originally contracted at fixed rates, and the remainder at floating rates.

Including the impact of hedging arrangements:
- a 1% increase in the yield curve (100 basis points) would have no impact on the Group's financial expense;
- a 0.2% decrease (20 basis points) would have no impact on financial expense.

Movements in the cash flow hedging reserve:

(in thousands of euros)	30-Jun-19
Revaluation reserve at beginning of period	(58,820)
New instruments	5,239
Impact on net profit	(1,111)
Change in equity	(49,728)
Revaluation reserve at end of period	**(104,420)**

3.14.2 - Currency risk

The Group uses forward currency purchases and sales to hedge its future transactions in foreign currencies. To this end, forward currency agreements were entered into with leading counterparties under which euro sums are swapped for an amount in a foreign currency (Swiss franc, Polish zloty or Czech koruna) at a pre-agreed rate and date.

The Group decided not to qualify these transactions as a hedging relationship.

The principal characteristics of these instruments are as follows:

(in thousands of euros)	Notional	Market value at 30/06/2019
Currency forwards (CHF)	123,833	(1,281)
Currency forwards (CZK)	55,855	(903)
Currency forwards (PLN)	25,782	(320)
Total	**205,470**	**(2,503)**

All these currency hedging instruments have a maturity date in the third quarter of 2019.

3.14.3 - Value of non-derivative financial instruments

(in thousands of euros)	30-Jun-19	31-Dec-18
Investments in unconsolidated subsidiaries	11,237	11,624
Other non-current financial assets	22,115	22,482
Cash equivalents	123,946	77,876
Non-derivative financial instruments	**157,298**	**111,982**

3.15 - Trade payables

	30-Jun-19 Net	31-Dec-18 Net
Trade payables	235,353	268,456
Trade payables	**235,353**	**268,456**

3.16 - Tax and payroll liabilities

The increase in tax and payroll liabilities reflects the Group's robust expansion.

3.17 - Other financial liabilities, accruals and prepayments

	30-Jun-19 Net	31-Dec-18 Net
Development-related liabilities	223,305	131,854
Security deposits	60,289	58,343
Commitments to carry out work on buildings sold	589	669
Customer accounts in credit	968	927
Other prepaid income	6,103	13,010
Interest rate derivatives	135,503	85,775
Currency derivatives	2,503	944
Advances and down payments received on orders in progress	23,910	19,374
Dividend payments	77,539	
Shareholder advances (associates and related parties)	2,645	39
Miscellaneous expenses	68,201	47,979
Total	**601,555**	**358,914**

Growth-related changes in debt mainly relate to earn-outs on put options on the non-controlling interests of DAGELIJKS LEVEN and INOGES and additional sums on stakes in AXION, ALLERZORG and SEPTEMBER.

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

3.18 - Liabilities associated with assets held for sale

Liabilities associated with assets held for sale reflects the debt financing for these assets.

3.19 - Segment reporting

		30-Jun-19	30-Jun-18
Revenue			
France Benelux		1,093,210	1,009,351
Central Europe		473,881	429,865
Eastern Europe		175,691	163,031
Iberian Peninsula		96,452	75,891
Other		1,352	856
	Total	**1,840,585**	**1,678,993**
Recurring operating profit before rental payments and depreciation, amortisation and charges to provisions			
France Benelux		310,829	289,780
Central Europe		115,718	106,590
Eastern Europe		29,644	28,530
Iberian Peninsula		24,356	16,648
Other		(841)	(1,310)
	Total	**479,706**	**440,238**
Assets			
France Benelux		9,825,196	7,896,606
Outside France Benelux		4,495,451	2,537,476
	Total	**14,320,647**	**10,434,081**
Liabilities excluding equity			
France Benelux		7,180,329	5,430,372
Outside France Benelux		4,228,567	2,254,961
	Total	**11,408,896**	**7,685,333**

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

3.20 - Other non-recurring operating income and expense

(in thousands of euros)	30-Jun-19	30-Jun-18
Income from real estate transactions	912	27,345
Expenses on real estate transactions	(1,108)	(20,119)
Reversals of provisions	2,127	2,358
Charges to provisions	(3,211)	(11,107)
Other income	41,705	68,562
Other expenses	(25,006)	(50,982)
Other non-recurring operating income and expense	**15,419**	**16,058**

Other non-recurring income and expense mainly comprises €34 million in net gains and (losses) related to acquisitions as part of business combinations and €(16) million in expenses associated with the redevelopment of recently-acquired facilities and other development costs, plus €(3) million in miscellaneous costs.

Profit on real estate development projects recognised under the percentage of completion method includes:

(in thousands of euros)	30-Jun-19	30-Jun-18
Disposal price	552	6,550
Cost price	(351)	(2,938)
Profit recognised on disposals of off-plan properties	**201**	**3,612**

3.21 - Net financial result

	30-Jun-19	30-Jun-18
Interest on bank debt and other financial liabilities	(66,443)	(53,400)
Net losses on interest rate derivatives	(14,407)	(17,176)
Financial expense on lease commitment	(32,581)	
Expense arising from early redemption of the ORNANE bonds		
Financial expense	**(113,431)**	**(70,576)**
Interest income	146	106
Capitalised financial expenses (*)	6,963	5,307
Net income on interest rate derivatives		
Financial income	**7,109**	**5,413**
Net financial result	**(106,322)**	**(65,163)**

(*) Based on a rate of 3.20% at 30 June 2019 compared with 3.50% in 2018.

3.22 - Income tax expense

ORPEA SA has elected to form a tax consolidation group with its French subsidiaries that are held at more than 95%. All subsidiaries that meet this condition are included in the tax consolidation group except for those acquired during the first half of 2019.

(in thousands of euros)	30-Jun-19	30-Jun-18
Current income tax	(37,781)	(41,164)
Deferred taxes	(4,802)	(7,831)
Total	**(42,583)**	**(48,995)**

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

(in thousands of euros)	30-Jun-19	31-Dec-18
Fair value of intangible assets	(485,157)	(450,804)
Fair value of property, plant and equipment (*)	(420,459)	(417,007)
Finance lease agreements	(138,064)	(124,776)
Temporary differences	(7,497)	(6,345)
Tax loss carryforwards	51,763	43,383
Deferral of capital gains on disposals	210	284
Employee benefits	9,663	9,663
CVAE deferred tax (**)	(4,246)	(4,408)
Financial instruments and other	44,776	62,623
IFRS 16 impacts	37,748	
Total	**(911,263)**	**(887,386)**

(*) Of which €223 million in deferred taxes related to the revaluation of real estate (see 3.3.2).

(**) Deferred taxes recognised in accordance with IAS 12 on property, plant and equipment and intangible assets with a finite useful life of French companies subject to the CVAE value-added levy on businesses with effect from 1 January 2010.

Deferred taxes calculated based on the IFRS measurement of intangible assets used in operations came to €485 million at 30 June 2019. These intangible assets are not held for sale.

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

(in thousands of euros)	**30-Jun-19**	**31-Dec-18**
Assets	89,512	43,383
Liabilities and equity	(1,000,775)	(930,770)
Net	**(911,263)**	**(887,386)**

The difference between the statutory tax rate, i.e. 32.02% in 2019, and the effective tax rate in the income statement breaks down as follows:

(in thousands of euros)	**30-Jun-19**	**30-Jun-18**
Effective tax rate:	**27.08%**	**31.19%**
- Permanent differences	-3.39%	-0.21%
- Business combinations	7.95%	3.36%
- Impact of the reduced rate	-0.32%	0.34%
- Impact of associates	0.88%	0.95%
- Impact of foreign companies	2.81%	1.13%
- Other	0.66%	0.47%
- CVAE value-added levy on businesses	-3.65%	-2.80%
Statutory rate	**32.02%**	**34.43%**

3.23 - Commitments and contingent liabilities

3.23.1 - Off-balance sheet commitments

Debt-related commitments

(in thousands of euros)	**30-Jun-19**	**31-Dec-18**
Contractual obligations	1,832,201	1,788,451
Contractual obligations	**1,832,201**	**1,788,451**

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

Commitments relating to the Group's operating activities

Commitments on equity associates

The following respective commitments have been entered into concerning the potential acquisition of a 100% interest in 49.9%-held Immobilière de Santé:

- ORPEA has given a promise to buy out the other shareholders between 1 July 2019 and 30 June 2020.

The following respective commitments have been entered into concerning the potential acquisition of a 100% interest in 20%-held Brazil Senior Living:

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

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

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

Commitments on controlled companies at 30 June 2019

The following respective commitments have been entered into concerning the potential acquisition of the remaining 25% interest in 74.9%-held INOGES:

- ORPEA has received a promise from the other shareholders to sell between 30 August 2020 and 31 October 2020;
- ORPEA has given a promise to buy out the other shareholders between 30 April 2020 and 30 June 2020.

The following respective commitments have been entered into concerning the potential acquisition of the remaining 25% interest in 75%-held Dagelijks Leven:

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

ORPEA has granted Belgian company INTORP, a lease payment guarantee covering four properties leased by its Belgian subsidiaries.

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

3.23.2 - Contingent liabilities

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

3.24 - 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-Jun-19**	**31-Dec-18**	**30-Jun-19**	**31-Dec-18**
HELD-TO MATURITY INVESTMENTS			**0**	**0**	**0**	**0**
Bonds and negotiable debt securities	Cash and cash equivalents					
LOANS AND RECEIVABLES			**954,929**	**879,150**	**954,929**	**879,150**
Short-term loans	Short-term loans					
Long-term loans	Non-current financial assets	2	22,115	22,482	22,115	22,482
Receivables related to asset disposals	Non-current financial assets	2	24,583	24,431	24,583	24,431
Deposits and guarantees	Receivables related to asset disposals in the short term		8,973	8,055	8,973	8,055
Other receivables	Other receivables	2	628,518	594,218	628,518	594,218
Trade receivables	Trade receivables	2	270,740	229,964	270,740	229,964
AVAILABLE-FOR-SALE FINANCIAL ASSETS			**0**	**0**	**0**	**0**
Investments in unconsolidated subsidiaries	Non-current financial assets					
Other						
FINANCIAL ASSETS AT FAIR VALUE			**955,263**	**775,965**	**955,263**	**775,965**
Interest rate derivatives	Other receivables	2	7,977	7,977	7,977	7,977
Currency derivatives	Other receivables	2			0	
Open-ended investment funds and mutual funds	Cash and cash equivalents	1	123,946	77,876	123,946	77,876
CASH	Cash and cash equivalents	1	823,340	690,112	823,340	690,112
FINANCIAL ASSETS			**2,733,532**	**1,655,115**	**2,733,532**	**1,655,115**

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

(*) Level 2: for financial assets and liabilities which are not quoted on an active market and for which observable market data exists which the Group can use to measure fair value.

(*) Level 3: for financial assets and liabilities quoted on an active market, for which observable market data to measure fair value does not exist.

(in thousands of euros)	Classification	Level (*)	Carrying amount 30-Jun-19	Carrying amount 31-Dec-18	Fair value 30-Jun-19	Fair value 31-Dec-18
FINANCIAL LIABILITIES AT FAIR VALUE			**138,006**	**86,719**	**138,006**	**86,719**
Currency derivatives	Other liabilities		2,503	944	2,503	944
Interest rate derivatives	Other liabilities	2	135,503	85,775	135,503	85,775
Change in the fair value of the conversion right embedded in the ORNANE bonds		2		0	0	0
Other bonds	Other liabilities					
FINANCIAL LIABILITIES AT AMORTISED COST			**7,267,752**	**6,536,809**	**7,351,582**	**6,540,922**
Bonds convertible into, exchangeable for or redeemable in shares	Non-current and current financial liabilities	1	1,288,270	1,028,048	1,372,100	1,032,161
Bank borrowings	Non-current and current financial liabilities	2	4,298,531	3,923,149	4,298,531	3,923,149
Finance lease obligations	Non-current and current financial liabilities	2	982,049	1,044,961	982,049	1,044,961
Other liabilities	Current liabilities	2	463,549	272,195	463,549	272,195
Trade payables	Trade payables	2	235,353	268,456	235,353	268,456
FINANCIAL LIABILITIES			**7,405,758**	**6,623,528**	**7,489,588**	**6,627,641**

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

3.25 - Related-party transactions

Related-party transactions

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

During the period, the main impacts were as follows:

- advances granted by the ORPEA Group to its associates and joint ventures and to related parties amounted to €246.4 million at 30 June 2019;
- advances received by the ORPEA Group from its associates and joint ventures and related parties amounted to €2.7 million at 30 June 2019;
- the ORPEA Group leases certain operating premises from related parties within the meaning of IAS 24 - Related Party Disclosures. Lease payments invoiced over the period amounted to €5 million.

3.26 - Subsequent events

The ORPEA Group acquired a 28% stake in the start-up EXELUS which owns the NOMADEEC telemedicine platform.

A new Schuldschein in the amount of €233 million was issued in July 2019.

3.27 - Scope of consolidation at 30 June 2019

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

Consolidated companies	Percentage control	Percentage ownership	Method of consolidation
SA ORPEA	100%	100%	Parent
SAS CLINEA	100%	100%	Full
SARL NIORT 94	100%	100%	Full
DOMIDOM - ADHAP	100%	100%	Full
SA ORPEA BELGIUM	100%	100%	Full
ORPIMMO	100%	100%	Full
ORPEA ITALIA SRL	100%	100%	Full
CASAMIA IMMOBILIARE	100%	100%	Full
ORPEA IBERICA	100%	100%	Full
SL DINMORPEA	100%	100%	Full
SENEVITA AG	100%	100%	Full
ORPEA DEUTSCHLAND	100%	100%	Full
ORPEA NETHERLAND	100%	100%	Full
CELENUS	100%	100%	Full
SENECURA	100%	100%	Full
MEDISYSTEM	100%	100%	Full
CEESCH	100%	100%	Full
GCSE	100%	100%	Full
ORPEA LATAM	100%	100%	Full
NIORPEA	100%	100%	Full

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

To the best of our knowledge, we certify that the condensed consolidated financial statements for the six-month period now ended have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and profit or loss of the Company and all consolidated companies, and that the interim business report presents a true and fair view of the major events that occurred during the first six months of the financial year, their impact on the interim financial statements, the main related-party transactions, and a description of the main risks and uncertainties related to the remaining six months of the financial year.

Puteaux, 8 October 2019.

Yves Le Masne
Chief Executive Officer

4 – STATUTORY AUDITORS' REPORT

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

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Statutory Auditors' Report
on the interim financial reporting

Six-month period from 1 January 2019 to 30 June 2019

To ORPEA's shareholders,

In accordance with the assignment entrusted to us by the Annual General Meeting, and pursuant to Article L.451-1-2 III of the French Monetary and Financial Code, we have:

- conducted a limited review of the accompanying interim condensed consolidated financial statements of ORPEA for the period from 1 January to 30 June 2019;
- verified the information provided in the interim business report.

The Board of Directors was responsible for preparing these interim condensed consolidated financial statements. Our role is to express a conclusion on those financial statements based on our limited review.

Conclusion on the financial statements

We conducted our review in accordance with the professional standards applicable in France. A limited review consists of making inquiries, primarily of the persons responsible for financial and accounting matters, and on applying analytical procedures. These tasks are less extensive than those required for an audit in accordance with the professional standards applicable in France.

Accordingly, the assurance that the financial statements taken as a whole do not contain any material misstatements in connection with a review is a limited assurance. This level of assurance is lower than that obtained from an audit.

Based on our review, nothing has come to our attention that causes us to believe that these interim condensed consolidated financial statements have not been prepared in all material respects in accordance with IAS 34 under IFRS as adopted by the European Union applicable to interim financial reporting.

Without qualifying the conclusion expressed above, we draw attention to Note 1.2 to the interim condensed consolidated financial statements “IFRS 16” which sets out the impact of the application as of 1 January 2019 of IFRS 16 “Leases”.

Specific verifications

We have also verified the information provided in the interim business report commenting on the interim condensed consolidated financial statements covered by our limited review. We have nothing to report concerning the fairness and consistency of this information with the interim condensed consolidated financial statements.

Paris and Paris-La Défense, 8 October 2019
The Statutory Auditors

Saint-Honoré BK&A	Deloitte & Associés
Emmanuel Klinger	Jean-Marie Le Guiner