



REGISTRATION DOCUMENT 2013



This registration document was filed with the Autorité des Marchés Financiers on 16 May 2014 in accordance with Article 212-13 of the General Regulations.

This document may not be used in the context of any financial operation unless completed by a transaction summary (*note d'opération*) in respect of which the AMF has granted a visa.

It has been prepared by the issuer and its signatories therefore assume responsibility for its contents.

Pursuant to Article 28 of Regulation (EC) 809/2004 of the European Commission, this registration document incorporates by reference the 2011 registration document filed on 24 May 2012 under number D.12-0537 and the 2012 registration document filed on 14 May 2013 under number D.13-0525.

The aforementioned registration documents are available on the AMF and Orpea websites, or on request from the Company's head office (Orpea – 3 rue Bellini – 92806 Puteaux Cedex, France).

www.orpea-corp.com

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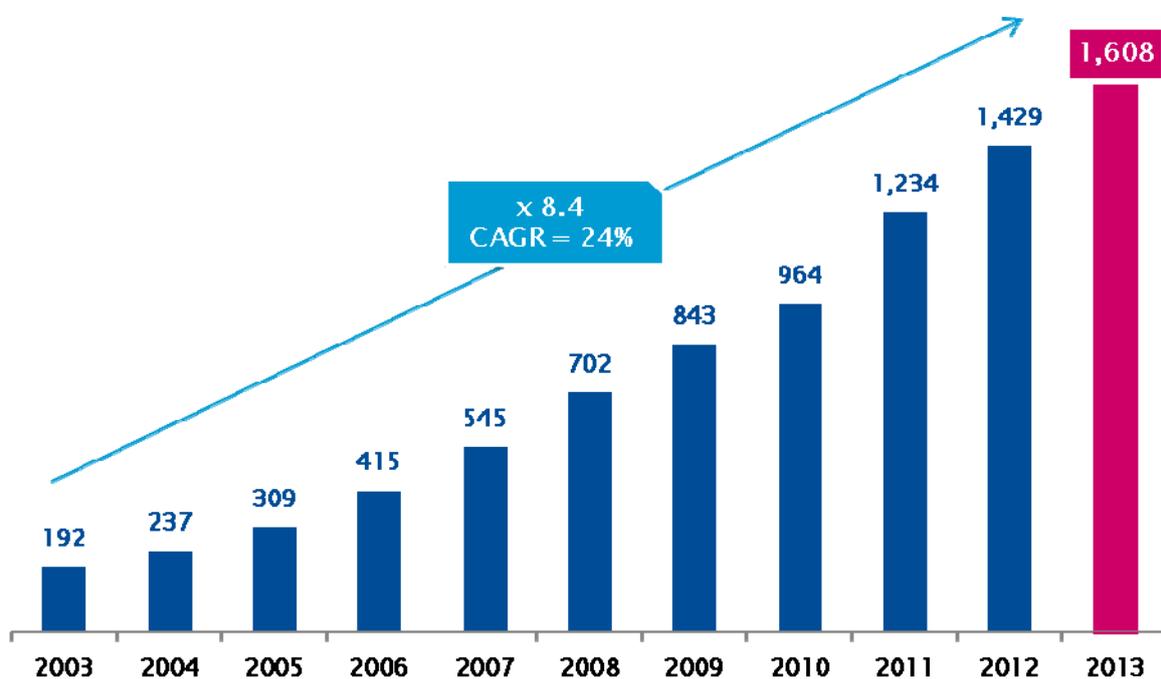
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CHAPTER I: KEY FIGURES & SELECTED FINANCIAL INFORMATION

1. REVENUES

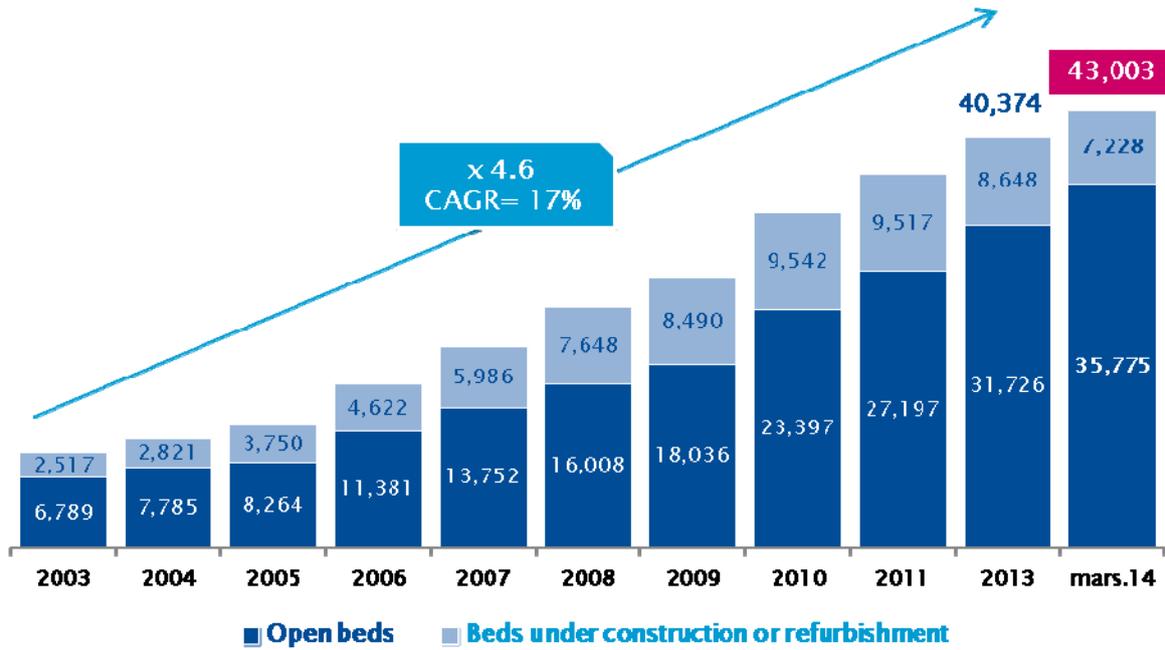
In €m	2013	2012	2011
France	1,342.3	1,227.4	1,094.5
<i>% of total revenue</i>	<i>83%</i>	<i>86%</i>	<i>89%</i>
International	265.7	201.8	139.6
<i>% of total revenue</i>	<i>17%</i>	<i>14%</i>	<i>11%</i>
Belgium	158.1	105.6	67.5
Spain	49.6	48.7	30.5
Italy	38.5	32.2	26.8
Switzerland	19.5	15.4	14.8
Total	1,607.9	1,429.3	1,234.1

Change in revenue over 10 years



2. EXPANSION OF THE ORPEA NETWORK

Change in number of beds in the Orpea network over 10 years



Summary of beds in operation, under redevelopment and under construction by geographical region over the last three years:

The beds under construction are not in operation, while the beds under redevelopment are only partially in operation.

					Beds*			
	Number of facilities*	Number of beds*	2013 revenue	% 2013 revenue		of which operational beds excluding beds under redevelopment	of which beds under redevelopment	of which beds under construction
France	345	31,871	1,342.3	83.5%		27,892	1,582	2,397
Spain	19	2,649	49.6	3.1%		2,649	0	0
Belgium	58	6,765	158.1	9.8%		4,008	694	2,063
Italy	15	1,553	38.5	2.4%		1,061	60	432
Switzerland	2	165	19.5	1.2%		165	0	0
TOTAL	439	43,003	1,607.9	100.0%		35,775	2,336	4,892
					Beds*			
	Number of facilities*	Number of beds*	2012 revenue	% 2012 revenue		of which operational beds excluding beds under redevelopment	of which beds under redevelopment	of which beds under construction
France	339	29,477	1,227.4	85.9%		24,154	2,334	2,989
Spain	22	2,938	48.7	3.4%		2,938	0	0
Belgium	56	6,518	105.6	7.4%		3,598	912	2,008
Italy	12	1,276	32.2	2.3%		871	0	405
Switzerland	2	165	15.4	1.1%		165	0	0
TOTAL	431	40,374	1,429.3	100.0%		31,726	3,246	5,402
					Beds**			
	Number of facilities**	Number of beds**	2011 revenue	% 2011 revenue		of which operational beds excluding beds under redevelopment	of which beds under redevelopment	of which beds under construction
France	322	28,590	1,094.5	88.7%		21,037	2,771	4,782
Spain	21	2,938	30.5	2.5%		2,938	0	0
Belgium	36	3,799	67.5	5.5%		2,330	650	819
Italy	12	1,222	26.8	2.2%		817	40	365
Switzerland	2	165	14.8	1.2%		75	0	90
TOTAL	393	36,714	1,234.1	100.0%		27,197	3,461	6,056

* Figures to 1 March 2014

** Figures to 1 March 2013

*** Figures to November 2011

3. SELECTED FINANCIAL INFORMATION

Selected financial information – consolidated income statement

In €m	31/12/2013	31/12/2013 adjusted*	31/12/2012	31/12/2011
Revenue	1,607.9	1,607.9	1,429.3	1,234.1
EBITDAR ¹	433.2	433.2	370.1	311.4
EBITDA ²	298.0	298.0	257.9	218.2
Recurring operating profit	227.3	227.3	194.4	163.2
Operating profit	268.4	268.4	221.3	190.0
Net financial cost	(95.5)	(90.6)	(72.8)	(65.0)
Income tax	(61.0)	(59.1)	(52.4)	(45.5)
Consolidated net income	113.8	116.8	97.1	80.3
Net profit (Group share)	113.9	116.9	97.0	80.3

* These figures are adjusted for the impact of the change in the fair value of the entitlement to the allotment of shares in ORNANE bonds.

Selected financial information – consolidated statement of cash flows

In €m	31/12/2013	31/12/2012	31/12/2011
Cash flow	226.4	212.3	184.2
Cash flow from operating activities	247.3	208.1	202.3
Net cash flow from investing activities	(234.6)	(279.4)	(349.5)
Net cash flow from financing activities	93.3	124.1	180.1
Change in cash and cash equivalents	106.1	52.8	32.9
Cash and cash equivalents, end of period	468.4	362.3	309.5

Selected financial information – consolidated balance sheet

In €m	31/12/2013	31/12/2012	31/12/2011
Equity attributable to owners of the Company	1,412	1,214	1,152
Current financial liabilities ³	495	624	587
Non-current financial liabilities	1,925	1,670	1,462
- Cash and cash equivalents	(468)	(362)	(309)
Net debt	1,952	1,932	1,739
Goodwill	398	380	323
Intangible assets	1,440	1,306	1,129
Property, plant & equipment ³	2,772	2,573	2,338
Total assets	5,452	4,955	4,482

Selected financial information – earnings per share

In €	31/12/2013	31/12/2012	31/12/2011
Earnings per share	2.15	1.83	1.87
Dividends	0.70	0.60	0.50

¹ EBITDAR = current EBITDA before rents, including provisions relating to "external charges" and "staff costs"

² EBITDA = recurring operating profit before depreciation, amortisation and provisions, including provisions relating to "external charges" and "staff costs"

³ Of which assets and liabilities held for sale

4. STOCK MARKET DATA

Changes in share price and volume over 3 years



Indices:

- Compartment A of NYSE Euronext Paris
- Member of the Mid 60 and SBF 120
- Eligible for DSS

Historical annual stock market data:

In €m	2013	2012	2011
Closing price at 31 December	€42.24	€33.50	€25.19
12 month closing high	42.85	€34,00	€34.32
12 month closing low	€31.05	€23.66	€23.82
Number of shares at 31 December	55,476,991	52,998,062	52,997,892
Market capitalisation at 31 December	€2,343 M	€1,775 M	€1,335 M
Annual performance	+26%	+33%	-22%
Average daily trading volume (in nbr of shares)	82,594	76,416	76,515
Average daily trading volume (in €m)	€2.9 M	€2.1 M	€2.5 M
12-month turnover	38%	37%	46%

CHAPTER II / ABOUT THE ORPEA GROUP

1. PRINCIPAL INFORMATION ABOUT THE COMPANY

1.1 – NAME AND REGISTERED OFFICE

The company's name is Orpea.

Its registered office is at 115 rue de la Santé, 75013 Paris.

1.2 – DATE OF INCORPORATION AND TERM

The company was incorporated on 22 May 1995 as a French limited company (*société à responsabilité limitée*) and converted into a public limited company (*société anonyme*) on 3 February 1996.

It has a life of 99 years as of its date of registration.

1.3 – LEGAL FORM

Société anonyme with a Board of Directors, governed by the French Commercial Code and its enforcement instruments.

1.4 – CORPORATE PURPOSE

In accordance with article 2 of the articles of association, the Company's corporate purpose is:

- Creating, developing, acquiring, managing and operating, directly or indirectly, all types of medical care facilities, medical and social care facilities and residential facilities for the elderly, all types of residential facilities for disabled people of any age, and all hotel, hotel-related and leisure accommodation facilities;
- Providing technical, commercial, administrative and financial assistance to all companies whose business activity is directly or indirectly related to the foregoing;
- Acquiring and subscribing to equity instruments in all existing or future companies and creating and managing all financial investments;
- Secondly, purchasing, enhancing the value of, exchanging and selling, after division and/or works where applicable, the property asset owned by the company at 2 rue Horace Choiseul, Vitry Chatillon (Essonne).

More generally, conducting all commercial, industrial, financial, real and non-real property transactions that are directly or indirectly related to or likely to facilitate the development of the foregoing activities.

1.5 – FINANCIAL YEAR

The financial year begins on 1 January and ends on 31 December.

1.6 – TRADE AND COMPANIES REGISTRY

The Company is entered in the Register of Trades and Companies of Paris under no. 401 251 566.

Its APE code is 8710 A.

1.7 – INSPECTION OF DOCUMENTS

The articles of association, minutes and other corporate documents are available for inspection at the company's head office at 3 rue Bellini, 92806 Puteaux cedex.

1.8 – APPROPRIATION AND ALLOCATION OF PROFITS

After deduction of any prior year losses, at least one twentieth of the year's net profit is transferred to the statutory reserve, until such time as it has reached a sum equal to one tenth of the company's share capital, and again at any time should it fall back below that minimum requirement for any reason.

The balance, plus any retained earnings from prior years, constitutes the profit available for distribution.

The shareholders have sole discretion over the allocation of this profit. Accordingly, the shareholders may resolve to allocate all or part of it to retained earnings, to one or more general or special reserve accounts, or to the shareholders as a dividend. The shareholders may also resolve to distribute sums from other reserves to which they are entitled, either to pay or supplement the dividend or as an exceptional distribution; in this case, their resolution shall expressly indicate which reserve accounts are to be used.

However no distribution may be made if it would cause the company's net equity to fall below the amount of its share capital plus any non-distributable reserves.

Any losses, after approval of the financial statements by the general meeting of shareholders, are recorded on a special balance sheet account and deducted from net profits in future years until extinguished.

1.9 – GENERAL MEETINGS OF SHAREHOLDERS

► **Calling of meetings**

General meetings of shareholders are called by the Board of Directors.

Failing that, a general meeting may also be called by:

- the Statutory Auditors;
- a representative appointed by court-order at the request of anyone with a vested interest for urgent matters, or one or more shareholders together owning at least 5% of the share capital, or an association of shareholders that meets the conditions set out in article L. 225-120;

- the liquidators;
- those shareholders holding a majority of the share capital or voting rights after a public cash or share exchange offer or the sale of a controlling block.

Meetings are called in accordance with the provisions of the law.

The person calling the meeting is responsible for preparing the agenda to be considered and the resolutions to be put to the general meeting.

However, the Board of Directors is required to add to the agenda any matters and proposed resolutions tabled by the shareholders in accordance with the provisions of the law.

General meetings take place at the registered office or at any other place in the same or a neighbouring *département*.

If so stated by the Board of Directors in the convening notice, shareholders may attend general meetings by videoconference or any electronic means of communication including the Internet, in accordance with the provisions of the regulations in force at the time. Where applicable, this decision will be published in each notice of meeting.

► **Composition of general meetings**

All shareholders are entitled to attend ordinary and extraordinary general meetings and participate in discussions, in person or by proxy, in accordance with article L. 225-106 of the Commercial Code.

The right of shareholders to attend ordinary or extraordinary general meetings is subject to the registration in the accounts of the shares in the name of the shareholder – or of the intermediary registered on his behalf if the shareholder is resident abroad – on the third working day prior to the meeting at midnight, Paris time:

- in the case of registered shares, registration on the shareholders' register kept by the Company;
- in the case of bearer shares, registration on an account with an authorised intermediary who is required to issue a certificate in accordance with the provisions of the law.

Shareholders may appoint any person or legal entity of their choice as proxy in accordance with the applicable regulations. They may also vote by mail in accordance with the provisions of the laws and regulations by sending a proxy form or mail voting form for any shareholders' meeting either in paper form or, if permitted by the Board of Directors as stated in each notice of meeting, in electronic form.

On the decision of the Board of Directors, when an electronic admission card application, proxy form or mail voting form is used, the digital signature must arise from the use of a reliable identification process guaranteeing its link with the electronic form to which it is attached and notably consisting of a user ID and a password or any other means provided for or authorised by the applicable regulations.

Each share entitles the owner to one vote, with the exception of shares having a double voting right in accordance with and within the limits of article L. 225-123 of the Commercial Code as stipulated in article 7 above. The right to vote is vested in the beneficial interest owner for ordinary general meetings and the legal interest owner for extraordinary general meetings. However, the legal interest owner has the right to attend all general meetings.

In the absence of the Chairman of the Board of Directors, general meetings are chaired by the Deputy Chairman or a director duly empowered for the purpose by the Board of Directors. Failing which, the assembly itself elects a chairman.

Minutes of meetings are drawn up and copies are certified and delivered in accordance with the provisions of the law.

The Company is entitled to claim at its expense, from the clearing house authorised by decree, the name and address of holders of bearer shares of the Company, conferring, immediately or subsequently, the right to vote at the meetings of shareholders and the number of securities held by each shareholder

In the case of registered shares, giving immediate or deferred access to the capital, the intermediary registered pursuant to article L. 228-1 of the Commercial Code will be obliged, under the conditions set out in the decree of the Council of State, to reveal the identity of the owners of these shares at the request of the Company or of its authorised representative, which may be made at any time.

► **Double voting rights**

Double voting rights are granted to all fully-paid shares that have been registered in the name of the same shareholder for at least two years, in accordance with and within the limitations of article L. 225-123 of the French Commercial Code

In the event of a capital increase by way of capitalisation of reserves, profits or share premiums, double voting rights are conferred on the bonus shares issued to shareholders in respect of shares already entitled to double voting rights.

At 31 December 2013 the gross total number of voting rights was 63,966,350 (excluding treasury shares, this number was 63,954,485).

► **Crossing of legal thresholds**

All shareholders must comply with the legal notification requirements set out in articles L. 233-7 and L. 233-9 of the French Commercial Code and article 223-11 et seq. of the AMF General Regulation.

Failure to comply with the notification requirements will result in the shares that should have been notified being disqualified for voting purposes at all general meetings held for a period of two years after the date on which the requisite notification is finally made.

Similarly, the voting rights attached to shares which have not been duly and properly notified may not be exercised by the defaulting shareholder in person or by proxy.

It is specified that the Company's articles of association do not set out a notification threshold.

► **Form and disposal of shares**

Shares are either in registered or bearer form, at the choice of the shareholder, notwithstanding any legal or regulatory requirements for shares to be held in bearer form.

Registered and bearer shares can be transferred or converted by means of an account-to-account transfer.

1.10 – SHARE CAPITAL

At 31 December 2013 the Company's share capital was €69,346,238.75 divided into 55,476,991 shares of €1.25 par value, wholly paid-in and of the same class, including 3,010 shares held by ORPEA as name shares and 8,861 shares as bearer shares as part of the liquidity contract.

1.11 – AUTHORITIES GRANTED BY THE SHAREHOLDERS TO THE BOARD OF DIRECTORS

The table below summarises the currently valid authorities to increase the share capital granted to the Board of Directors by the shareholders at their **combined general meeting of 20 June 2013**, and the use made thereof.

The full text of these resolutions can be found on the website of the French Legal Announcements Bulletin (*Bulletin des Annonces Légales Obligatoires*) of 15 May 2013 and on the Company website (www.orpea-corp.com, see section "Shareholders / Shareholder meeting").

► **OVERALL CEILING:**

The 21st resolution establishes the overall ceiling for the authorisations relating to resolutions 11 to 20. The ceiling amounts to:

- €30,000,000 (thirty million euros), the total par value of immediate or future capital increases, on the understanding that this nominal amount may be added to the par value of any additional shares issued in accordance with the law to preserve the rights of holders of securities or other instruments carrying rights to shares in the Company;
- and
- €350,000,000 (three hundred and fifty million euros), the ceiling of the maximum nominal amount of debt securities.

The amounts of the authorities granted to the Board of Directors under **Resolutions 22 and 23** are independent and distinct.

The following table summarises the delegated financial powers and their use during the financial year.

Type of authorisation / Maximum global par value	Term	Use during the year
11th resolution - Rights issues of shares in the company and/or securities carrying rights to shares (articles L. 225-132 and L. 228-91 of the French Commercial Code). - <i>Total par value of capital increases:</i> €30,000,000 - <i>Maximum par value of debt securities:</i> €250,000,000	26 months	
12th resolution – Non-rights issues of shares and/or securities carrying rights to <i>shares by public offer</i> (article L. 225-136-1 of the French Commercial Code). - <i>Total par value of capital increases:</i> €6,600,000	26 months	17 July 2013: issuance of 4,260,631 ORNANES of €46.56 face value each, maturing 1 January 2020.

<p>- <i>Maximum par value of debt securities:</i> €200,000,000</p>		
<p>13th resolution - Non-rights issues of Company shares and/or securities carrying rights to Company shares through private investments governed by paragraph 2 of article L. 411-2 of the French Monetary and Financial Code (article L. 225-136-3 of the French Commercial Code).</p> <p>- <i>Total par value of capital increases:</i> €6,600,000</p> <p>- <i>Maximum par value of debt securities:</i> €200,000,000</p>	26 months	16 December 2013: capital increase of €100,000,000 through the issuance of 2,478,929 new shares of €1.25 par value.
<p>14th resolution - Non-rights issue of securities under the 12th and 13th resolutions, the issue price being set freely, within the limit of 10% of the capital per year (article L. 225-136-1 of the French Commercial Code). within the limit of 10% of the capital per year;</p>	26 months	
<p>15th resolution - Delegation of powers to the Board of Directors to make a capital increase to pay for contributions in kind made to the Company in the form of equity instruments or other securities, up to a maximum of 10% of the share capital (article L. 225-147 of the French Commercial Code) (without preferential subscription rights) up to 10%</p>	26 months	
<p>16th resolution - Issue of financial securities and/or transferable securities giving access to capital in a public exchange offer initiated by the Company (article L. 225-148 of the French Commercial Code) (without preferential subscription rights) <i>Maximum par value: €6,600,000</i></p>	26 months	
<p>17th resolution - Increase in the amount of a rights or non-rights issue (article L. 225-135-1 of the French Commercial Code) (over-allotment clause) - within the limit of 15% of the initial issue - at the same price as the initial issue</p>	26 months	17 July 2013: Issuance of ORNANES (exercise of the over-allotment option)
<p>18th resolution - Issue of shares reserved for members of an employee share ownership plan (Articles L. 225-138-1 of the French Commercial Code and L. 3332-1 et seq. of the French Labour Code) (non-rights issue).</p>	26 months	

<i>Maximum par value: €400,000</i>		
19th resolution – Bonus shares for company officers and employees (articles L. 225-197-1 et seq. of the French Commercial Code). <i>Total number of shares that can be allocated: 300,000 shares</i>	38 months	
20th resolution – Stock options for company officers and employees (articles L. 225-177 et seq. of the French Commercial Code), without preferential subscription rights in the event of they are subscribed. <i>Total number of shares that can be acquired: 300,000 shares</i>	38 months	
21st resolution – Overall ceiling for capital increases carried out under resolutions 11 to 20 – <i>Maximum par value: €30,000,000</i> – <i>Maximum par value of debt securities: €350,000,000</i>		
22nd resolution – Capitalisation of share premiums, reserves, profits or other capitalisable sums (article L. 225-130 of the French Commercial Code). Maximum par value: €30,000,000	26 months	
23rd resolution – Issue of securities carrying rights to the allotment of debt securities and not giving rise to a capital increase. <i>Maximum par value: €300,000,000</i>	26 months	

1.12 – FINANCIAL INSTRUMENTS GIVING ACCESS TO CAPITAL

► Warrants for Subscription and/or Acquisition of Redeemable Shares ("share warrants")

1,190,787 stock warrants were issued as part of the issue of bonds with redeemable share subscription and/or purchase warrants (OBSAAR) on 14 August 2009. The arrangements are set out in the prospectus after AMF approval was received on 15 July 2009, approval no. 09-225.

On issue, from 14 August 2011 to 14 August 2015 each warrant granted the right to purchase one share at €1.25 par value (exercise parity) at a price of €37.90.

Following the rights issue carried out on 8 December 2011, exercise parity was adjusted according to the terms of the warrants. As of that date, each warrant grants entitlement to subscribe 1.062 share (€1.25 par value each) at a price of €37.90.

At 31 December 2012, there were 1,163,473 warrants outstanding.

During the financial year 2013, 416 share warrants were exercised, for which 471 existing shares were delivered. In addition, 917,041 share warrants were bought back and then cancelled by the Company

as part of the tender offer made by the Company once it had received approval no. 13-499 from the Autorité des Marchés Financiers, dated 17 September 2013.

At 31 December 2013 there were therefore 246,016 share warrants outstanding. On the basis of the share capital at 31 December 2013 and given the new exercise parity, the potential dilutive effect of the warrants still in circulation at that date was 0.47%.

► **OCEANE BONDS (bonds convertible and/or exchangeable for new or existing shares)**

On 15 December 2010, the Company issued at par 4,069,635 convertible bonds, each with a face value of €44.23, bearing interest at an annual rate of 3.875% and redeemable at par on 1 January 2016. The arrangements are set out in the prospectus after AMF approval was received on 7 December 2010, approval no. 10-429.

On the date of issue, each convertible bond carries the right to receive shares on the basis of one share of €1.25 par value (the share allocation ratio) for one bond.

Following the distribution of a dividend of €0.23 per share on 12 September 2011, by decision of the General Meeting of Shareholders on 30 June 2011, the share exchange ratio was adjusted pursuant to the bond terms to 1.008 shares (€1.25 par value each) for one bond.

Following the rights issue on 8 December 2011, the share exchange ratio was adjusted in accordance with the terms of the bonds to 1.071 shares (€1.25 par value each) for one bond.

Following the distribution of a dividend of €0.50 per share on 11 September 2012, by decision of the General Meeting of Shareholders on 29 June 2012, the share exchange ratio was adjusted pursuant to the bond terms to 1.089 shares (€1.25 par value each) for one bond.

Following the distribution of a dividend of €0.60 per share on 26 July 2013, by decision of the General Meeting of Shareholders on 20 June 2012, the share exchange ratio was adjusted pursuant to the bond terms to 1.107 shares (€1.25 par value each) for one bond.

At 31 December 2013, there were 4,069,534 OCEANE bonds outstanding, no such bonds having been converted during FY 2013.

On the basis of the share capital at 31 December 2013 and given the new share allocation ratio, the potential dilutive effect of convertible bonds still outstanding at that date was 8.12%.

► **Bonds redeemable in cash and/or new or existing shares (ORNANES)**

On 17 July 2013, the Company issued at par 4,260,631 ORNANES, each with a face value of €46.56, bearing interest at an annual rate of 1.75% and redeemable at par on 1 January 2020. The arrangements are set out in the prospectus after AMF approval was received on 9 July 2013, approval no. 13-338.

As the date of issue, the conversion ratio was 1 share per ORNANE.

Following the distribution of a dividend of €0.60 per share on 26 July 2013, by decision of the General Meeting of Shareholders on 20 June 2012, the conversion ratio was adjusted pursuant to the ORNANE terms to 1.017 shares (€1.25 par value each) for one ORNANE.

At 31 December 2013, there were 4,260,631 ORNANES outstanding, no ORNANE having been converted during FY 2013.



On the basis of the share capital at 31 December 2013 and given the new share allocation ratio, the potential dilutive effect of ORNANEs still outstanding at that date was 1.90% in the event of a redemption with the forced conversion premium (i.e. a soft call by the Company) or 7.81% in the event of redemption entirely in shares.

► **Stock options**

There are no options to subscribe to the Company's shares.

► **Allocation of free new shares**

There is no free allocation of new or existing shares.

1.13 – MOVEMENTS IN SHARE CAPITAL

Date	Transaction	Par value of shares	Par value of transaction	Share premium	Number of shares issued	Total number of shares	Share capital after the transaction
16 April 2002	Issue for cash	2.5	3,906,250	16,093,750	1,562,500	17,930,772	€44,826,930
2004	Exercise of stock options	2.5	505,385		202,154		€45,332,315
2005	Exercise of stock options	2.5	227,527		91,011		€45,559,842
2006	Exercise of stock options	2.5	126,055		50,422	18,274,359	€45,685,897
2007	Exercise of stock options	2.5	204,595		81,838	18,356,197	€45,890,492
31 July 2007	Two for one stock split	1.25				36,712,394	€45,890,492
31 March 2008	Exercise of stock options	1.25	162,350	138,295	129,880	36,842,274	€46,052,842
31 December 2008	Exercise of stock options	1.25	75,622.50	42,079	60,498	36,902,772	€46,128,465
3 July 2009	Exercise of stock options	1.25	14,550		11,640	36,914,412	€46,143,015
13 October 2009	Exercise of stock options	1.25	8,000		6,400	36,920,812	€46,151,015
20 October 2009	Issue for cash	1.25	2,400,000	60,000,000	1,920,000	38,840,812	€48,551,015
31 December 2009	Exercise of stock options	1.25	7,950		6,360	38,847,172	€48,558,965
14 September 2010	Exercise of stock options	1.25	5,875		4,700	38,851,872	€48,564,840
31 December 2010	Contribution in kind by Neo Gema and Société de Participation Française	1.25	4,376,155	109,403,846	3,500,923	42,352,795	€52,940,993
17 October 2011	Exercise of stock options	1.25	22,950	85,282.20	18,360	42,371,155	€52,963,943.75
17 October 2011	Exercise of warrants	1.25	33,826.50	991,785.65	27,061	42,398,216	€52,997,770
9 November 2011	Exercise of warrants	1.25	21.25	623.05	17	42,398,233	€52,997,791.25
8 December 2011	Issue for cash	1.25	13,249,447.5	189,732,088.2	10,599,558	52,997,791	€66,247,238.8
15 December 2011	Bond conversion (OCEANE)	1.25	126.25	4.89	101	52,997,892	€66,247,365
6 July 2012	Exercise of warrants	1.25	212.50	6,230.50	170	52,998,062	€66,247,577.50
16 December 2013	Issue for cash	1.25	3,098,661.25	95,776,348.76 (net of costs)	2,478,929	55,476,991	€69,346,238.75

1.14 – SHAREHOLDERS

1.14.1 – ORPEA's shareholders as at 31 December 2013

Shareholder	Number of shares	% of share capital	Number of voting rights	% of voting rights
JC Marian	4,133,069	7.45%	7,881,819	12.32%
Marian family	91,000	0.16%	182,000	0.28%
JC Marian and family	4,224,069	7.61%	8,063,819	12.61%
CPPIB	8,792,854	15.85%	8,792,854	13.75%
SOFINA	3,180,000	5.73%	3,180,000	4.97%
FFP Invest	3,811,353	6.87%	7,622,706	11.92%
Treasury shares	11,865	0.02%		
Public sector	35,456,850	63.91%	35,306,971	56.76%
Total	55,476,991	100.00%	63,966,350	100.00%

On 24 January 2013 the private limited liability company under Belgian law NeoGema (controlled by Philippe Austruy) gave notice that on 18 January 2013 it had individually crossed below the 5% threshold in the equity and voting rights of ORPEA and no longer held any ORPEA shares. This threshold notification resulted from an off-market sale of ORPEA shares.

On 16 September 2013 the Belgian corporation SOFINA gave notice that it had crossed above the 5% threshold in ORPEA equity and held 3,180,000 ORPEA shares representing as many voting rights, or 6.00% of the equity and 4.67% of the voting rights in the Company.

On 16 September 2013 the Luxembourg corporation Sempre controlled by the Banque Degroof Luxembourg SA gave notice that it had crossed below the 5% thresholds in ORPEA equity and voting rights and held 734,784 ORPEA shares representing as many voting rights, or 1.39% of the equity and 1.08% of the voting rights in the Company. This threshold notification resulted from an off-market sale of ORPEA shares.

On 11 December 2013 the Canada Pension Plan Investment Board (CPPIB) gave notice that it had crossed above the 5% and 10% thresholds in ORPEA equity and 15% in ORPEA equity and held at that point 7,952,718 ORPEA shares representing as many voting rights, or 15.01% of the equity and 13.63% of the voting rights. These thresholds were crossed due to the acquisition by CPPIB of 7,952,718 ORPEA shares previously held by Jean-Claude Marian and a company he controls, Santé Finance et Investissements.

On 16 December 2013 CPPIB gave notice that following its subscription to a capital increase by ORPEA it held 8,792,854 ORPEA shares representing as many voting rights, or 15.85% of the equity and 13.56% of the voting rights in the Company.

On 11 December 2013 Jean-Claude Marian gave notice that both directly and indirectly through the Belgian corporation that he controls, Santé Finance et Investissements, he had crossed below the 30% and 25% thresholds of voting rights, 20% and 15% of equity and voting rights, and 10% of the equity in ORPEA.

These thresholds were crossed as a result of Mr Marian's sale, directly and indirectly through Santé Finance et Investissements, of 7,952,718 ORPEA shares to the Canada Pension Plan Investment Board, that is, 6,937,718 ORPEA shares sold directly by Mr Marian, of which 6,487,718 carried double voting rights, and 1,015,000 ORPEA shares sold by Santé Finance et Investissements, which is controlled by Mr Marian.

Mr Marian stated that at 16 December 2013 he held 4,133,069 ORPEA shares representing 7,881,819 voting rights, or 7.45% of the equity and 12.16% of the voting rights.

On 13 December 2013 the simplified corporation FFP Invest gave notice that it had crossed above the 10% threshold in ORPEA voting rights and held 3,811,353 ORPEA shares representing 7,622,706 voting rights, or 6.87% of the equity and 11.76% of the voting rights in the Company. This threshold was crossed as the result of an attribution of double voting rights.

1.14.2 – ORPEA's shareholders as at 31 December 2012

Shareholder	Number of shares	% of share capital	Number of voting rights	% of voting rights
<i>JC Marian</i>	10,686,468	20.16%	20,488,814	28.93%
<i>SANTE FINANCE ET INVESTISSEMENT</i>	1,015,000	1.92%	1,015,000	1.43%
<i>Marian family</i>	533,482	1.01%	1,048,514	1.48%
JC Marian and family	12,234,950	23.09%	22,552,328	31.84%
SEMPRÉ	4,262,284	8.04%	8,181,660	11.55%
Neo Gema	2,653,018	5.01%	5,153,941	7.28%
FFP Invest	3,811,353	7.19%	3,811,353	5.38%
Treasury shares	20,882	0.04%		
Public sector	30,015,575	56.64%	31,133,076	43.95%
Total	52,998,062	100.00%	70,832,258	100.00%

1.14.3 – ORPEA's shareholders at 31 December 2011

Shareholder	Number of shares	% of share capital	Number of voting rights	% of voting rights
<i>JC Marian</i>	10,695,968	20.18%	20,507,814	30.21%
<i>SANTE FINANCE ET INVESTISSEMENT</i>	1,005,500	1.90%	1,005,500	1.48%
<i>Marian family</i>	533,482	1.01%	959,114	1.41%
JC Marian and family	12,234,950	23.09%	22,472,428	33.11%
SEMPRÉ	4,262,284	8.04%	8,181,660	12.05%
Neo Gema	4,348,783	8.21%	4,348,783	6.41%
FFP Invest	3,811,353	7.19%	3,811,353	5.61%
Treasury shares	25,483	0.05%		
Public sector	28,315,039	53.43%	29,065,692	42.82%
Total	52,997,892	100.00%	67,879,916	100.00%

1.14.4 – Shareholders' agreement

The Company is not aware of any shareholders' agreement or other agreement relating to its share capital.

1.14.5 – Dividends

Pursuant to article 2277 of the French Civil Code, dividends that are not claimed within five years of their payment date will lapse and become the property of the State.

The table below shows the amount of the dividend per share paid since 2010, as well as the applicable tax regime:

Financial year	Net dividend received (€)	Distributed income giving entitlement to 40% reduction (€)	Distributed income not giving entitlement to 40% reduction (€)	Total (€)
2010	0.23	0.23	None	0.23
2011	0.50	0.50	None	0.50
2012	0.60	0.60	None	0.60

1.14.6 – Employee shareholders

There is no Group savings plan (or similar plan) allowing Orpea to know the exact number of shares held by employees.

However, on 29 June 2006, the Board of Directors agreed to grant 68,430 bonus shares to Group employees (currently representing 0.12% of the share capital), with the beneficiaries agreeing to hold the shares until 31 December 2010.

1.15 – INFORMATION LIABLE TO HAVE AN INFLUENCE ON THE OUTCOME OF A PUBLIC OFFER

We provide the following information in accordance with article L. 225-100-3 of the French Commercial Code:

- the Company's capital structure and significant direct or indirect interest in its share capital are described in the management report;
- the articles of association contain no restrictions on voting rights, apart from the disqualification of voting rights attached to shares that have not been notified to the company in accordance with the requirements on notifiable interests;
- there are no shareholders' agreements to the Company's knowledge;
- there are no securities conferring special control rights, apart from shares with double voting rights;
- the rules for appointing and removing members of the Board of Directors are those set out by law;
- the Chief Executive Officer and the Chief Operating Officer receive compensation in the event that they cease their functions as corporate officers who are also executives;

- the bonds issued contain an early redemption clause at the holders' option in the event of a change of control of the company (change of majority voting rights or more than 40% of voting rights if no other shareholder holds a higher percentage).

All in all, the amount of debt covered by these clauses on 31 December 2013 was €1,116 million.

1.16 – SHARE BUYBACK PROGRAMME

1.16.1 – 2013 share buyback programme

In accordance with the provisions of articles L. 225–209 et seq. of the French Commercial Code, at the annual general meeting of 20 June 2013, the shareholders authorised the Board of Directors to trade in ORPEA's own shares for a period of 18 months, within the limits and for the purposes of the share buyback programme: maximum purchase price of €50 per share, while the number of shares to be purchased may not exceed 10% of the Company's share capital.

For the implementation of the share buyback programme, the Company has signed a liquidity contract with Gilbert Dupont. This contract complies with the AMAFI Code of Conduct approved by the AMF on 1 October 2008. Gilbert Dupont trades in the Company's shares on an arm's length basis and has sole responsibility for investment and divestment decisions, which must comply with the purpose of the contract and ensure its continuity. The sole purpose of the liquidity contract is therefore to make a market in the shares and ensure regular price quotations to avoid swings in share price which are not warranted by market trends. In any event, transactions made under the liquidity contract must not hamper the market's normal operation. Gilbert Dupont is also committed to the principle of proportionality set out in the charter. Thus, resources held on the liquidity account must be commensurate with the purpose of the liquidity contract.

Under the liquidity contract, the Company has:

- bought 4,549,944 shares for a total of €152,315,918, representing a weighted average value of €33.48 per share;
- sold 4,541,083 shares for a total of €152,027,353, representing a weighted average value of €33.48 per share.

The Company has not used any derivatives and does not have any open positions.

The Company has not cancelled any shares.

At 31 December 2013, the Company held 11,871 shares directly, with a par value of €1.25, representing 0.02% of its share capital, with a market value of €501,431 (based on the share price at 30 December 2013 of €42.24).

These shares were allocated as follows:

- 8,861 bearer shares allocated for the purpose of ensuring liquidity; and
- 3,010 registered shares allocated to cover stock option plans or other employee shareholding schemes, as well as subscription warrants.

1.16.2 – Renewal of the share buyback programme – Description of the share buyback programme in accordance with articles 241–1 et seq. of the AMF General Regulations

This paragraph contains information about the share buyback programme to be presented to the General Meeting of the shareholders on 25 June 2014.

1) Breakdown of the shares held directly or indirectly by the issuer as at 31 December 2013 by purpose

At 31 December 2013, ORPEA held a total of 11,865 shares directly, allocated as follows:

- 8,861 bearer shares under a liquidity contract with Gilbert Dupont for the purpose of ensuring the shares' liquidity; and
- 3,010 shares in registered form.

The Company has not used any derivatives under its share buyback programme. No shares have been cancelled.

2) Description of the treasury shares buyback programme to be submitted to the general meeting called to approve the accounts ended 31 December 2013

Related securities: ordinary shares

Purpose of the share buyback programme

The purpose of the share buyback programme is:

- a) to make a market or promote liquidity in the shares through an independent investment services provider acting under a liquidity contract that complies with a code of conduct approved by the Autorité des Marchés Financiers, with the understanding that the number of shares counted in the aforementioned 10% calculation shall equal the number of shares bought less the number resold within the time period of this authorisation;
- b) to allot all or some of the shares purchased to employees and/or officers of the Company and/or the Group under the terms and conditions set out by law, and particularly under employee profit-sharing plans, stock option plans, bonus share plans or employee share ownership plans;
- c) to allot shares upon the exercise of securities giving rights to shares of the Company by way of conversion, exercise, redemption, exchange, presentation of a warrant or otherwise, in accordance with stock market regulations;
- d) to cancel all or some of the shares acquired in capital reductions under the terms and conditions set out in the French Commercial Code, subject to the thirteenth resolution being passed by the shareholders;
- e) to keep all or some of the shares purchased to tender in exchange, as payment or otherwise for future acquisitions, in compliance with practices authorised by the Autorité des Marchés Financiers; or
- f) more broadly, to undertake any hedging or other transaction that is authorised or might be authorised by regulations in force.

The shares purchased and kept by Orpea will be stripped of their voting rights and will not be entitled to dividend payments.

Maximum percentage of share capital, maximum number and type of securities, maximum purchase price

- Maximum percentage of share capital that may be held:
 - 10% of the total number of shares forming the share capital of the Company; and

- 5% of the total number of shares making up the Company's share capital if these are shares acquired by the Company for holding and subsequent use in payment or exchange as part of a merger, spin-off or capital contribution.
These percentages apply when appropriate to a number adjusted for transactions that may impact the share capital subsequently to the Shareholders Meeting of 25 June 2014.
- Maximum purchase price: €100
- Maximum amount of the programme: €554,769,900
- The purchase, sale, transfer or exchange of these shares may be effected and settled by any means in accordance with the regulations in force, on one or more occasions, on or off the market, including over-the-counter, and by the purchase or sale of blocks (without limiting the portion of the buyback programme that may be executed by this means), by the use of options or other financial derivatives and at all events directly or through the intermediary of an investment services provider, and at such times as the Board of Directors shall deem proper, including at the time of a public offer to buy or exchange the Company's shares.

Term of buyback programme

This programme will be valid for a period of 18 months from the annual general meeting of 25 June 2014.

2. CORPORATE GOVERNANCE

2.1 – 2013 REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

<p style="text-align: center;">2013 Report by the Chairman of the Board of Directors on internal control (article L. 225–37 of the French Commercial Code)</p>

This chapter includes the Chairman's report on corporate governance and internal control procedures implemented by the Company.

This report primarily addresses how the Board of Directors prepares and organises its work and the factors that go into the compensation of the corporate officers, as well as the transactions in ORPEA shares declared by the corporate officers in 2013.

This report also addresses the internal control procedures implemented by the Company.

The following is contained in chapter II of this registration document:

- Information relating to shareholders' participation in the annual general meeting is provided in section "*1.9 – General meetings of shareholders*",
- Factors likely to have an impact in the event of a public offering are provided in section "*1.15 – Factors likely to have an impact in the event of a public offering.*";
- ORPEA capital allocation as at 31 December 2013, in paragraph "1.14 – Shareholders of the Company."

The information referred to in article L. 225–100–3 of the French Commercial Code is contained in section 1 of this registration document (section "Principal information about the Company").

The reports of the Statutory Auditors on the Chairman's report and on the regulated agreements and regulated obligations are inserted into this chapter.

Pursuant to article L. 225–37 of the Commercial Code, the Board of Directors of the Company approved this chapter at its meeting on 25 March 2014.

I – COMPOSITION, ORGANISATION AND FUNCTIONING OF THE BOARD OF DIRECTORS

Corporate Governance Code

ORPEA follows the AFEP–MEDEF Corporate Governance Code for exchange listed companies (hereinafter the "AFEP–MEDEF Code"). The AFEP–MEDEF Code can be found at: www.medef.com.

Pursuant to article L. 225–37 of the Commercial Code, paragraph 6, this report identifies the provisions of the AFEP/MEDEF Code which are not implemented and indicate the reasons for this choice.

I.1 – Composition and operating procedures of the Board

I.1.1 – Members of the Board of Directors

The bylaws of the Company provide that the Board of Directors consist of at least three members and no more than 18, whether individuals or legal entities.

In accordance with the AFEP-MEDEF Code, Board members are appointed for four-year renewable terms.

The current Board of Directors

The Company is managed by a Board of Directors, currently consisting of eight members:

Director's full title	Age In 2014	Term ends	Number of ORPEA shares held
Dr. Jean-Claude Marian	75	2015 AGM	4,133,109
Yves Le Masne	52	2015 AGM	10,779
Brigitte Michel	56	2017 AGM	508
Alexandre Malbasa	56	2017 AGM	2
Jean-Patrick Fortlacroix	57	2014 AGM	153
FFP Invest, represented by Thierry Mabillet de Poncheville	59	2015 AGM	3,811,353
Sophie Malarme-Lecloux*	44	2017 AGM	50
Alain Carrier**	47	2015 AGM	1

* Director appointed on proposal by SOFINA

** Director appointed on proposal by CPPIB

All members of the Board of Directors and permanent representatives are French nationals with the exception of Sophie Malarme-Lecloux, who is Belgian, and Alain Carrier, who is British.

The list of offices held in any company during FY 2013 and over the last five years by each of the officers is attached to this Report.

The Board of Directors complies with the AFEP-MEDEF Code, which stipulates that "terms of office shall be staggered so as to avoid a block renewal and promote a smooth renewal of Directors".

Summary of directorships renewed in 2013

The General Shareholders Meeting of 20 June 2013 renewed for four year terms the directorships of Brigitte Michel and Alexandre Malbasa, i.e. until the 2017 general Shareholders Meeting called to approve the financial statements for the period ending 31 December 2016.

Summary of newly appointed directors in 2013

The General Shareholders Meeting of 27 November 2013 appointed as director Sophie Malarme-Lecloux for four years, i.e. until the 2017 general Shareholders Meeting called to approve the financial statements for the period ending 31 December 2016.

The Board of Directors meeting on 11 December 2013 elected as a director to replace NeoGema, which resigned, Alain Carrier for the remainder of his predecessor's term, i.e. until the close of the 2015 ordinary general shareholders meeting called to approve the financial statements of the period ending 31 December 2014.

Directorships expiring in 2014

The term of Jean-Patrick Fortlacroix expires at the close of the annual general meeting of 25 June 2014. Because of his professional career and his expertise, particularly in finance, a renewal of his term of office will be submitted at that date to a vote of the shareholders.

A Board, expanded in 2013, whose composition is diverse and complementary

The make-up of the Board of Directors, which was expanded by the appointment of two new directors, reflects diversity of professional career and expertise: ORPEA's directors complement each other in terms of their various backgrounds and nationalities. This diversity enriches the debates and the strategic vision of the Board.

Co-founder of the ORPEA Group, Jean-Claude Marian was previously medical director of a medical teaching institute and co-founder and director of a hospital engineering and planning firm. He therefore has many years' experience in designing and organising care facilities.

Yves Le Masne, a member of the group for more than 20 years, trained as a computer science engineer specialising in management audit and finance. He has served in the group as Head of Management Audit and as Chief Financial Officer. In 2006 he was appointed Chief Operating Officer, and became a member of the board. Since 15 February 2011, he has served as ORPEA's CEO. His long career in the group has given him a thorough knowledge of the group's activities and its organisation.

Brigitte Michel and Alexandre Malbasa are lawyers and they provide their expertise in legal and judicial matters, as well as having a good knowledge of the Group and its business.

Jean-Patrick Fortlacroix, accountant and auditor, has expertise in real estate, tax, and consolidation, particularly in the health and medico-social sector.

FFP Invest is a company renowned for the selectivity of its investments and for its long-term support in leading companies in their industry with good growth prospects. It is represented on the Board by Mr Thierry Mabilde de Poncheville, who brings to the Board expertise drawn from very broad professional experience and good knowledge of the rules of governance.

Sophie Malarme-Lecloux has nearly 20 years of professional experience, including 12 in the SOFINA Group. There she has held a variety of positions, in both the finance and the investment departments. She is currently Senior Investment Manager at SOFINA.

Alain Carrier has over 17 years of experience in the financial services industry. Before joining CPPIB he was a Managing Director in the investment banking division of Goldman Sachs & Co. in New York and London. Previously he was a partner in the New York office of the law firm of Sullivan & Cromwell. Currently he directs and coordinates CPPIB's operations in Europe, the Middle East and Africa. He also directs the private placement department of CPPIB in Europe, along with the Infrastructures division worldwide.

Out of a total of eight directors, two are women, that is, 25% of the members. The Board of Directors thus anticipated the law of 27 January 2011 concerning the balanced representation of men and women that sets at 20% the ratio of women who shall sit on boards of directors.

The Board of Directors plans to keep increasing the proportion of women on the Board, which will be at least 40% in 2017, in accordance with the aforementioned law.

Independence of directors

The Company believes that having independent directors on the Board improves the quality and objectivity of discussions.

The Board of Directors reviewed the situation of each member, particularly with regard to the criteria for independence set forth in the AFEP-MEDEF Code.

A member of the Board is independent if he or she has no relationship whatsoever with the Company, its Group or its management that might compromise his or her freedom of judgment.

In that spirit, the Board uses as guidance in determining whether a member is independent the following criteria of the AFEP-MEDEF Code:

- is not, and has not been an employee or Corporate Officer of the Company, employee or Director of the parent company or of a company which the Company consolidates, and has not been within the last five years;
- is not a Corporate Officer of a company in which the Company, directly or indirectly, acts as a Director or in which an employee designated as such or a Corporate Officer of the Company (currently or in the last five years) is a Director;
- is not a customer, supplier, commercial banker or investment banker:
 - with significant weighting for the Company or its Group, or
 - for which the Company or its Group represents a significant share of their business;
- has no close family tie with a Corporate Officer;
- has not been an auditor of the Company in the last five years;
- has not been a Director for more than 12 years.

With regard to the definition of an independent director and the criteria laid out in the AFEP-MEDEF Code, the Board of Directors on 25 March 2014, on the advice of the Compensation and Appointments Committee, deemed the following to be independent directors:

- Jean-Patrick Fortlacroix;
- FFP Invest, whose interest is below 10%;
- Sophie Malarne-Lecloux, who represents the shareholder SOFINA whose interest is also below 10%;
- Alain Carrier, who represents CPPIB. Although CPPIB holds over 10% of the equity, ORPEA accounts for a very small part (0.2%) of the investment portfolio managed by CPPIB.

As for Brigitte Michel and Alexandre Malbasa, the following two criteria were studied:

- Has not been a Director for more than 12 years;
- Is not a major customer, supplier [...] of the Company or the Group, or for which the Company or the Group accounts for a significant portion of its business.

Brigitte Michel and Alexandre Malbas have been directors for over 12 years; in addition, Mr Malbasa receives compensation from the Group for his legal services.

Based on those criteria, and even though the compensation paid to Mr Malbasa for his assistance with legal disputes is considered to be insignificant (for 2013 he was paid €93,886 including tax), the Board of Directors ruled that Ms Michel and Mr Malbasa were not independent directors.

The provision of the AFEP-MEDEF Code which stipulates that the proportion of independent directors must be at least one third is respected because, of the eight directors, four are considered independent.

Additional information about the members of the Board (Annex 1 to EU Regulation No. 809/2004)

Absence of family ties between officers

No officer of the Company has any family tie with another.

No conflict of interest

To the company's knowledge, there are no potential conflicts of interest between the duties of the corporate officers to the ORPEA Group and their private interests. The Chairman of the Board of Directors, the Managing Director and Chief Operating Officer do not hold any professional or corporate office outside the group that might generate a business relationship with the group. There are no contracts or agreements between directors and the group with the exception of those employment contracts hereinafter mentioned. There are no financial flows between the directors and the group, with the exception of Mr Malbasa, who received fees during FY 2013. These flows are not considered significant.

The mode of organisation and functioning of the Board of Directors, including the procedure of regulated agreements, would be capable of preventing such conflicts, if relevant.

No conviction or criminal liability of corporate officers

During the past five years, none of the company's officers has, to the Company's knowledge, been investigated or sentenced for fraud, or incriminated and/or penalised by statutory or regulatory authorities (including designated professional bodies), or a court order preventing them from acting as a member of an administrative, managerial or supervisory body or managing or conducting business for an issuer.

Contracts involving the corporate officers, directors and executives of the ORPEA Group

Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, were bound to the Company by employment contracts till 31 May 2013.

Given the termination of their employment contracts, the Board of Directors authorised payment to be made to Messrs. Le Masne and Brdenk should they cease to be corporate officers who are also executives.

Directors' duties defined in the Rules of Procedure of the Board of Directors

► Shareholdings

Each director must own at least one share in the Company.

Shares held by the Director, his/her spouse, his/her child below voting age, or any other nominee, must be in registered form: either registered in the name of the Company officer, or registered in the name of a nominee whose details will be communicated to the Secretary of the Board of Directors.

The provision of the AFEP-MEDEF Code which recommends the holding by the director of a relatively significant number of shares was not adopted by the Board, insofar as it believes that the involvement and skills of a director does not necessarily reflect the number of shares held.

► **Managing conflicts of interest**

The Directors are required to act in all circumstances in the interests of the Company and all its shareholders.

In accordance with the AFEP-MEDEF Code, the Rules of Procedure of the Board of Directors require directors to inform the Board of any conflict of interest, even potential, in which they could be directly or indirectly involved. They would then refrain from participating in related discussions and deliberations.

► **Professional secrecy**

Directors undertake not to speak individually outside the internal deliberations of the Board on issues raised at Board meetings.

Outside the company, only a collective statement is possible, especially in the form of press releases intended as market information.

With regard to non-public information acquired in the course of their duties, Directors shall consider themselves bound by genuine professional secrecy that goes beyond the obligation of discretion stipulated by article L. 225-37 paragraph 5 of the French Commercial Code.

► **Market Conduct**

Privileged information should only be used by Directors in connection with the execution of their mandates. It should not under any circumstances be communicated to a third party other than in the course of exercising their duties or for any purpose or activity other than those for which it is held.

Each Director has a duty to refrain from or prevent any other person from trading in the securities of the Company, on the basis of this information, insofar as this information is not made public.

It is the personal responsibility of all Directors to determine to what extent information held by them is privileged and, consequently, to determine whether they are free to engage in or conversely should refrain from any use or transmission of this information, as well as trading in Company securities.

The Directors shall also refrain from any speculative trading in the securities of the Company; they are therefore prohibited from conducting any short selling or stock market lending transaction on any financial instruments relating to securities issued by the Company.

During the period preceding the publication of any privileged information known to them, members of the Board, in their capacity as insiders must, by law, abstain from any trading in Company securities.

In addition, they are prohibited, as recommended by the AMF, to perform any transactions on the securities during the following periods:

- at least 30 calendar days before the date of the press release of the annual and half-yearly results, as well as on the day of said press release;
- at least 15 calendar days before the date of the press release on the quarterly results, and on the day of said press release.

The same rule will apply, where applicable, to the disclosure of provisional annual and interim results.

Directors and persons closely associated with them must report transactions on ORPEA stock to the AMF. There is a summary of transactions on Orpea securities performed in 2013 in paragraph I-3 below.

Regulated related-party agreements and commitments

See Section II – section 2.3 "Statutory auditors' special report on regulated related-party agreements and commitments".

I.1.2 – Organisation of the Board

Conduct of Board meetings:

The Board meets as often as required in the interests of the Company. Meetings are called by the Chairman of the Board by any means.

The Board of Directors approves, at the end or beginning of year n, the schedule of the Board meetings for year n.

A quorum is reached when at least half of the Board members are present. A director may be represented by another director who has been granted special powers.

Decisions are taken by majority of members present or represented, except the choice of exercising general management, which is made unanimously. The Chairman has the casting vote.

The minutes summarise the discussions and clarify decisions.

Rules of Procedure for the Board of Directors

Adopted by the Board at its meeting on 14 November 2011, the Rules of Procedure are intended to supplement the statutory rules, regulations and statutory requirements so as to specify how the Board operates and, where relevant, its Study Committees, in the interests of ORPEA and its Shareholders.

These Rules of Procedure were amended by the Board of Directors on 27 November 2013 in order to comply with the new AFEP-MEDEF Code revised in June 2013.

The complete text of the Rules of Procedure appears in the appendix to this report, at paragraph I-4 below.

Assessment by the Board of Directors

The Board of Directors' Rules of Procedure stipulate that the Board will conduct a periodic evaluation of its composition, its organisation and its operations as well as those of its Committees. An agenda item will be devoted to this topic once a year and a formal assessment under the authority of the Chairman of the Board of Directors will be carried out every three years. The Board will, where appropriate, implement any improvement measures.

The Board of Directors decided at its meeting of 14 November 2012, upon the recommendation of the Appointments and Remuneration Committee, to have an assessment made by an outside firm.

This assessment was carried out in 2013 by an outside firm. The study was undertaken in two phases: firstly, through the responses of directors to a standard questionnaire, and secondly through individual interviews held with the directors.

The findings were presented to the Board of Directors at its 27 November 2013 meeting. This assessment revealed that the ORPEA Board of Directors is characterised by great stability (as is borne out by the ongoing presence of the Group's founder and of the Chief Executive Officer), diversified membership and continuous improvement in the governance of the Company. The Board of Directors analysed the different recommendations made by this firm, especially as to the operation of the Board and to broadening the top management team to support the expansion of the Group.

Study Committees

The Board of Directors set up two Study Committees (the Audit Committee and the Appointments and Remuneration Committee), to which it gave specific assignments so as to prepare and enrich the Board's deliberations.

These Committees are going about this work within the strict limits of the duties that the Board conferred on them and whose scope is delineated by the rules of procedure. They prepare their research, make proposals or recommendations but have no decision-making authority.

The make-up of these Committees, their duties and their work in 2013 are set forth in detail below.

The Audit Committee

Members of the Audit Committee

The Rules of Procedure require that the Audit Committee consist of at least three members, non-executive directors of the Company. At least one member must have specific expertise in finance or accounting and be independent.

The term of office of committee members is the same as that of their directorships.

The Audit Committee presently consists of four members: Jean-Patrick Fortlacroix, Chair, Thierry de Poncheville, Alexandre Malbasa and Alain Carrier.

The provisions of the AFEP-MEDEF Code, which recommend that at least two thirds of the directors on the audit committee must be independent, are met.

Duties of the Audit Committee

The Audit Committee monitors issues relating to the preparation and control of accounting and financial information in order to prepare decisions of the Board in the finance and accounting field. Without prejudice to the powers of the Board and General Management, the Committee is responsible specifically for monitoring:

- a) the process by which financial information is compiled;
- b) the effectiveness of internal control and risk management procedures;
- c) the statutory auditing of the financial statements and, where applicable, the consolidated financial statements by the Statutory Auditors;
- d) and for issuing a recommendation on the Statutory Auditors proposed for appointment by the General Meeting and ensuring their independence.

This monitoring allows the Committee if necessary to issue recommendations on improving existing processes and possibly establishing new ones.

The Audit Committee may be consulted, notably by the Board or General Management when deemed necessary, on any matter concerning procedures to control unusual risks.

Operation of the Audit Committee

The Committee is convened by its Chairman and meets as often as deemed necessary by the Chairman or the Board and at least twice each year.

A meeting agenda is set by the Chairman of the Committee, in conjunction with the Board if the latter called the meeting. The agenda is circulated to the members of the Committee prior to their meeting, along with any information relevant to their discussions.

In order to carry out its duties successfully, the Audit Committee hears, as it deems necessary, the Statutory Auditors and the Company's management, in particular the persons responsible for establishing the financial statements and for internal control, in the absence of General Management.

The Appointments and Remuneration Committee

Members of the Appointments and Remuneration Committee

The Rules of Procedure require that the Appointments and Remuneration Committee consist of at least three members, non-executive directors of the Company. The term of office of Committee members is the same as that of their directorships.

The Appointments and Remuneration Committee presently consists of four members: Thierry de Poncheville, Chair, Brigitte Michel, Alain Carrier and Sophie Malarme-Lecloux.

The provisions of the AFEP-MEDEF Code, which recommend that at least two thirds of the directors on the Appointments and Remuneration Committee must be independent, are met.

Duties of the Appointments and Remuneration Committee

The Appointments and Remuneration Committee's main duties within the framework of the Board's work are:

- to assist the Board in deciding how to organise General Management and on the status of corporate officers;
- to make proposals to the Board for selection of Directors;
- to make proposals to the Board as to the creation and make-up of committees;

- to make periodic assessments of the structure, size and make-up of the Board of Directors and to submit to it recommendations as to any changes that might be made to it;
- to discuss the qualification of independent director, which is reviewed annually by the Board prior to publication of the Annual Report;
- to issue an opinion on the proposals by the Chairman of the Board for appointment of the Chief Executive Officer and the Chief Operating Officer;
- to draw up a succession plan of the executive corporate officers, particularly one that would apply in the event of an unforeseen vacancy;
- to ensure implementation of the Code of Corporate Governance to which the Company refers;
- to prepare Board decisions on updating its Rules of Procedure;
- to develop proposals relating specifically to:
 - the fixed and variable remuneration of the Chairman and any other benefit received,
 - the fixed and variable remuneration of the Chief Executive Officer and Chief Operating Officer and any other benefit received (retirement, severance pay, etc.),
 - the amount of the total directors' fees to be submitted for approval to the General Meeting and their method of distribution,
 - the establishment of long-term incentive plans, such as those involving distributions of stock options or bonus shares to corporate officers.

Operation of the Appointments and Remuneration Committee

The Appointments and Remuneration Committee is convened by its Chairman and meets as often as deemed necessary by the Chairman or the Board. A meeting agenda is set by the Chairman of the Appointments and Remuneration Committee, in conjunction with the Board if the latter called the meeting. The agenda is circulated to the members of the Appointments and Remuneration Committee prior to their meeting, along with any information relevant to their discussions.

The Appointments and Remuneration Committee may meet more frequently as it sees fit.

The Chairman of the Board is involved with this work except for topics that have to do with him personally.

I.1.3 – Procedures for General Management

On 15 February 2011, the Board of Directors decided to separate the offices of Chairman and Chief Executive Officer, with Jean-Claude Marian continuing to act as Chairman of the Board of Directors and Yves Le Masne appointed Chief Executive Officer.

Role and powers of the Chairman and the Chief Executive Officer

The **Chairman** of the Board of Directors shall represent the Board of Directors. He shall organise and manage the Board's work and report on it to the general meeting of shareholders. He is responsible for ensuring that the Company's governing bodies function correctly and, more particularly, that the directors are capable of fulfilling their duties.

Working in close collaboration with General Management, he may represent the Group in its high-level relations with the supervisory authorities and the Group's major partners both nationally and internationally. He is involved in setting out and executing the main tenets of the Group's strategy, particularly with regard to acquisitions.

The **Chief Executive Officer** has the widest powers to act in the name of the Company at all times and in all circumstances. He/she shall exercise these powers within the limits of the company object and subject to those that the law expressly allocates to meetings of shareholders and to the Board of Directors.

Restrictions on the powers of the Chief Executive Officer imposed by the Board of Directors

The Chief Executive Officer shall obtain the Board's prior approval for the following decisions:

- investment in or acquisition of any asset or holding worth over €20 million;
- divestment/sale of all non-active real estate worth over €5 million;
- divestment/sale of all real estate assets worth over €30 million per transaction;
- obtaining any loan or financing worth over €50 million, or modification of an existing loan or financing worth over €50 million;
- the constitution of securities, endorsements or other guarantees with individual amounts over €50 million;
- any decision regarding the strategic direction of a Group company or any substantial change in the orientation or activity of such company;
- the approval and amendment of the Orpea or Group annual budget or business plan;
- any transaction in equity, including but not limited to: merger, spin-off, partial contribution of assets, increase or reduction in capital, issuance of any securities and the creation of classes of shares);
- distribution policy for dividends or any other distribution made by the Company to its shareholders;
- remuneration of the Company's corporate officers;
- any significant recruitment (gross annual salary exceeding €200,000); and
- any plan or award concerning stock options, bonus shares, incentive bonuses or profit sharing.

I.1.4 – The Board's work in 2013

The Board met nine times during FY 2013 (as compared to seven times during 2012), with an attendance rate of 90% on average.

During FY 2013, the Board discussed the group's financial position at the time of closing the annual accounts and reviewing the interim financial statements.

The Board also advised on major Group development and strategy decisions. Thus it gave its opinion concerning the bonds optionally redeemable for cash and/or new and/or existing shares (the ORNANES), the public tender offer for share warrants (the BSAARs) that ORPEA issued in 2009 and the capital increase by private placement in December 2013.

On the basis of the work done by the Appointments and Remuneration Committee, the Board also continued its efforts to improve the Company's governance. In accordance with the recommendations of the AFEP-MEDEF Code, it decided among other things to terminate the employment contracts of Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, and analysed the results of the assessment of its operation conducted by an outside firm.

To facilitate financing and increase responsiveness, the Board of Directors re-authorised the CEO, for a period of one year, to grant securities, endorsements and other guarantees on behalf of the Company up to a maximum commitment of €300 million, provided that no single security, endorsement or guarantee exceeds the sum of €50 million. The Chief Executive Officer regularly presented a statement of commitments granted under this authorisation to the Board.

I.1.5 – The Study Committees' work in 2013

Activity of the Audit Committee in 2013

During the financial year ended 31 December 2013, the Audit Committee met on three occasions with an attendance rate of 90%, primarily before the Board of Directors' meetings held to approve the annual and interim financial statements.

The Statutory Auditors attend the meetings.

The meeting of 20 March 2013 was an occasion for learning about the interim work of the Statutory Auditors concerning the effectiveness of ORPEA's internal controls, particularly as to invoicing and the information systems.

The Committee also reviewed the consolidated financial statements for the financial year 2012, which were discussed among the members of the committee and the Statutory Auditors. Lastly, the Committee examined the financial resolutions to be submitted to the General Meeting of the Shareholders.

At the meeting of 23 April 2013 the Committee reviewed the consolidated and parent company financial statements for the financial year 2012 and the final conclusions of the work done by the Statutory Auditors. It also focused on the change over time in the Group's short-term and medium-term debt and on the section of the management report dealing with risk management.

The Committee met on 5 September 2013 to examine the consolidated financial statements for the first half of 2012 and the associated press release, with the Statutory Auditors present.

Activity of the Appointments and Remuneration Committee in 2013

The Appointments and Remuneration Committee met three times in 2013. The attendance rate of its members was 100%.

The Appointments and Remuneration Committee made recommendations to the Board of Directors on the qualification of the Board members, the remuneration of directors and, more generally, on the terms of office of Messrs Le Masne and Brdenk under the AFEP-MEDEF Code.

Review of the independence of directors

The Appointments and Remuneration Committee examined the situation of each director with regard to his or her independence according to the criteria laid out in the AFEP-MEDEF Code and made recommendations to the Board of Directors.

Renewals of directors' terms of office and appointment of new directors in 2013

The Appointments and Remuneration Committee made proposals to the Board of Directors on the renewals of directors' terms of office and the appointment of new directors.

Balanced representation of men and women

The Appointments and Remuneration Committee examined the change over time in the membership of the Board so as to be in compliance by 2014 with the Law of 27 January 2011, which requires a balanced representation of women and men, or a minimum proportion of 20% of the same gender.

Continued improvement in Governance

The Appointments and Remuneration Committee made proposals to the Board to make further improvements in governance. Among other things it proposed to the Board of Directors that it update the rules of procedure in light of the new provisions of the AFEP-MEDEF Code of June 2013.

The Committee oversaw the process for assessing the operation of the Board of Directors and its governance, and submitted a report about this to the Board of Directors.

Compensation of Corporate officers

The Appointments and Remuneration Committee made proposals to the Board regarding the compensation of the corporate officers, in particular after the termination of the employment contracts of Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer.

Ratification of the election of a director in 2014

The Appointments and Remuneration Committee proposed that the election of Alain Carrier be ratified. This ratification will be submitted to the general meeting of shareholders on 25 June 2014.

Renewal of a director's term of office in 2014

Since the term of Jean-Patrick Fortlacroix expired in 2014, its renewal for four years was proposed to the Board of Directors and, with its consent, is being submitted to the general meeting of shareholders on 25 June 2014.

I.2 – Remuneration of corporate officers

The Appointments and Remuneration Committee makes recommendations on, and the Board of Directors sets the general principles of the remuneration policy and the remuneration of corporate officers.

No stock options, share awards or performance shares were granted to the directors or corporate officers in 2013.

They have no specific supplementary pension entitlements (regulations of Article 39.)

The Ordinary General Meeting of 29 June 2012 capped the maximum overall fees allocated to directors at €225,000. The gross remuneration of directors with respect to FY 2013 was €204,700, broken down as follows, taking into account the three meetings of the Audit Committee and the three meetings of the Appointments and Remuneration Committee (the Chairman of each committee receiving double the amount of directors' fees of regular committee members):

DIRECTORS	GROSS AMOUNT PAID FOR FY2013	GROSS AMOUNT PAID FOR FY2012
Jean-Claude Marian	€25,000	€25,000
Yves Le Masne	€25,000	€25,000
Brigitte Michel	€27,000 including €4,500 with respect to the Appointments and Remuneration Committee	€28,000 including €3,000 with respect to the Appointments and Remuneration Committee
Alexandre Malbasa	€29,000 including €4,000 with respect to the Audit Committee	€31,000 including €6,000 with respect to the Audit Committee
Jean-Patrick Fortlacroix	€37,000 including €12,000 with respect to the Audit Committee	€37,000 including €12,000 with respect to the Audit Committee
FFP Invest RP: Thierry DE PONCHEVILLE	€40,000 including €6,000 with respect to the Audit Committee and €9,000 with respect to the Appointments and Remuneration Committee	€37,000 including €6,000 with respect to the Audit Committee and €6,000 with respect to the Appointments and Remuneration Committee
NEO GEMA RP: Philippe Austruy	€17,500	€28,000 including €3,000 with respect to the Appointments and Remuneration Committee
Sophie Malarme	€4,200	Not present
TOTAL	€204,700	€211,000

Directors' fees with respect to year n are paid at the beginning of year n+1.

Remuneration of the Chairman of the Board of Directors – Jean-Claude Marian (with respect to FY 2013)

Mr Marian received gross annual remuneration totalling €450,500, plus €25,000 in directors' fees in his capacity as a Company Board member.

The Chairman of the Board receives no options, free shares, performance shares, commitments or severance benefits of any kind.

He does not have any specific supplementary pension plan ("top hat" plan authorised under article 39).

Summary table of remuneration paid to the Chairman of the Board of Directors for FY 2013

These gross amounts include remuneration received from companies controlled by Orpea within the meaning of article L. 233-16 of the French Commercial Code.

	FY 2013		FY 2012	
	Amount due	Amount paid	Amount due	Amount paid
Dr Jean-Claude Marian, Chairman of the Board of Directors				
Fixed remuneration	€450,500	€450,500	€450,500	€450,500
Variable compensation	None	None	None	None
Benefits in kind	None		None	
Directors' fees	€25,000	€25,000	€25,000	€25,000
Benefits in kind	None		None	
Stock options	None		None	
Bonus shares	None		None	
Supplementary (top hat) pension	None		None	
Severance benefits clause	None		None	
Non-compete benefits	None		None	

Remuneration of the Chief Executive Officer – Yves Le Masne (with respect to FY 2013)

As stated elsewhere, the Board of Directors meeting of 25 March 2013, upon the proposal of the Appointments and Remuneration Committee and in keeping with the company's performance in 2012, awarded Mr Le Masne a bonus of €275,000 (gross pay), which was paid in 2013.

In accordance with the AFEP-MEDEF Code (paragraph 19), the Board of Directors on 25 March 2013 decided to terminate Mr Le Masne's employment contract and, given his length of service and contribution to the Group, authorised entering into an agreement to terminate his employment contract and award him severance pay.

The termination of his contract took effect 31 May 2013. At that point he received his severance pay, equal to the lawful amount, of €602,000.

Thus since 1 June 2013 Mr Le Masne is only paid compensation for his work as a corporate officer.

As a consequence of terminating his employment contract, the Board of Directors on 25 March 2013, acting on the proposal of the Appointments and Remuneration Committee, set Mr Le Masne's gross annual compensation, which consists of a fixed portion and a variable portion.

As to the fixed portion of Mr Le Masne's compensation for 2013, the Board of Directors on 25 March 2013 set that at €720,000 gross on an annual basis.

As to the variable portion of Mr Le Masne's compensation for 2013, the Board of Directors set the target objective for that as representing anywhere from 40% of the gross fixed portion to 70% in the event of operations or circumstances that the Board of Directors deemed exceptional.

The criteria for evaluating the variable portion were defined as follows:

- three-quarters of the variable portion are measured against quantitative objectives determined with reference to business and financial objectives such as revenues, financial performance ratios and indebtedness;
- the remainder is measured against qualitative criteria determined with reference to communications objectives.

The same meeting of the Board approved in principle that a payment be made upon the expiration of his term as a corporate officer (see above – Commitment with respect to the Chief Executive Officer and the Chief Operating Officer.)

Yves Le Masne has been covered by an unemployment insurance policy, the premiums for which have been paid by the Company since 2009. The premiums amounted to €1,695 in 2013. The Board of Directors on 25 April 2013 confirmed that it would continue to provide this insurance coverage for Mr Le Masne.

Mr Le Masne receives no options, bonus shares or performance shares.

Mr Le Masne does not have any specific supplementary or "top hat" pension plan (article 39).

Summary table of remuneration of the Chief Executive Officer in 2013

These amounts include compensation received by the corporate officers from companies controlled by Orpea within the meaning of article L. 233-16 of the French Commercial Code.

	FY 2013		FY 2012	
	Amount due	Amount paid	Amount due	Amount paid
Yves Le Masne, Chief Executive Officer				
<u>Fixed remuneration</u>				
Under the employment contract	€220,000	€220,000	€520,000	€520,000
As corporate officer	€500,000	€500,000	€200,000	€200,000
Total	€720,000	€720,000	€720,000	€720,000
Variable compensation	€275,000	€275,000	€330,000	€310,000
Directors' fees	€25,000	€25,000	€25,000	€25,000
Benefits in kind (company car)	€3,551		€3,551	
Stock options	None		None	
Bonus shares	None		None	
Supplementary (top hat) pension	None		None	
"Severance benefits" clause	No amount due or paid		None	
Non-compete benefits	None		None	

Remuneration of the Chief Operating Officer – Jean-Claude Brdenk (with respect to FY 2013)

As stated elsewhere, the Board of Directors meeting of 25 March 2013, acting upon the advice of the Appointments and Remuneration Committee and in keeping with the company's performance in 2012, awarded Jean-Claude Brdenk a bonus of €200,000 (gross pay), which was paid in 2013.

In accordance with the AFEP-MEDEF Code (paragraph 19) the Board of Directors on 25 March 2013 decided to terminate Mr Brdenk's employment contract and, given his length of service and contribution to the Group, authorised entering into an agreement to terminate his employment contract and award him severance pay.

The termination of his contract took effect 31 May 2013. At that point he received his severance pay, equal to the lawful amount, of €535,300.

Thus since 1 June 2013 Mr Brdenk is only paid compensation for his work as a corporate officer, specifically the Chief Operating Officer.

As a consequence of terminating his employment contract, the Board of Directors on 25 March 2013, acting on the proposal of the Appointments and Remuneration Committee, set Mr Brdenk's gross annual compensation, which consists of a fixed portion and a variable portion.

As to the fixed portion of Mr Brdenk's compensation for 2013, the Board of Directors on 25 March 2013 set that at €520,000 gross on an annual basis.

As to the variable portion of Mr Brdenk's compensation for 2013, the Board of Directors set the target objective for that as representing anywhere from 50 % of the gross fixed portion to 70% in the event of operations or circumstances that the Board of Directors deemed exceptional.

The criteria for evaluating the variable portion were defined as follows:

- three-quarters of the variable portion are measured against quantitative objectives determined with reference to business objectives such as revenues and financial performance ratios;
- the remainder is measured against qualitative criteria determined with reference to largely managerial objectives.

The same meeting of the Board of Directors approved in principle that a payment be made upon the expiration of his term as a corporate officer (see above – Commitments with respect to the Chief Executive Officer and the Chief Operating Officer).

On 25 April 2013 the Board of Directors authorised the company to take out unemployment insurance for the Chief Operating Officer, the premiums of which will be paid by the Company. This policy only takes effect as of 1 January 2014.

Jean-Claude Brdenk receives no options, bonus shares or performance shares.

Jean-Claude Brdenk does not have any specific supplementary or "top hat" pension plan (article 39).

Summary table of remuneration of the Chief Operating Officer with respect to FY 2013 – Summary

	FY 2013		FY 2012	
Jean-Claude Brdenk, Chief Operating Officer	Amount due	Amount paid	Amount due	Amount paid
<u>Fixed remuneration</u>				
Under the employment contract	€205,000	€205,000	€424,500	€424,500
As corporate officer	€324,000	€324,000	€50,000	€50,000
Total	€529,000	€529,000	€474,500	€474,500
Variable compensation	€200,000	€200,000	€135,000	€135,000
Directors' fees	None	None	None	None
Benefits in kind (company car)	€4,450		€4,450	
Stock options	None		None	
Bonus shares	None		None	
Supplementary (top hat) pension	None		None	
Retirement pay	No amount due or paid		None	
Non-compete benefits	None		None	

Commitments made with respect to the Chief Executive Officer and Chief Operating Officer

At its meetings on 25 March 2013 and 25 April 2013, the Board of Directors authorised severance benefits payable to Yves Le Masne and Jean-Claude Brdenk in the event of termination of their duties as executive corporate officers.

In accordance with the maximum amount defined by the AFEP-MEDEF Code, the amount of these benefits was set to twenty-four (24) months of gross fixed and variable remuneration (a multiple of average monthly remuneration due and paid with respect to the last two financial years), and is subject to performance-related conditions.

Given the involvement of Messrs Le Masne and Brdenk with the Group for several years, their major contribution to its growth and the termination of their employment contracts, the Board of Directors voted to go beyond the terms laid out in the AFEP-MEDEF Code. This payment will thus be due in the event of:

- forced departure at the initiative of the Board of Directors, irrespective of how this termination of office occurs, notably by revocation, requested resignation or non-renewal of mandate (excluding termination of office as a result of a serious offence);
- or
- a change in the Company's control (this being understood as any change to the Company's legal form as a result of any merger, restructuring, disposal, public offering or exchange operation, notably following which a legal or physical person, acting alone or in concert, directly or indirectly, holds a fraction of the company's capital or voting rights giving him or her effective control of the Company) or its strategy, on the initiative of the Board of Directors or the corporate officer concerned.

The payment of this compensation will also be subject to the following condition: the average monthly compensation received for the two financial years preceding the termination year of the officer in question must have been equal to or greater than 75% of the non-extraordinary target variable compensation (i.e., excluding the extraordinary variable portion).

In the event that the average variable remuneration with respect to the two years preceding departure is between 74% and 50% of said target regular variable remuneration, the amount of benefits are reduced in proportion to the rate of completion of the above conditions. If the completion rate is under 50%, no benefits are paid.

No compensation shall be paid if Yves La Masne and Jean-Claude Brdenk can exercise their rights to basic retirement benefits at the full rate in the six months following the termination of their duties.

The Board of Directors on 25 March 2013 further authorised the application to Messrs Le Masne and Brdenk, in their respective capacities of CEO and COO, of the collective agreement regarding disability and related benefits and employer-reimbursed healthcare that are part of the Group's contract.

The foregoing provisions follow from the procedures of the regulated agreements and commitments. The commitment was approved by the General Meeting of Shareholders of 20 June 2013 voting on the Special Report of the Statutory Auditors.

Compensation paid to Alexandre Malbasa

In addition to directors' fees, Mr Alexandre Malbasa was paid €93,886 in 2012 in fees for his assistance with pre-litigation and litigation.

Summary for FY 2013 of the situation of corporate officers who are also executives (since the termination of the employment contracts of Yves Le Masne and Jean-Claude Brdenk, referred to above)

Directors Corporate officers	Employment contract		Supplementary pension scheme		Compensation or benefits payable on transfer or on change of duties		Non-compete benefits	
	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Claude Marian <i>Chairman of the Board of Directors</i> <u>Date appointed:</u> 2011 AGM <u>Term ends:</u> 2015 AGM		X		X		X		X
Yves Le Masne <i>Executive Management</i> <u>Date appointed:</u> 2011 AGM <u>Term ends:</u> 2015 AGM		X		X	X			X
Jean-Claude Brdenk <i>Deputy CEO</i>		X		X	X			X

I.3 – Summary of transactions performed in 2013 by Orpea's corporate officers (Article 223–26 of the AMF General Regulations)

By Jean-Claude Marian or persons associated with him

Person	Date of transaction	Type of transaction	Unit price	Total
Santé Finance et Investissements	11/12/2013	Transfer	€40.34	€40,945,100.00
Jean-Claude Marian	11/12/2013	Transfer	€40.34	€279,867,544.00
Jean-Claude Marian	16/12/2013	Acquisition	€40.845	€9,368,699.34
Jean-Claude Marian	16/12/2013	Acquisition	€40.845	€6,129,282.39
Jean-Claude Marian	17/12/2013	Acquisition	€40.75	€199,063.75

By NEO GEMA

Person	Date of transaction	Type of transaction	Unit price	Total
Neo Gema	18/01/2013	Transfer	€31.60	€83,203,368.80

By Yves Le Masne or persons associated with him

Person	Date of transaction	Type of transaction	Unit price	Total
Yves Le Masne	10/06/2013	Donation	€35.69	€535,350.00

I.4 – Complete text of the Rules of Procedure of ORPEA Board of Directors

Foreword

Adopted by the Board at its meeting on 27 November 2013, these Rules of Procedure are intended to supplement the statutory rules, regulations and statutory requirements so as to specify how the Board operates and, where relevant, its Study Committees, in the interests of ORPEA (hereinafter "the Company") and its Shareholders.

The Company's Board of Directors applies the corporate governance principles laid out in the AFEP-MEDEF Code.

The Code applies to all directors, present and future. Accepting appointment as a director entails compliance with these procedures.

1 – Rights and obligations of Directors

1-1 – Every member of the Board must be familiar with:

- the Company's bylaws, the recommendations of the AFEP-MEDEF Code and these procedures;
- the laws and regulations that govern French corporations with boards of directors, especially: the rules limiting the combining of offices, those regarding agreements and transactions between the Director and the Company;
- and the rules regarding the possession and use of privileged information, explained further below.

1-2 – The Directors are required to act in all circumstances in the interests of the Company and all its shareholders.

The Directors are required to inform the Board of any conflict of interest, even potential, in which they could be directly or indirectly involved. They then shall refrain from participating in related discussions and deliberations.

1-3 – A Director must devote to his or her responsibilities the time and attention necessary.

A Director shall keep himself or herself available by limiting the number of directorships. He or she shall inform the Board of Directors of any new directorship.

Each member of the Board agrees to regularly attend:

- all Board meetings, even if need be by video-conferencing or telecommunications, unless unavoidably detained;
- all General Meetings of Shareholders, to the extent possible;
- and meetings of the Study Committees of which he or she is a member.

1-4 – Directors undertake not to speak individually outside the internal deliberations of the Board on issues raised at Board meetings.

Outside the company, only a collective statement is possible, especially in the form of press releases intended as market information.

With regard to non-public information acquired in the course of their duties, Directors shall consider themselves bound by genuine professional secrecy that goes beyond the obligation of discretion stipulated by article L. 225-37 paragraph 5 of the French Commercial Code.

As a general matter, all documents relating to Board meetings as well as the information gathered during or outside the Board meetings are confidential, without exception, whether or not the collected information was presented as confidential by the Chairman.

The Director shall take all necessary steps to preserve this confidentiality.

1-5 – Each director must own at least one share in the Company.

Shares held by the Director, his/her spouse, his/her child below voting age, or any other nominee, must be in registered form: either registered in the name of the Company officer, or registered in the name of a nominee whose details will be communicated to the Secretary of the Board.

1-6 – Market Conduct

– Principles –

Privileged information should only be used by Directors in connection with the execution of their mandates. It should not under any circumstances be communicated to a third party other than in the course of exercising their duties or for any purpose or activity other than those for which it is held.

Each Director has a duty to refrain from or prevent any other person from trading in the securities of the Company, on the basis of this information, insofar as this information is not made public.

It is the personal responsibility of all Directors to determine to what extent information held by them is privileged and, consequently, to determine whether they are free to engage in or conversely should refrain from any use or transmission of this information, as well as trading in Company securities.

The Directors shall also refrain from any speculative trading in the securities of the Company; they are therefore prohibited from conducting any short selling or stock market lending transaction on any financial instruments relating to securities issued by the Company.

- "Blackout" Periods -

During the period preceding the publication of any privileged information known to them, members of the Board, in their capacity as insiders must, by law, abstain from any trading in Company securities.

In addition, they are prohibited, as recommended by the AMF, to perform any transactions on the securities during the following periods:

- at least 30 calendar days before the date of the press release of the annual and half-yearly results, as well as on the day of said press release;
- at least 15 calendar days before the date of the press release on the quarterly results, and on the day of said press release.

The same rule will apply, where applicable, to the disclosure of provisional annual and interim results.

- Insider trading -

The Director declares that he or she has been informed of the laws regarding privileged information and insider trading: Article L. 465-1 of the French Monetary and Financial Code and Articles 621-1 et seq. of the General Regulations of the Autorité des Marchés Financiers (AMF).

It should be particularly borne in mind that, in accordance with applicable regulations, the Directors and persons closely associated with them as defined by decree, must declare to the AMF their purchases, sales, subscriptions or exchanges of Company shares, as well as transactions carried out in related instruments, whenever the total amount of these transactions exceeds €5,000 within the current calendar year.

Directors and persons closely associated with them shall, within five trading days of executing their trade, send their declaration to the AMF electronically via an extranet called ONDE, which is accessible on the AMF website, or at the following URL: onde.amf-France.org.

When communicating with the AMF, the declarant shall transmit a copy of this communication to the Secretary of the Board of Directors of the Company.

Declarations are then put online by the AMF on its website and included in a yearly summary statement in the Company's Registration Document.

2 – Duties and expertise of the Board of Directors

2-1 – The Board is a collegial body that collectively represents all the Shareholders and that has a duty to act in all circumstances in the Company's best interest.

The Board of Directors determines the major outlines of the Company's activity and supervises their implementation.

It may decide to set up Committees to look at issues submitted to it for examination by the Board itself or its Chairman.

Directors of the Company:

- contribute their expertise and work experience;
- have a fiduciary duty and use their unconstrained best judgement.

This unconstrained judgement allows them to participate with full independence in the decisions or deliberations of the Board and, as the case may be, in its Study Committees.

Terms of office are staggered so as to avoid the renewal of too many directors at once and to promote the smooth renewal of directorships.

2-2 – The Board of Directors chooses how the company shall be managed at the top level. In its meeting of 30 June 2011 it opted to separate the roles of Chairman and Chief Executive Officer.

2-3 – The Board of Directors elects from among its members a Chairperson, who must be a physical person.

The Chairman of the Board of Directors shall represent the Board of Directors. He shall organise and manage the Board's work and report on it to the general meeting of shareholders. He shall be responsible for ensuring that the Company's governing bodies function correctly and, more particularly, that the directors are capable of fulfilling their duties.

He can ask to see any document or information likely to guide the Board of Directors in preparing for its meetings.

The Chairman of the Board of Directors shall devote his best efforts in all circumstances to promoting the values and image of the Company. He speaks in his official capacity.

He shall have the material means necessary to carry out his duties.

The Board shall designate a person to fulfil the role of secretary; this person may be chosen among non board members. The Secretary shall prepare the minutes of the Board meetings and disseminate them. He or she is authorised to certify as true the copies or excerpts of said minutes.

Due to the present make-up of the Company's share capital, the proportion of independent directors that must sit on the Board is at least one third. The definition of an independent director adopted by the Board is that given in the AFEP-MEDEF Code: A member is independent if he or she has no relationship whatsoever with the Company, its Group or its management that might compromise his or her freedom of judgement.

In that spirit, the criteria that may guide the Board in determining that member is independent are the following:

- is not, and has not been an employee or corporate officer of the Company, employee or Director of the parent company or of a company which the Company consolidates, and has not been within the last five years;
- is not a corporate officer of a company in which the Company, directly or indirectly, acts as a Director or in which an employee designated as such or a corporate officer of the Company (currently or in the last five years) is a Director;
- is not a customer, supplier, commercial banker or investment banker:
 - with significant weighting for the Company or its Group; or
 - for which the Company or its Group represents a significant share of their business;
- has no close family tie with a corporate officer;
- has not been an auditor of the Company in the last five years;
- has not been a Director for more than 12 years.

2-4 – *The Chief Executive Officer is vested with extremely wide-ranging powers to act on behalf of the Company under all circumstances.* He/she shall exercise these powers within the limits of the company object and subject to those that the law expressly allocates to meetings of shareholders and to the Board of Directors. He or she represents the Company in dealing with outside parties.

However, with regard to the following transactions, the Chief Executive Officer must obtain the prior authorisation of the Board of Directors:

- investment in or acquisition of any asset or holding worth over €20 million;
- divestment/sale of all non-active real estate worth over €5 million;
- divestment/sale of all real estate assets worth over €30 million per transaction;
- any loan or financing worth over €50 million, or modification of an existing loan or financing worth over €50 million;
- the constitution of securities, endorsements or other guarantees with individual amounts over €50 million;
- any decision regarding the strategic direction of a Group company or any substantial change in the orientation or activity of a company;
- the approval and amendment of the Orpea or Group annual budget or business plan;
- any transaction in equity, including but not limited to: merger, spin-off, partial contribution of assets, increase or reduction in capital, issuance of any securities and the creation of classes of shares;
- distribution policy for dividends or any other distribution made by the Company to its shareholders;
- remuneration of the Company's corporate officers;
- any significant recruitment (gross annual salary exceeding €200,000); and
- any plan or award concerning stock options, bonus shares, incentive bonuses or profit sharing.

3 – Operation of the Board of Directors

3-1 – The Board of Directors, convened by its Chair, meets as often as deemed necessary by the Company.

The notices of meeting may be made by any and all means (letter, fax, email), including orally. They may be transmitted by the Secretary of the Board. Except in special circumstances, they are sent in writing at least eight days before each meeting, along with the agenda and the minutes of the last Board meeting. They state the place of the meeting, which may be the company's registered office or any other location.

When circumstances require, the Chairman may seek the Board's position on an exceptional basis by calling a meeting in 24 hours.

The dates of Board meetings in the following year are set no later than 31 December, except for extraordinary meetings.

To whatever extent possible, the documents necessary for informing the Directors about the agenda and all questions put before the Board are attached to the meeting notice or else sent to them within a reasonable length of time prior to the meeting.

3-2 – When decisions are called for, a director shall see to it that he or she has the information that he or she deems necessary for the Board and its Committees to deliberate properly. If they are not made available, or if he or she so believes, the director shall request them. Such requests shall be made to the Chairman of the Board of Directors, who shall see that the directors are able to carry out their duties.

The Chairman shall at each meeting review the significant operations concluded since the previous meeting and the major projects underway that might be concluded before the next meeting. The Board shall undertake a review every year of the key points in the management report as well as of the recorded deliberations of the General Meeting of Shareholders. In addition, the Board of Directors shall be informed at least once per half-year by Executive Management about the Company's financial situation, cash position and liabilities.

Between meetings the Directors shall receive any pertinent information concerning the Company if the importance or urgency of the information so requires.

The Board of Directors may give one or more of its members, or outside parties, extraordinary assignments or charges, especially to study one or more specified topics.

3-3 – For the deliberations of the Board of Directors to be valid, the number of members present must equal at least half of the total number of members.

Directors may be represented by another director who has been given a written proxy.

The Board Chairman may invite any outsider to attend all or part of the Board meetings, without taking part in the discussion.

Decisions are made by a majority of the members present or represented. In the case of a tie, the Chair's vote shall prevail.

3-4 – In accordance with legal and regulatory requirements and Article 17, § 2 of the corporate bylaws, Directors who attend Board meetings by videoconference or telecommunication means are deemed to be present when calculating a quorum or majority.

However, these means of attending are not counted when the Board takes up the following items:

- the approval of the parent company financial statements and the consolidated financial statements;
- preparing the Management Report and the Report on the Management of the Group.

The technical characteristics of the videoconferencing must allow for continuous retransmission of the discussions.

3-5 – The deliberations of the Board must be clear. The minutes of a meeting must summarise the discussions and indicate the decisions taken. The minutes take on particular importance in that they are what provide a record, when needed, of the Board's diligence in performing its duties. Without needless detail, they must succinctly list the questions raised or the reservations expressed.

The minutes of the Board meetings are written up after each meeting and sent to all the members of the Board, who are invited to communicate any comments they have. Any comments are discussed at the following Board meeting. The final draft of the minutes of the preceding meeting is then submitted to the Board for approval.

4 – Study Committees

If the Board of Directors creates Study Committees, it shall determine their membership and duties.

These Committees act insofar as they are delegated to act by the Board and so have no decision-making power.

The members of the Committees are chosen from among the members of the Board. They are designated by the Board upon proposal of the Appointments and Remuneration Committee. The terms of the members coincide with the latter's terms as directors, provided that the Board may alter the make-up of the Committees at any time and consequently terminate committee memberships.

The Committee may give its Chairman or one or more of their members a special assignment or duty in order to conduct specific investigative or prospective research.

That person or those persons shall report on such research to the relevant Committee so that it may deliberate on the matter and report in turn to the Board of Directors.

The Study Committees may in the course of performing their duties contact the Company's key executives after so informing the Chairman of the Board of Directors and provided they report on same to the Board.

In no event shall the Committees assume the powers of Executive Management.

4-1 – Audit Committee

4-1-1 – Duties

The Audit Committee monitors issues relating to the preparation and control of accounting and financial information in order to prepare decisions of the Board in the finance and accounting field.

Without prejudice to the powers of the Board and General Management, the Committee is responsible specifically for monitoring:

- a) the process by which financial information is compiled;
- b) the effectiveness of internal control and risk management procedures;
- c) the statutory auditing of the financial statements and, where applicable, the consolidated financial statements by the Statutory Auditors;
- d) and for issuing a recommendation on the Statutory Auditors proposed for appointment by the General Meeting and ensuring their independence.

This monitoring allows the Committee if necessary to issue recommendations on improving existing processes and possibly establishing new ones.

The Audit Committee may be consulted, notably by the Board or General Management when deemed necessary, on any matter concerning procedures to control unusual risks.

4-1-2 – Organisation of work

The Audit Committee is composed of at least three members, all directors of the company and none an executive.

It is chaired by an independent Director, and the fraction of independent Directors on it must be at least two thirds.

Its members must be specifically qualified in finance and accounting.

The Chairman of the Audit committee shall guide its work in light of the importance he or she attaches to this or that type of risk incurred, in accordance with Executive Management and the Board.

The Committee is convened by its Chairman and meets as often as deemed necessary by the Chairman or the Board and at least twice each year.

The agenda of the meetings is set by the Chairman of the Committee in consultation with the Board when the latter initiates the notice of meeting.

The agenda is circulated to the members of the Committee prior to their meeting, along with any information relevant to their discussions.

The secretariat of the Committee is the secretariat of the Board.

In order to carry out its duties successfully, the Audit Committee hears, as it deems necessary, the Statutory Auditors and the Company's management, in particular the persons responsible for establishing the financial statements and for internal control, in the absence of General Management.

The Committee examines the accounting principles and methods used and the programme, objectives and general conclusions of the internal operational audits.

The Statutory Auditors shall apprise the Audit Committee of:

- a) the overall work programme they undertook as well as the various samplings they performed;
- b) the changes that it appeared to them should be made in the financial statements awaiting approval or in other accounting documents, by making all observations that might be helpful about the valuation methods used in preparing those statements and documents;
- c) any irregularities or inaccuracies they may have discovered;
- d) the conclusions suggested by the observations and rectifications above concerning the financial year's earnings as compared to the preceding period.

Furthermore, the Statutory Auditors shall along with the Audit Committee examine any factors that might jeopardise their independence and the protective measures taken to reduce those factors.

They shall make the Committee aware of significant weaknesses in the internal control system in terms of the procedures for generating and processing accounting and financial data, and forward to the Committee each year the documents required by law.

The Committee may also, with the consent of Executive Management, obtain information from people likely to guide it in the performance of its duties, especially business and financial managers and those responsible for information processing.

4-1-3 – Report of activity

The Audit Committee shall report on a regular basis to the Board of Directors concerning the performance of its duties and shall compile its observations.

The Committee shall inform the Board immediately of any issue that arises.

The Audit Committee shall include in its reports whatever remarks it deems helpful:

- concerning the appropriateness of the various procedures and of the overall effort made to attain the objective of managing information and risk;
- and concerning the effectiveness of procedures in place and the ways, if any, that effectiveness is being sought.

It also formulates recommendations and proposals intended to improve the effectiveness of the various procedures and of the overall effort or to adapt them to new circumstances.

If in the course of its work the Committee discovers a significant risk that does not seem to it to be properly dealt with, it shall so alert the Board Chair.

4-2 – Appointments and Remuneration Committee

4-2-1 – Duties

The Board of Directors shall freely set the compensation of the Chairman, the Chief Executive Officer and the Chief Operating Officer.

The Appointments and Remuneration Committee's main duties within the framework of the Board's work are:

- to assist the Board in deciding how to organise General Management and on the status of corporate officers;
- to make proposals to the Board for selection of Directors;
- to make proposals to the Board as to the creation and make-up of committees;
- to make periodic assessments of the structure, size and make-up of the Board of Directors and to submit to it recommendations as to any changes that might be made to it;
- to discuss the qualification of independent director, which is reviewed annually by the Board prior to publication of the Annual Report;
- to issue an opinion on the proposals by the Chairman of the Board for appointment of the Chief Executive Officer and the Chief Operating Officer;
- to draw up a succession plan of the executive corporate officers, particularly one that would apply in the event of an unforeseen vacancy;
- to ensure implementation of the Code of Corporate Governance to which the Company refers;
- to prepare Board decisions on updating its Rules of Procedure;
- to develop proposals relating specifically to:
 - the fixed and variable remuneration of the Chairman and any other benefit received,
 - the fixed and variable remuneration of the Chief Executive Officer and any other benefit received (retirement, severance pay, etc.),
 - the amount of the total directors' fees to be submitted for approval to the General Meeting and their method of distribution,
 - the establishment of long-term incentive plans, such as those involving distributions of stock options or bonus shares to corporate officers.

4-2-2 – Organisation of work

The Appointments and Remuneration Committee is composed of at least three members, all Directors of the Company and none an executive.

It is chaired by an independent Director and has a majority of independent Directors.

The Committee meets when called by its Chairman whenever the latter or the Board deem appropriate and at least once per year, prior to the approval of the agenda of the annual general meeting of shareholders, to examine the draft resolutions to be submitted there that come within its scope.

The agenda of the meetings is set by the Chairman of the Committee in consultation with the Board when the latter initiates the notice of meeting. The agenda is circulated to the members of the Committee prior to their meeting, along with any information relevant to their discussions.

The Chairman of the Board is involved in the works of the Committee, except when matters of personal interest are considered.

4-2-3 – Report of activity

The Committee must provide regular reports on its work to the Board and make proposals to the Board.

5 – Directors' Fees

A Director shall receive directors' fees, the combined size of which is voted by the Ordinary General Meeting of Shareholders and the distribution of which is decided on by the Board, acting on a proposal by the Appointments and Remuneration Committee. This distribution shall reflect the responsibilities held on the Board and in the Committees by each Director, as well as their actual attendance.

The Board of Directors may allocate special compensation for special tasks or duties assigned to a Director or Directors.

6 – Yearly assessment of the operation of the Board

The Board will conduct a periodic evaluation of its composition, its organisation and its operations as well as those of its Committees. An agenda item will be devoted to this topic once a year and a formal assessment under the authority of the Chairman of the Board of Directors will be carried out every three years. The Board will, where appropriate, implement any improvement measures.

The Board will inform the Shareholders of same in the registration document.

II – INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IMPLEMENTED BY THE COMPANY

General Management has shown its firm, ongoing commitment to continuous improvement in the internal control and risk management procedures, built upon ethical values and an organisational structure designed to enable the Company to be responsive to any and all issues that affect those procedures.

Risk management is reflected on a day-to-day basis in the attention given by every central office department and facility director to control their business, especially by efforts to educate and train staff, self-assessments and internal audits from the establishment of risk surveillance committees.

The relatively low number of hierarchical levels, the presence of short decision-making circuits and the contribution of Operational Departments to strategic thinking help to identify and report risks and, consequently, to handle them effectively.

II.1 – Internal control definitions and objectives

Internal control procedures apply to the Company and its consolidated subsidiaries ("the Group") and are rolled out immediately at all newly acquired facilities with the aim of helping to achieve the following objectives:

- successful implementation of the strategy determined by General Management;
- observance of laws and regulations applicable to the Group's facilities;
- the effectiveness and efficiency of internal processes;
- identification, assessment and management of risks;
- valuation of the Company's portfolio and maintaining its assets;
- the reliability of the Group's financial and accounting information.

Internal control procedures should also enable the Group to continue to expand and improve its financial and operating performance in a control environment suited to its business activities.

These procedures contribute in a larger sense to the Group's management control system, the effectiveness of its operations and the efficient use of its resources.

As with any control system, it cannot ensure with absolute certainty that these objectives will be achieved, but aims primarily to create optimum conditions for achieving these objectives.

II.2 – Background to the ORPEA Group's internal control system

The Group's General Management ensures that its directives are clearly communicated to all employees and that its strategy is clear to everyone, so that all employees understand their duties and the framework within which they must perform.

The control environment determines the level of awareness ORPEA staff have of the usefulness and need for control, primarily by imposing a management structure, an organisational structure and a set of ethics.

This control environment will make use of various components:

- values and ethical charters;
- the best practices and internal control manual;
- and the actual regulations.

II.2.1 – Values and charters of ethics

ORPEA's development is based on a set of values relating primarily to its core business line of care services, in the wider sense of the term. These values include listening to and respecting people, trust, responsibility and a professional conscience.

These values relate to a business that is based primarily on interpersonal relations and the relationship of trust built up between ORPEA and its employees on one hand and its residents and their families on the other.

The core value that underlies all these values is clearly ethics. To ensure the proper understanding and implementation of these ethical values, the Group has drawn up two charters reflecting:

- the Quality Charter, which spells out ORPEA's duties towards residents and their families;
- The Staff Commitments Charter: these are the commitments made by all staff in each facility with respect to residents, patients, families and colleagues.

The way these charters are implemented allows each employee to consider the attitude he or she should take in relationships with residents and patients and patients' families.

The Quality Charter, which is common to all Group facilities, summarises ORPEA's commitments. With respect to its residents the Group is committed to observing best practices in the following areas: admission, care, meals, rooms, accessibility, information, activities offered and staff training. This charter is posted in each one of the Group's facilities, presented to each new resident admitted along with his or her family; and the staff are reminded on a regular basis of the need to honour the commitments laid out in this charter.

To verify that these best practices are being followed at its facilities, the ORPEA Group Quality Department conducts a yearly satisfaction survey so that each site can be measured in terms of how well the commitments are being honoured and so that any necessary corrective measures can be implemented.

In order to unite employees around ORPEA's values, the Group has drawn up a "**Team commitments" charter**. The originality and strength of this charter is that it has been developed by the teams of all facilities.

To draw up such a charter, each team is assisted by an outside expert specially trained in ways to lead ethical discussions. Over a period of nearly 6 months the teams will meet regularly to share ideas and convictions as to the fundamental values that underlie our practices, namely: respect, careful listening, mutual assistance, trust, cheerfulness and professional conscience.

At the conclusion of these meetings, a statement about each value is written by the teams in order to constitute a Team Charter of Commitments.

Each member of the staff (whatever their rank or job within the facility) attends these discussions to construct an ethics charter, which is formally instituted by the entire staff and posted throughout the facility.

These team commitments are especially strong and respected as they have been proposed and appropriated by the employees themselves.

The commitments and the respect of ethics are supported by the Group training policy. The different values are presented again to the teams in mini-training sessions to re-educate them about their importance in the actual care of the admitted residents.

Other training relative to the values occurs at the facilities and will help staff as a team to work using the best ethical practices of our business.

II.2.2 – Best practices and internal control manual

ORPEA Group facilities have a manual of best practices and internal controls. This manual is the same for all the Group's facilities, though particular services and/or countries (regulations) are taken into account.

This manual consists of a variety of reference documents concerning procedures, protocols, record-keeping, etc. It provides a professional framework that applies to everyone, specifying the Group's organisational structure and operating methods as defined by General Management.

The manual is updated whenever necessary and at least twice a year by the Quality Department in consultation with operating management and head office departments, in order to maintain our policy of continuous improvement.

This continuous improvement also involves simplifying, updating and elaborating certain procedures. It also means letting all facilities benefit from the best practices identified at just a few facilities.

Training sessions are arranged to allow staff to adopt these best practices and inculcate the habit of constantly conforming to them.

Considering that our business consists essentially of managing imperfections on a daily basis, the criticisms indicated in satisfaction questionnaires are also possible ways for the Group to improve. This continuing will to improve is therefore firmly anchored into our values.

II.2.3 – Other references

ORPEA also has a legal team specialising primarily in health care law, regulations for post-acute and psychiatric care facilities and nursing homes, commercial law and property law. This team informs Executive Management, regional and divisional departments, the Quality department and the Medical management of changes in regulations, which are then reflected in internal procedure, with a view to ensuring optimal management of the Group's activities.

The Group also has a Director of Healthcare Safety, responsible for ongoing monitoring of changes in applicable regulations.

Staff receives regular training in these regulations, with mini-training materials on these topics being specially created and made available to the facilities.

II.3 – Organisation of internal control relating to the Group's activities

II.3.1 – A centralised organisational structure to ensure effective control of the Group's operations

The Group's organisational structure centralises all administrative duties at the head office, thereby encouraging facility and or regional/division directors to focus their efforts on the quality of care for residents and patients, and on staff management.

This organisational structure favours:

- economies of scale thanks to the pooling of administrative management costs;
- responsiveness as a result of being able to obtain appropriate solutions by contacting the person suited to the type of problem encountered;
- standardisation, improvement and harmonious dissemination of Group procedures;
- security and reducing the risk of fraud, particularly financial fraud. In fact, only six individuals, all at the senior management level, have the authority to carry out financial transactions such as cheques or wire transfers.

It therefore helps to optimise the way in which the Group's facilities are run. The Group's IT system is adapted to its current organisational targets and has been designed in order to be changing and to adapt to the Group's development. The IT applications specific to its activities are designed in-house by the IT department, in certain cases with the help of external service providers in order to meet the Group's specific requirements and benefit from regular updates.

These applications are protected in order to ensure that stored data is kept. Emergency procedures allow for business continuity, which is essential for a Group whose facilities are in operation 24 hours a day, seven days a week. A hotline is open seven days a week. An on-site and remote back-up system is managed by dedicated staff, who in turn are managed by an external company.

II.3.2 – Effective operational committees

► Operations committees ("Comex")

The Group has operations committees ("COMEX") that meet every month, bringing together the Chief Operating Officer, Regional Directors and Division Directors. The managers of central departments and the heads of the Quality and Medical departments also attend these committee meetings depending on the agenda. These committees review all issues relating to the life of the Group, and discuss in particular current plans of action, plans of action to be implemented, budgets, quality and the training plan. They also review the Group's commercial performance and main expenses.

Decisions made within the operations committees are always cascaded and their implementation explained during monthly meetings with the Division Director, Regional Directors and Operating Directors. These meetings are scheduled in the various regions to fall in the same week so that information is passed along to all facilities at the same time and that decisions taken are therefore implemented rapidly.

Action plans reflecting the decisions approved by the Comex are spelled out for each Division and region so that attainment of the objectives set can be monitored on a monthly basis. Reports on the attainment of these objectives are prepared before each Comex meeting so that the results obtained can be discussed with specificity and that new corrective actions can be taken if necessary.

► **The works and safety committee**

The Works and Safety Committee meets monthly, with General Management in attendance, and the Works and Maintenance Department and the Business Development Manager (all of whom are Group employees) in order to review all construction sites in progress (buildings and renewals). The architects in charge of projects in progress may also be invited to committee meetings depending on the agenda content.

► **The approval committee**

The approval committee meets monthly, with General Management and the Works and Maintenance Department in attendance, in order to make decisions on works commitments. This committee is now separate from the Works and Safety Committee because its objective is to explore various project options for a given project and make the final decision regarding investment.

To accomplish its mission, this committee first solicits the views of operating management as to the strategic value of the project before evaluating the relevance of capital expenditures to local strategic goals.

► **The development committee**

The development committee meets once every two months, with General Management, business development managers, the directors of medical, legal and works and maintenance departments, to study the progress made by development projects: obtaining authorisations, mergers, acquisitions, etc. Each project is reviewed in detail with its benefits and drawbacks and the committee decides whether to continue the project.

► **The quality and risk management committee**

The quality and risk management committee meets monthly, attended by all quality staff. It can take stock of the implementation and dissemination of best practices throughout the facilities. It also deals with any difficulties encountered by facilities in the implementation and proposes whatever solution is needed to see that the objectives are met.

This committee also considers the internal control applications to be implemented to make sure that Group policy is observed.

II.3.3 – Internal dissemination of information

The procedures manual covering all procedures (care services, health and safety, meals, accounting and administrative) and protocols covering a variety of themes (such as care services, health and safety, meals and administration) is given to and reviewed with each operating director on taking up his or her position. These procedures and protocols are updated on a regular basis and are disseminated via the Group's Intranet site. Updates are systematically sent by post to operating directors, who must confirm their successful implementation at each facility. Each procedure describes the appropriate approval process that needs to be observed so that decisions are made on the basis of comprehensive and relevant information at the appropriate level and in a timely manner.

Before starting his or her job, the operating director receives intake training which is given in two phases: a theoretical training about care procedures, catering and lodging and administration, and then immersion training at a Group site, during which the new director is paired with an existing one and takes part in all the activities of the facility.

These documents are also available to staff in the facilities, in hard copy and electronic form. This dissemination lets everyone look up a procedure whenever necessary and find the proper course of action. Mini-trainings are arranged on a regular basis to re-educate staff and keep them mindful of these procedures and protocols.

Various IT and monitoring tools are also accessible at Group level in order to facilitate their everyday duties and ensure that these duties are performed in strict accordance with Group procedures.

For example, daily, weekly and monthly reporting tables have been created for the reporting of indicators relating to the level of activity, as well as monthly quality indicators. These tables are completed by the facilities and sent to the Regional or Division Director, as well as to the Quality Department. They allow for monitoring of each facility's progress in achieving quantitative and qualitative targets relating to specific areas. Each facility's performance is therefore assessed and communicated on a regular basis, and the review of these assessments allows facilities that have been unable to achieve the targets set to implement corrective measures immediately and going forward.

The indicators on which these assessments are based can be consulted in real time on the Group's Intranet site, which consolidates all information twice daily.

In addition, information from self-diagnosis questionnaires and satisfaction questionnaires resulting from residents and their families, charters and standards, as well as information relating to the directives of the various departments, contribute to the general information of the Group and its employees.

The Group's Intranet is used for sharing information within the Group, both financial and non-financial. Different access rights are given depending on an employee's responsibilities, which keeps the data more secure.

II.4 – Risk management

The ORPEA Group's internal control system forms part of an ongoing process of identifying, assessing and managing risk factors that may prevent it from achieving its targets and with a view to improving its performance. This process is implemented on both a retrospective and a forward-looking basis. These risks are identified and looked at more specifically in section 5 of the Management Report.

II.4.1 – Bodies for the identification, assessment and management of risks relating to the Group's activities

The Group has adopted an organisational structure designed to ensure optimal management of the risks and opportunities specific to its business activities. The parties involved in internal control – operating and central teams – look after procedures in their respective area of responsibility and thereby contribute to risk management.

The relatively small number of reporting levels, the short decision cycles and the fact that operating management contribute to strategic discussions all make it easier to identify risks and report them up the management chain.

II.4.1.1 – General Management, the Executive Committee and the Management Committee

General Management defines the guiding principles of internal control and ensures their effective implementation.

ORPEA's **Executive Committee** consists of the Group's Chairman (Dr. Jean-Claude Marian), the Chief Executive Officer (Yves Le Masne), who centralises financial control in the wider sense (management, accounting and financial control) and the Chief Operating Officer (Jean-Claude Brdenk) who, as Chairman of the Executive Committee, centralises control on an operating level. The committee meets as necessary in order to make quick decisions relating to the implementation of the Group's strategy and the arbitrage operations required between the various departments.

Since the second half of 2011, a **Management Committee (CODIR)** consisting of the Chief Executive Officer, the Chief Operating Officer, the Director of Human Resources, the General Secretary & Director of Quality, and five Department Directors meets quarterly and discusses all issues related to the Group's strategy, policy and development. A forum for exchange and discussion, the Management Committee plays a supervisory role, ensures the proper operation of the Group as a whole and contributes to better internal communication of the Group's policy.

All decisions made by the committee at one of its meetings are followed by specific action plans, the implementation of which is monitored at the next meeting.

The **Audit Committee**, which was set up in late 2011, is responsible for monitoring the effectiveness of internal control and risk management. It reports to the Board on its duties. Its composition, duties and activities are detailed in chapter 1 of this report.

II.4.1.2 – Operational internal audit

II.4.1.2.a – Objectives

An ongoing Group internal audit is intended to:

- identify and assess risks;
- take corrective measures;
- develop procedures and document templates in relation to these corrective measures and determine processes for the Group as a whole to secure its operations and achieve the objectives set by Executive Management with respect to implemented strategy.

II.4.1.2.b – Stakeholders

Control of operations, observance of procedures and internal control is the responsibility of:

- each operating director, who in collaboration with heads of department – including the coordinating physician, coordinating nurse, head chef and head of maintenance – performs a quarterly self-assessment of their facility. On the basis of this assessment, the regional departments are responsible for performing quarterly audits of the facilities in their region, primarily to ensure that care of residents and patients is correctly provided on a continual basis and that this care meets the requirements of the Quality policy set out by Executive Management and the Quality department. The results of these self-assessments and audits are entered into a computer application common to all facilities, allowing Divisional Operating Management together with the Quality Department to see that these control processes are systematically employed and also to identify any persistent shortcoming in the application of a best practice, so as to define and execute a collective corrective action plan;

- the Quality department, which carries out a specific internal audit of operations on an ongoing basis, using information collected by means of satisfaction surveys and various kinds of assessments planned throughout the year or random checks. This information is then processed in order to be used in defining the Group's Quality policy; the quality team works in close collaboration with the operating Departments and reports to General Management. In this way the Regional Director meets with the quality representative every month in order to review the problem areas identified and the actions to take and to keep track of the action plans under way;
- the Project Management department, which performs audits of the buildings in which the Group's facilities operate, to ensure that security procedures are observed and the buildings are properly maintained;
- management controllers, who analyse the economic indicators for the performance of the Group's facilities, identify gaps and improvement opportunities, in close cooperation with the operating Departments. Management reports are drafted every month and analysed in Comex meetings; these reports then lead to action plans which are tracked with Regional Management and the facilities, with a view to continuous improvement.

The entire internal control system is reviewed periodically to evaluate its effectiveness and qualitative performance.

II.4.2 – Identification, assessment and management of risks relating to post-acute and psychiatric care facilities and nursing homes

The identification, assessment and management of risks relating specifically to post-acute and psychiatric care facilities and nursing homes is based primarily on information collected at facilities either by facility directors or by the Quality department.

This risk map has facilitated the setting up of a preventive approach and a procedure for managing risks.

► Preventive measures

Each Group facility has a register of potential risks describing the corrective action to take immediately should the event occur. This register also has a preventive aim; each institution must implement recommended actions as a preventive measure.

A business continuity plan has also been drawn up for each facility in the event of a major crisis affecting its operations, such as H1N1 flu or epidemics in general, severe bad weather preventing access to the facility and industrial action, etc.) The purpose of the business continuing plan is to describe all of the measures to be taken in this context, thus defining the activities that absolutely must be maintained, those that can be put off and the tasks that each department of a facility needs to accomplish.

There is also a "Plan Bleu" (nursing homes) or a "Plan Blanc" (post-acute and psychiatric care facilities), which lists all of the human, equipment and logistic resources to be used in the event of a public health crisis and provides for the creation of a crisis unit. Procedures and technical specifications are made part of these plans, easing their implementation in the field. These plans are communicated to the supervisory and health authorities and provide information about the resources available in order to best manage a public health crisis at the level of the département and the region as a whole. The plans are also monitored by operational management and the Quality Department.

► **Responsiveness at the onset of risk**

According to the procedure for management of risks relating to the Group's activities implemented within the framework of this retrospective approach to risk identification and management, all of the Group's facility managers are required to inform the Regional Director systematically and immediately of any unusual events, including complaints from residents, patients and their families or technical issues at facilities. The Regional Manager then informs the Divisional Manager and the Chief Operating Officer, who are then responsible for implementing and monitoring corrective action plans and taking measures to avoid the occurrence of unusual events of this kind, in accordance with the risk management objectives described above, and for informing the supervisory authorities.

A procedure for managing adverse events has been developed and implemented by all our facilities. It defines the methods for reporting information (using the process described above), validating corrective actions to be implemented immediately and analysing the causes of the adverse events in order to adapt the necessary preventive measures.

Moreover, to allow the greatest responsiveness possible in handling any possible incident or event deemed undesirable that may happen in a facility and that may invoke its liability and/or damage its image, the Group has defined and set up a crisis unit.

This responsiveness is essential specifically to delineate the scope of such incidents in terms of their consequences and their severity, and to prevent them from gaining more momentum.

This crisis management unit, formed mainly of the Chief Operating Officer, the Legal Director, the Quality Director, the Group Medical Director, the Communications Manager and the Head of Supervision, is to assist the Division Manager and/or the Regional Manager and the manager of the facility in organising an immediate and thorough investigation. In parallel, it aims to establish communication with the complainant and/or with the person concerned. The cell members also arrange contact with the regulatory authorities, which must be notified of the incident as soon as it has been clarified and defined precisely to facilitate an initial investigation.

As regards incidents that fall under civil liability, and where it is considered that the procedure initiated may affect the group image, the group's policy, in agreement with the insurance company to instruct systematically his own counsel to defend the interests of the relevant facility. This method of operation allows for greater responsiveness, since the group's counsel already has a thorough knowledge of its business and operations and can concentrate on the issues to be dealt with more immediately than a colleague who does not usually represent the group and does not necessarily, at the outset, have a good understanding of its operations.

The Quality and Medical Department makes a regular review of all the most significant risks.

II.5 – Internal control procedures relating to the preparation and treatment of financial and accounting information

► The Administration and Finance Division

Its mission is to work with and advise operational staff on financial, legal and administrative matters. It has set up systems and procedures that apply to all group operatives in terms of financial reporting and cash pooling.

It is located at Company headquarters in Puteaux.

► Composition of the Finance Department

The Chief Executive Officer is responsible for investor relations, financial disclosure and all corporate finance activities. The Chief Financial Officer is responsible primarily for the organisation and coordination of the Group's accounting units, conventional financing activities and management of financial flows in France and abroad.

The Finance Department is also divided up into dedicated units which – under the leadership of the Chief Financial Officer – look after accounting and finance procedures in the areas of general accounting, consolidation and cash management.

For accounts processing, the accounts department is managed in each country where the group operates by an accounting manager.

In France the Accounting department is organised into two branches: one devoted to general accounting and patients and residents in particular, the other devoted to suppliers.

Consolidation is supervised by the Group accounting manager.

Under the responsibility of the Chief Executive Officer, the management reporting team is in charge of drawing up and monitoring budgets, in partnership with the Chief Operating Officer, Divisional Managers, and the Works Department for the investment aspect.

► Economic and financial performance monitoring tools

Operational management control

The reporting system for the various economic indicators allows for continuous and uniform monitoring of the development of the performance of each of the Group's facilities and ensuring that they correspond to the targets set.

The tasks of management audit are wide-ranging and it is closely associated with both financial and operational management:

- preparation of annual budgets for each facility;
- drafting a monthly budget tracking and reporting system;
- development of new tools or optimisation of existing tools for improved responsiveness;
- analysis on ad hoc matters for a simulation or a budgetary adjustment, for example.

On budget development, the objective is to have an identical budget template for all facilities. This template is pre-populated by management audit with the various existing databases. The budget is subsequently amended and supplemented by facility managers and Regional Managers. The budget is built on the basis of a permanent dialogue between operations and management audit. After validation, it serves as a roadmap for each facility and allows management audit to carry out continuous monitoring throughout the year.

A budget control document is compiled each month to monitor revenue movements and overheads. This therefore allows for monthly analysis of financial information relating to operations.

This report is drafted on the 15th of the following month and includes payroll information, revenue information, other expense items and customer care.

This information is given to the Chief Operating Officer and to Divisional and Regional Managers during Operations Committee Meetings, at which plans of action are drawn up if necessary with the headquarters engineering managers (medical, social affairs, procurement, catering and works).

Meetings are also organised each month in each region to implement these plans of action with the directors of the facilities concerned, thereby resolving any discrepancies.

The occupancy rate of all facilities is tracked in real time using the Intranet, which compiles all the data twice a day.

Real Estate management

Real estate and construction monitoring is subject to dedicated management reporting.

For each construction or major renovation of a facility, a global budget and schedule are drawn up by the project management department. This budget is entered into a database developed in-house, detailing each line item. The budget is then converted into a "contract" corresponding to the agreements signed with various stakeholders. Invoices are entered daily, enabling real estate management audit to monitor expenditure and compliance with the schedule.

A monthly report for each site is presented to senior management and project management to monitor compliance with the schedule and any differences with the budgets and thereby take the necessary corrective measures.

An annual budget is set for maintenance investment in mature facilities and a database also enables monitoring.

Since September 2012, the real estate management function has been restructured to consolidate all administrative, accounting and financial transactions related to the Group's real estate portfolio.

Cash flow management

Cash flow management is fully centralised at the administrative head office for each country in which ORPEA operates. The Group's facilities do not issue any payments and the head office is responsible for dealing with payment of all supplier invoices.

Signatory authority for payment orders is limited to just six people in management positions. These signing authorities entail different provisions: individual and/or joint signing depending on the cap levels and the position of the signer.

The Group's cash flows are also monitored on a daily basis in order to identify any unusual transactions.

Information is centralised automatically every night by reporting bank information for the previous day, which is integrated into a cash flow software package.

► Process for the preparation of accounting and financial information

The significant growth of the ORPEA Group in recent years involves updating its internal organisation, procedures and information systems to address the challenges related to risk management, quality of the accounting and financial information, and observation of the financial disclosure deadlines. In this context, the Group continues to strengthen its organisation and its tools.

► Preparation of the financial statements

The Finance Department prepares the Group's consolidated financial statements on the basis of the financial statements prepared by each entity.

Each country has its own accounts system and posts its line items daily. The French accounting teams use the Harmony software, along with continuous monitoring software developed in-house. Internationally, each country uses the Navision software.

Through daily importing operations, the Finance Department can consult transactions posted by foreign subsidiaries.

A monthly report by facility is also drawn up for the attention of the Finance Department.

The consolidated accounts are prepared on a biannual and annual basis, this process being overseen by the Group head of accounts and his team.

The financial statements also involve all accounts teams in France and abroad. The closing process takes place in three steps:

1. Prior to closing, a schedule of the various milestones is established and communicated to stakeholders;
2. Each entity must send its financial statements and each country its individual balances within one month of the closing date. In Spain, local teams draft a first set of sub-group consolidated accounts;
3. Once all financial statements are received, the teams draft the consolidated financial statements using dedicated software. The work consists of verifying compliance with legal and regulatory obligations and the correct application of accounting principles and standards.

The Finance Department is also conducting an ongoing review on the changes to accounting standards, taxation or new legal obligations. To assist in its decision making on the technical issues involved, the Finance Department may use external advice, in particular where legal or tax matters are involved.

ORPEA maintains contact throughout the year with the Statutory Auditors, who may be consulted on certain technical points as necessary.

► The Audit Committee

The tasks of the Audit Committee are described in I-1-2 of this Report.

► Investor relations

Investor relations is the direct responsibility of Executive Management.

The public is informed of the full-year and half-year financial statements after they are approved by the Board of Directors.

A timetable for the dissemination of the Group's financial information is therefore drawn up each year and made available to the public, mainly via the Company's website.

The website dedicated to financial communication (www.orpea-corp.com) publishes all available information including presentations to the financial community, news releases, regulatory information, etc.

Twice a year, General Management presents the Group's results to the financial community.

The Group strives to communicate throughout the year and to keep in regular contact with its shareholders and new institutional investors in France, Europe and the United States, including participation in thematic conferences organised by banks and brokers.

► The Statutory Auditors

The Statutory Auditors perform the following in respect of the accounting and financial information of the Company and its consolidated subsidiaries:

- a limited review at the end of the first half of the year;
- an audit at the end of the financial year.

A representation letter co-signed by the Chairman of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer, who attest to the quality, reliability and comprehensiveness of the financial information provided, is sent to the Statutory Auditors at the end of each reporting period.

Having examined the terms and settlement of all accounts, the auditors certify the accounts. They certify the truthfulness, consistency and fair presentation of annual and consolidated accounts.

NOTES

List of offices held by officers at 31 December 2013

► Jean-Claude Marian

Chairman of the Board of Directors: ORPEA

Director: CASA MIA IMMOBILIARE (Italy), ORPEA IBERICA (Spain), RESIDENCIAL SENIOR (Spain), CM EXTREMADURA DOS 2002 (Spain), Artevida Centros Residenciales (Spain), Centros Residenciales Estremera (Spain), Explotacion de real Sitio de San fernando (Spain), ORPEA Belgium (Belgium),

► Yves LE MASNE

Chief Executive Officer: ORPEA

Chairman and CEO of SA: Les Myosotis

Director of SA: Les Myosotis

Chairman S.A.S: Clinea, La Saharienne, Résidence Saint Luc, La Clairière, Clinique de Champvert, MDR La Cheneraie, Organig, Société de Champvert, Maja, Résidence La Cheneraie, Immobilière Leau Bonneveine, Château de Villeniard, Mediter, Clinique de Soins de Suite du bois Guillaume, Clinique Psychiatrique de Seine Saint Denis, Le Clos St Sébastien 44, SFI France, Douce France Santé, Massilia Gestion Santé, Gerone Corp, Mex, Clinique Beau Site, Hôtel de l'Espérance, La Chavannerie, Home la Tour, Emeraude Participations, Holding Mandres, Le Château de Bregy, Le Clos d'Aliénor, Les Jardins d'Aliénor, Holding Mieux Vivre, Les Grands Pins, Château de Champlatreux, Emcejidey, Le Clos Saint Grégoire, Clinique Marigny, Sud Ouest Santé, Maison de Santé Marigny, Clinique St Joseph, Medic Agir, Clinique du Parc, Clinique Gallieni, Château de Goussonville, Résidence du Port, Société de la Clinique Médicale de Goussonville, Archimède le Village, Alunorm, Maison de Retraite Van Gogh, Clinique les Sorbiers, Clinique Castelviel, MR Villa Garlande, Le clos des Meuniers, Société d'exploitation de la clinique cardiologique de la maison blanche, Société d'exploitation de la clinique néphrologique de la maison blanche

Chairman of SPPICAV: Amundi Immobilier Novation Santé OPCI

ORPEA Permanent Representative (Director): Résidence du Moulin, Le Vieux Chateau, Les Charmilles, Immobilière de Santé

CLINEA Permanent representative: Sancellemoz (Director), Société civile des Praticiens du Grand Pré (Chairman)

Douce France Santé Permanent Representative (Director): Clinique du Cabirol

NIORT 94 Permanent Representative (Manager): SCS Bordes & Cie

Chairman and Director of the association: Association Maisons de Retraite de la Picardie

Legal Manager of SNC: Les Jardins d'Escudié, Margaux Pony, Than.Co, De la Maison Rose, Brechet, SNC Des Parrans, Les Acanthes

Legal Manager of SARLs: Les Matines, Bel Air, SARL 95, SARL 96, La Maison de Louise, Gessimo, La Maison de Lucile, La Maison de Salomé, La Maison de Mathis, La Bretagne, L'Atrium, Gestihome Senior, IDF Résidences Retraite, La Maison d'Ombeline, Domea, Vivrea, ORPEA Dev, SPI, Amarmau, Niort 94, SARL 97, L'Allochon, Reine Bellevue, L'Ombrière, Sogimob, Résidence du Parc de Bellejame, Résidence de Savigny, Résidence de la Puisaye, La Venetie, France Doyenne de Santé, Douce France Santé Arcachon, Douce France Santé Dourdan, Regina Renouveau, Marc Aurele Immobilier, DFS Immobilier, ADC 09, Gueroult, Clinique du Château de Loos, Résidence Les Cédres, SARL Ancienne Abbaye, Le Verger d'Anna, Les Buissonnets, Alternatives à l'hospitalisation, Parassy, PCM Santé, Maison de Retraite du Château de Pile, Hôpital Clinique de Revin, Le Village de Boissise le Roi

Legal Manager of SCIs: Route des Ecluses, les Rives d'Or, du Château, la Talaudière, ORPEA de St Priest, Balbigny, ORPEA St Just, ORPEA Decaux, La Tour Pujols, Les Rives de la Cerisaie, Val de Seine, le Clisclouet, Age d'Or, Gambetta, Croix Rousse, Les Dornets, Château d'Angleterre, Montchenot, 115 rue de la Santé, L'Abbaye, Les Tamaris, 3 Passage Victor Marchand, Fauriel, Port Thureau, ORPEA de l'Abbaye, Rue des Maraichers, Le Bosguerard, Le Vallon, Bel Air, Brest le Lys Blanc, Les Magnolias, Courbevoie de l'Arche, Sainte Brigitte, Les Treilles, Les Favières, IBO, SCI du 12 rue Fauvet, Douarnenez ORPEA, Kods, Slim, Saintes B.A, Le Barbaras, La Sélika, JEM2, Château de la Chardonnière, SCI des Anes, ORPEA de L'Ile, La Salvate, SCI de la Drone, SCI du Caroux, Héliades Santé, Cardiopierre, Super Aix Paul Cézanne, SCI Les Chesnaies, SCI SFI Bellejame, Calista Santé, Sci du Mont d'Aurette, Les Orangers, Du Grand Parc, Ansi, BRBT, Du Jardin des Lys, De la Rue de Londres, Château de Loos, Berlaimont, Les Oliviers, Portes d'Auxerre WB, SCI Barbusse, SCI Normandy Cottage Foncier, SCI du Bois Guillaume Rouen, SCI Rezé, SCI Caserne de Draguignan, Livry Vauban 2020, Sequoia, SCI du Parc St Loup, SCI Larry, SCI Ardennaise, De Peix, Les Jardins de Castelviel, Cerdane, Villa Morgan, Yobema

Legal Co-Manager, SCI: Saint Victoret, Méditerranée

► **Alexandre MALBASA**

Director: ORPEA

► **Brigitte Michel**

Director: ORPEA

► **Jean-Patrick Fortlacroix**

Director: ORPEA

Chairman of SAS: Add Equation

Legal Manager of SARL: Cadeco

► **Société FFP Invest**

Seats on supervisory boards: Vice-Chair and member of the supervisory board of IDI, member of the supervisory board of ONET, member of the supervisory board of Zodiac Aerospace, Chairman of Financière Guiraud SAS

Seats on Boards of Directors: director of ORPEA, director of LT Participations, director of IPSOS, director of SEB SA, director of SANEF, director of CIEL

Other: Legal Manager of FFP-Les Grésillons, member of the executive committee of LDAP

► **Thierry Mabillet de Poncheville**

Permanent Representative of FFP Invest: ORPEA

Director: Groupe PSA SA, SICAV M.O. Select

Legal Manager: Deputy Manager of Société Civile du Bannot

► **Sophie Malarne-Lecloux**

Director: ORPEA

► **Alain Carrier**

Director: ORPEA

Other directorships: Sociétés ARQIVA, AIRWAVE, BROADCAST AUSTRALIA, SOLVEIG/GASSLED and SKYPE

2.2- STATUTORY AUDITORS' REPORT ON THE CHAIRMAN'S REPORT

This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L.225-235 of French company law on the report prepared by the Chairman of the Board of Directors on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.

This report should be read in conjunction and construed in accordance with French law and the relevant professional 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

115 rue de la Santé
75013 Paris

Statutory Auditors' Report prepared pursuant to Article L. 225-235 of the French Commercial Code on the Report by the Chairman of the Board of Directors

Financial year ended 31 December 2013

To the Shareholders,

As statutory auditors to ORPEA SA, and in accordance with the provisions of article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of the Board of Directors for the year ended 31 December 2013 in accordance with the provisions of article L. 225-37 of the French Commercial Code.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on the internal control and risk management procedures implemented by the Company and to provide the other information required under article L. 225-37 of the French Commercial Code on matters relating to corporate governance.

Our role is to:

- report on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information; and
- confirm that the report contains the other information required by article L. 225-37 of the French Commercial Code. It is not our role to verify the fairness of this other information.

We conducted our work in accordance with the professional standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information underlying the information presented in the Chairman's report, and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we may have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information provided about the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with article L. 225-37 of the French Commercial Code.

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by article L. 225-37 of the French Commercial Code.

Paris and Neuilly-sur-Seine, 6 May 2014

The Statutory Auditors

Saint-Honoré BK&A

Deloitte & Associés

Frédéric BURBAND

Joël ASSAYAH

2.3 – STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

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ORPEA

Société Anonyme

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Statutory Auditors' Report on regulated agreements and commitments

General Meeting to approve the financial statements for the financial year ended 31 December 2013

To the Shareholders,

As statutory auditors to your Company, we hereby present our report on regulated related-party agreements and commitments.

Our role is not to identify any undisclosed agreements and commitments but to report to you, based on the information provided to us, on the key terms and conditions of the agreements and commitments that have been notified to us without commenting on their relevance or substance. Under the provisions of article R. 225-31 of the French Commercial Code, it is your responsibility to determine whether the agreements and commitments are appropriate and should be approved.

We are also required to report to you, where applicable, the information referred to in article R. 225-31 of the French Commercial Code on the implementation during the year of agreements and commitments that have already been approved by you.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. Those procedures consisted of verifying the consistency of the information provided to us with the source documents.

Agreements and commitments subject to shareholder approval

Agreements and commitments authorised during the financial year

Pursuant to Article L. 225-40 of the French Commercial Code, we have been informed of the following agreements and commitments which were previously authorised by your Board of Directors.

a. Investment agreement with CPPIB

(Authorised on 11 December 2013)

Director concerned:

Jean-Claude Marian

Nature and purpose:

As part of CPPIB's acquisition of its share capital, the Company entered into an investment agreement with CPPIB aimed at setting the main procedures for CPPIB's investment. This investment was made on 11 December 2013 by CPPIB's acquisition of ORPEA shares previously held by Jean-Claude Marian and Santé Finance et Investissements, a company he controls, (hereinafter the "Acquisition") and by the capital increase by private placement undertaken with that on 16 December 2013 (hereinafter the "Capital Increase").

The main terms and conditions of the Investment Agreement are:

- The term of the Investment Agreement is 10 years;
- CPPIB may be represented in the Board of Directors by a director as long as CPPIB holds at least 8% of voting rights, and by two directors if CPPIB holds at least 16% of the voting rights. Such director(s) will be entitled to be part of the Audit Committee, the Appointments and Remuneration Committee and any new committee that might be established;
- As long as CPPIB holds at least 5% of the Company's share capital, the Company shall endeavour to allow CPPIB to subscribe to any capital increases pro-rata of its stake in the Company's capital;
- CPPIB may not dispose of the shares acquired or subscribed as part of the Acquisition and the Capital Increase for a period of eighteen (18) months from the Acquisition date. After this time, CPPIB may ask for the Company's cooperation to complete the disposal of blocks of shares or significant private placements;
- CPPIB may continue to acquire Company shares, directly or indirectly, on and off market;
- The Company will not issue securities giving access to its capital at a price lower than €40.34 for nine months from the Acquisition date;
- The Company has given CPPIB the usual guarantees.

b. Guarantee Agreement with CPPIB

(Authorised on 11 December 2013)

Director concerned:

Alain Carrier in his capacity as representative of CPPIB

Nature and purpose:

The Company and CPPIB entered into an agreement under which CPPIB undertakes to guarantee the Capital Increase for approximately €100 million, at a minimum price of €40.34 per share.

The main terms and conditions of the Guarantee Agreement are:

- CPPIB irrevocably undertakes to subscribe to the capital increase at a price of €40.34 per share up to the total value of the issuance (capped at €100 million) for any shares not subscribed by others following a private placement, so that the Capital Increase is subscribed to in its entirety in any circumstances;
- The Company has given CPPIB certain guarantees, in line with market practices for this type of transaction.

Terms and conditions:

This capital increase was carried out on 16 December 2013 in the amount of €100 million.

c. Authorisation to acquire shares in the SCI 128 RUE DANTON by IMMOBILIERE DE SANTE (IDS)

(Authorised on 25 April 2013)

Director concerned:

Jean-Claude Marian

Nature and purpose:

The Board of Directors authorised IMMOBILIERE DE SANTE (a 49.9 % subsidiary of ORPEA SA) to acquire all of the equity in the SCI 128 RUE DANTON, at the price of €1,000 plus assumption of the debts and repayment of the current account liability for a total amount of €17 million.

Terms and conditions:

IDS acquired the SCI 128 RUE DANTON on 1 July 2013.

Agreement which had not previously been authorised and was then authorised by the Board of Directors on 29 April 2014

Current account advance granted by Jean-Claude Marian

Pursuant to Article L. 225-42 and L. 823-12 of the French Commercial Code, we would point out to you that the following agreement did not receive previous authorisation from your Board of Directors, owing to an omission. On 29 April 2014, the Board of Directors authorised this agreement and set the reimbursement rate at the highest tax-deductible level from 1 January 2014.

Director concerned:

Jean-Claude Marian

Nature and purpose:

Jean-Claude Marian lent €70 million to ORPEA SA in December 2013.

Terms and conditions:

No interest was recorded in ORPEA SA's 2013 statutory financial statements against this agreement.

Agreements and commitments already approved by the shareholders

Agreements and commitments authorised in prior years

1. which remained valid in 2013

In accordance with the provisions of article L. 225-30 of the French Commercial Code, we have been advised of the following agreements and commitments approved in prior years that remained valid in 2013.

a. An employment contract termination payment made to Yves Le Masne, Chief Executive Officer *(Authorised on 25 March 2013)*

Director concerned:

Yves LE MASNE

Nature and purpose:

To meet recommendation 19 of the AFEP-MEDEF Code, which foresees "when a director becomes a corporate officer of the company, the termination of the employment contract which binds him to the company or a group company, either by mutual agreement [rupture conventionnelle] or by resignation", your board of directors authorised the termination of Yves LE MASNE's employment contract. It is planned that ORPEA SA and CLINEA SAS each pay respectively €302,000 and €300,000 on the terms and conditions provided in Article L. 1237-11 of the French Labour Code. The employment contract in question was for the role of Chief Financial Officer.

Terms and conditions:

ORPEA SA and CLINEA SAS have paid, respectively, €302,000 and €300,000 in performance of this agreement in 2013.

b. An employment contract termination payment made to Jean-Claude Brdenk, Chief Operating Officer.

(Authorised on 25 March 2013)

Director concerned:

Jean-Claude BRDENK

Nature and purpose:

To meet recommendation 19 of the AFEP-MEDEF Code, which foresees "when a director becomes a corporate officer of the company, the termination of the employment contract which binds him to the company or a group company, either by mutual agreement [rupture conventionnelle] or by resignation", your board of directors authorised the termination of Jean-Claude BRDENK's employment contract. It is planned that ORPEA SA and CLINEA SAS each pay respectively €312 000 and €300,000 on the terms and conditions provided in Article L. 1237-11 of the French Labour Code. The employment contract in question was for the role of Chief Operating Officer.

Terms and conditions:

ORPEA SA and CLINEA SAS have paid, respectively, €304,000 and €232,000 in performance of this agreement.

- c. Continuing entitlement to the collective benefits plan and to reimbursement of the healthcare costs of ORPEA Group employees for Yves LE MASNE, Chief Executive Officer**
(Authorised on 25 March 2013)

Director concerned:

Yves LE MASNE

Nature and purpose:

On 25 March 2013 the Board of Directors authorised the Company to take the necessary steps for Yves Le Masne, in his capacity as executive corporate officer, to continue to benefit from the collective benefits plan and the reimbursement of healthcare costs for employees provided for by the Group contracts.

Terms and conditions:

This agreement resulted in employer contributions based on the common law regime applicable to all the company's employees. At its 29 April 2014 meeting, your Board of Directors decided to reclassify this agreement as a current agreement.

- d. Continuing entitlement to the collective benefits plan and to reimbursement of the healthcare costs of ORPEA Group employees for Jean-Claude BRDENK, Chief Operating Officer**
(Authorised on 25 March 2013)

Director concerned:

Jean-Claude BRDENK

Nature and purpose:

On 25 March 2013 the Board of Directors authorised the company to take the necessary steps for Jean-Claude BRDENK, in his capacity as executive corporate officer, to continue to benefit from the collective benefits plan and the reimbursement of healthcare costs for employees provided for by the Group contracts.

Terms and conditions:

This agreement resulted in employer contributions based on the common law regime applicable to all the company's employees. At its 29 April 2014 meeting, your Board of Directors decided to reclassify this agreement as a current agreement.

- e. Unemployment insurance policy for Yves Le Masne, Chief Executive Officer**
(Authorised on 29 June 2006)

Director concerned:

Yves LE MASNE

Nature and purpose:

Unemployment insurance policy taken out on behalf of Yves Le Masne, the premiums for which are paid by the company.

Terms and conditions:

The amount of premiums paid by your Company for 2013 were €1,695 not including tax.

f. Unemployment insurance for Jean-Claude BRDENK, Chief Operating Officer

(Authorised on 25 April 2013)

Director concerned:

Jean-Claude BRDENK

Nature and purpose:

On 25 April 2013 the Board of Directors authorised the company to take out unemployment insurance for the Chief Operating Officer, the premiums of which will be paid by the Company.

Terms and conditions:

This agreement had no financial impact on the 2013 financial statements (effective starting 1 January 2014.)

g. Legal and court assistance

Director concerned:

Alexandre MALBASA

Nature and purpose:

Litigation and pre-litigation assistance.

Terms and conditions:

Fees paid to Maître Alexandre MALBASA by your company during the year amounted to €93,886 including tax.

2. Not performed during 2013

In addition, we have been informed of the continuation of the following agreements and commitments, already approved by the General Meeting in previous years but that were not performed during the financial year just ended.

a. Indemnities payable in the event of the end of the term of office of Yves LE MASNE, Chief Executive Officer

(Authorisations dated 25 March 2013 and 25 April 2013)

Director concerned:

Yves LE MASNE

Nature and purpose:

The board of directors, at its meetings of 25 March 2013 and 25 April 2013, following the end of Yves LE MASNE's employment contract, and in view of his major contribution to the Group's growth for several years, agreed that Yves LE MASNE should receive an indemnity payable in the event of the end of his term of office as executive corporate officer, which corresponds to twenty-four (24) months' gross fixed and variable compensation (multiple of a monthly average of the payments due and paid over the last two financial years).

This indemnity would be paid by the Company:

- in the event of forced departure: departure on the initiative of the Board of Directors, irrespective of how this termination of office occurs, notably by revocation, requested resignation or non-renewal of mandate (excluding termination of office as a result of a serious offence);
- or
- in the event of a change in the Company's control (this being understood as any change to the Company's legal form as a result of any merger, restructuring, disposal, public offering or exchange operation, notably following which a legal or physical person, acting alone or in concert, directly or indirectly, holds a fraction of the company's capital or voting rights giving him or her effective control of the Company) or its strategy, on the initiative of the Board of Directors or the corporate officer concerned.

This indemnity will be allocated by the Board of Directors, provided that the average variable compensation for the last two financial years prior to the year of departure of the corporate officer concerned was equal to or over 75% of the non-exceptional target variable compensation (excluding the exceptional part of variable compensation), a proportional reduction in this amount being foreseen in the event that the average variable compensation for the previous two financial years was 74% to 50% of said non-exceptional target variable compensation and no indemnity being paid when the rate is under 50%.

A special procedure applies in the event of departure within 24 months of appointment.

If Yves LE MASNE can assert his basic retirement rights at the full rate in the six months following the end of his functions, this indemnity will no longer be payable.

b. Indemnities payable in the event of the end of the term of office of Jean-Claude BRDENK, Chief Operating Officer

(Authorisations dated 25 March 2013 and 25 April 2013)

Director concerned:

Jean-Claude BRDENK

Nature and purpose:

The board of directors, at its meetings of 25 March 2013 and 25 April 2013, following the end of Monsieur Jean-Claude BRDENK's employment contract, and in view of his major contribution to the Group's growth for several years, agreed that Monsieur Jean-Claude BRDENK should receive an indemnity payable in the event of the end of his term of office as executive corporate officer, which corresponds to twenty-four (24) months' gross fixed and variable compensation (multiple of a monthly average of the payments due and paid over the last two financial years).

This indemnity would be paid by the Company:

- in the event of forced departure: on the initiative of the Board of Directors, irrespective of how this termination of office occurs, notably by revocation, requested resignation or non-renewal of mandate (excluding termination of office as a result of a serious offence);
- or

- in the event of a change in the Company's control (this being understood as any change to the Company's legal form as a result of any merger, restructuring, disposal, public offering or exchange operation, notably following which a legal or physical person, acting alone or in concert, directly or indirectly, holds a fraction of the company's capital or voting rights giving him or her effective control of the Company) or its strategy, on the initiative of the Board of Directors or the corporate officer concerned.

This indemnity will be allocated by the Board of Directors, provided that the average variable compensation for the last two financial years prior to the year of departure of the corporate officer concerned was equal to or over 75% of the non-exceptional target variable compensation (excluding the exceptional part of variable compensation), a proportional reduction in this amount being foreseen in the event that the average variable compensation for the previous two financial years was 74% to 50% of said non-exceptional target variable compensation and no indemnity being paid when the rate is under 50%.

A special procedure applies in the event of departure within 24 months of appointment.

If Jean-Claude BRDENK can assert his basic retirement rights at the full rate in the six months following the end of his functions, this indemnity will no longer be payable.

c. Agreement protocol with DOMIDOM SERVICES

(Authorisations dated 15 February 2012 and 29 June 2012)

Director concerned:

Philippe AUSTRUY (permanent representative of NEO GEMA, which owns GEMA SERVICES, which in turn owns DOMIPLUS, which controls DOMIDOM SERVICES).

Nature and purpose:

Agreement protocol between DOMIPLUS and your company regarding:

- an investment by your Company in 30% of the share capital of DOMIDOM SERVICES, by subscription to a capital increase undertaken on 6 July 2012;
- an option for your company to acquire an additional stake of 21% which can be exercised between 1 August 2012 and 31 December 2013;
- and an option to acquire the rest of the shares, which can be exercised between 1 January 2015 and 31 December 2016.

These options were exercised by your Company in January 2014.

Paris and Neuilly-sur-Seine, 6 May 2014

The Statutory Auditors

Saint-Honoré BK&A

Deloitte & Associés

Frédéric BURBAND

Joël ASSAYAH

CHAPTER III: THE ORPEA GROUP'S ACTIVITIES

The Orpea Group's purpose and business is to offer global dependency care, both physical and mental, in the short, medium and long term, via a network of specialised facilities: long-term care (nursing homes), post-acute and rehabilitation care and psychiatric care facilities.

With an ageing population and longer life expectancies, this global care provision responds to the needs of an ever-changing sector, characterised by the desire to create complementary care industries. The creation of the Regional Health Agencies (Agences Régionales de Santé or ARS) in France, as the single control and regulatory authority for primary healthcare services, post-acute and psychiatric care and medical and social care facilities, making it France's main health authority, perfectly illustrates this desire to coordinate all healthcare operators and professionals in order to implement a general regional healthcare policy, ensuring better access to care services and making life easier for patients.

The Orpea Group has firmly established its position in this evolving environment and the care services it offers meet the expectations of the supervisory authorities and its residents and patients. It has become European leader in dependency care with 43,003 beds in 439 facilities across five countries (France, Belgium, Spain, Italy and Switzerland).

1. ORPEA'S EXPERTISE: OVERALL DEPENDENCY CARE

The Orpea Group's business has been built around different forms of dependency care: loss of independence due to ageing and care for people with health conditions. Orpea provides medium- and long-term care for people with physical and psychological dependencies, whether permanent or temporary.

The legal definition of dependency care in France was set out by the law of 20 July 2001, which led to the introduction of the APA (*Aide Personnalisée à l'Autonomie*) or Personal Independence Allowance. This benefit is paid to *"people who, notwithstanding the care they may receive, need aid to perform basic everyday tasks or whose condition requires regular supervision"*.

Specifically, six levels of loss of independence or physical or psychological dependency were defined, allowing people to benefit or not from the APA. These levels are set out in the AGGIR (Gerontological Independence Group Iso-Resources) scale, based on the observation of everyday tasks or activities actually performed or not by the person concerned. Only those who fall into the first four groups are entitled to the APA allowance.

Major dependency corresponds to:

- level GIR 1** for people confined to bed or an armchair with severely altered mental, bodily, locomotive or social functions, needing essential and continuous presence of caregivers;
- and level GIR 2** for people confined to bed or an armchair whose mental functions are not totally altered, in need of care for most everyday activities, or people with altered mental functions but who are still able to move. They are able to move around the home but are unable or only partially able to wash and dress themselves.

Partial dependency corresponds to:

level GIR 3 for people with preserved mental independence, partially able to move, but needing assistance every day and several times a day for their bodily autonomy. They are unable or only partially able to wash and dress themselves. In addition, they require help from another person to go to the toilet;

and level GIR 4 for people unable to stand up, lie down or sit by themselves, but who are able to move around at home once standing, sometimes requiring help to go to the toilet and get dressed. Most of the people in this group are able to feed themselves. This group also comprises people with no locomotion problems but requiring help with bodily activities and meals.

People aged over 60 whose level of dependency means that they are no longer able to remain in their own home are looked after by long-term care facilities or "EHPAD" (*Etablissements d'Hébergement pour Personnes Agées Dépendantes*) in France, more commonly known as "medical nursing homes".

In cases of so-called temporary dependency as a result of an acute attack or chronic illness, accident or post-surgical trauma, a stay at a post-acute and rehabilitation care facility or "SSR" (Soins de Suite et de Réadaptation) is needed to regain their independence.

The term "SSR" in France has replaced the highly evocative term of "medium-stay" facility, as the average period of hospitalisation is around two to five weeks, or "convalescence centre". Post-acute and rehabilitation care facilities can be classified using two approaches:

1. Multi-disciplinary post-acute care clinics ("Soins de Suite Polyvalents"): these clinics receive all kinds of patients for medical reasons after a hospital stay for an acute medical or surgical condition, or those referred from home by a doctor.

2. Specialist post-acute care clinics ("Soins Suite Spécialisés"): these clinics look after patients whose condition requires specific medical monitoring:

- Treatment of musculoskeletal conditions;
- Treatment of nervous system conditions;
- Treatment of cardiovascular conditions;
- Treatment of respiratory conditions;
- Treatment of conditions of the digestive, metabolic and endocrine systems;
- Treatment of onco-haematological conditions;
- Treatment of burns;
- Treatment of addictions;
- Treatment of elderly people with multiple pathologies, who are dependent or at risk of dependency.

The Orpea Group operates both multi-disciplinary and specialist post-acute and rehabilitation care facilities.

Maintaining or regaining one's independence and returning to social and professional life are the main aims of a stay in a post-acute and rehabilitation care facility. In accordance with the French government decree of 31 December 1997 concerning the organisation of healthcare services, post-acute and rehabilitation care services need to provide the following five functions:

- limiting physical disability;
- restoring somatic and psychological functions;
- educating the patient and their family and friends to prevent future problems;
- continuation and monitoring of care and treatment;
- preparation for discharge and returning to normal life.

This category includes psychiatric clinics, in which the average length of stay is also around 30 days.

2. ORPEA: HIGH-QUALITY CARE SERVICES BUILT UP METHODICALLY OVER 25 YEARS

The Orpea Group has been built up methodically, as a result of which it is now able to offer high quality global dependency care, making it one of the leading names in France and other countries in a fast-growing sector.

The network of facilities providing global dependency care in Europe comprises:

- nursing homes: EHPAD in France and their equivalents in Belgium, Italy and Spain;
- multi-disciplinary and specialist post-acute and rehabilitation care facilities in France and Switzerland;
- general psychiatric clinics in France, Italy and Switzerland.

2.1 – HISTORY AND DEVELOPMENT OF THE COMPANY

1989: the Orpea Group is founded by the current Chairman, Dr Jean-Claude Marian.

1989 – 1995: the Group expands through the creation of 46 facilities, representing 4,600 nursing home beds.

1995: Consolidation and structuring of its organisation: Following a period of brisk expansion, the Orpea Group reorganises itself in order to optimise its management costs. An administrative head office is created in the Paris region to organise and control the Orpea Group's accounting, financial and employee-related matters. Standardised management methods are introduced at all of the Group's sites and the initial stages of a systematic and lasting quality-led approach are formally laid out.

1999: Development of a medium-term care offering: Orpea focuses on the creation and acquisition of post-acute and rehabilitation care and psychiatric care clinics.

2002: IPO: on 16 April 2002, ORPEA is successfully floated on the Second Marché of Euronext Paris. This logical and decisive stage in the Group's history enables it to establish its reputation in France and Europe. Opening up its share capital provides leverage for Orpea, allowing it to:

- ensure strong growth and step up its capacity for expansion;
- create new facilities in order to enlarge its offering of global dependency care services;
- keep up with the growth of the sector while also developing its quality targets.

2004: Expansion into Europe: Orpea opens its first two facilities in Italy, in partnership with Italian mutual insurance company Reale Mutua, which owns the buildings. Orpea begins to expand into Europe, while continuing to focus on its core business: the creation and management of post-acute and psychiatric care and medical and social facilities.

2005: Stepping up its expansion: as a result of acquisitions and new authorisations, the Group increases its potential by 1,966 beds at 22 sites.

2006: Further international expansion: acquisitions of facilities in Switzerland (psychiatric clinic in Nyon, by Lake Geneva), Belgium (geriatric complex in the centre of Brussels) and Spain (Grupo Care, one of the market leaders in dependency care in Spain with 15 facilities representing 1,504 beds).



2007: ORPEA is eligible for the **Deferred Settlement Service (DSS)**, improving the stock's liquidity. Its international expansion strategy has paid off: for the first time, 10% of consolidated revenue is generated outside France, representing an increase of over 85%.

2008–2009: Orpea structures its presence in Europe by creating functional head offices in Belgium and Italy, and rolling out its quality policy at all of its facilities in Europe in order to replicate the French management model.

2010: Orpea carries out the largest acquisition in its history, with the strategic acquisition of Mediter – which notably owns a majority stake in the Mieux Vivre Group – and the acquisition of a 49% stake in Medibelge, representing a total of 4,866 beds at 57 facilities.

2011: Orpea continues to grow both in France and abroad, and strengthens its financial structure with a capital increase of €203 million.

2012: The Group's international expansion continues with the acquisition of Artevida in Spain (1,162 beds and places) and transition to 100% ownership of MEDIBELGE in Belgium. The Group also diversifies its sources of funding by placing its first private bond issue with major French institutional investors.

2013: Orpea welcomes a new long-term strategic shareholder into its capital: CPPIB, the leading Canadian pension fund with about C\$ 200 billion under management. CPPIB becomes the Group's largest shareholder with 15.9% of the equity in an investment that will improve visibility and underpin Orpea's long-term development.

On 1 March 2014, the Orpea Group has 43,003 beds in 439 sites across Europe,
of which 37,946 in service and 5,057 under construction



2.2 – ORPEA: A PAN-EUROPEAN GROUP

Thanks to the expertise acquired in France, Orpea is able to offer structured and innovative care services with a single goal in France: to offer high-quality medium- and long-term dependency care services.

The Orpea Group also operates facilities in neighbouring European countries where the sector's fundamentals and workings are similar to France, namely Belgium, Spain, Italy and Switzerland. These countries have in common:

- high entry barriers in the form of strict regulatory frameworks, numerous standards on safety, comfort and staffing levels and constant controls for compliance;
- a sharp increase in the number of elderly people;
- a supply of beds that is insufficient in both quantity and quality.

2.2.1 – France

The Orpea Group has a network of 345 facilities, representing 31,871 beds (including 1,582 beds under redevelopment and 2,397 under construction), comprising:

- long-term care facilities;
- post-acute and rehabilitation care facilities;
- psychiatric clinics.

The Orpea Group's facilities are spread across a large part of France, with coverage allowing it to operate in *départements* with high population densities and therefore greater demand, with facilities located in or close to major cities.

The Group is particularly strong in the regions of Ile-de-France, Provence-Alpes-Cote d'Azur, Aquitaine and Poitou-Charentes: 45% of French facilities are in Ile-de-France or PACA (60% including Aquitaine and Poitou-Charentes).

The Group's facilities are modern, with an average age of below ten years, providing a pleasant quality of life for patients and residents.

2.2.2 – Belgium

Orpea's network consists of:

- serviced residences for autonomous elderly people;
- rest homes for able-bodied and semi-able-bodied elderly people;
- rest and care homes for dependent and confused elderly people.

Orpea broke into the Belgian market in 2006 and has actively pursued its expansion policy both by obtaining licences to open new facilities and by making acquisitions.

Orpea now owns 6,765 authorised beds at 58 sites, with 694 beds currently under redevelopment and 2,063 under construction.

Belgian institutions are located throughout the territory: 39% of beds are in the region of Brussels, 27% in Wallonia and 33% in Flanders.

In just a few years, Orpea Belgium SA has become a leading operator in the rest and care homes sector, drawing on the Group's expertise, particularly in safety, staff training, caring for people with Alzheimer's and high quality residential services.

Further to the acquisition of the remaining 51% share in Medibelge in 2012 and the acquisition of the Corasen group in Flanders in 2013, Orpea became the second largest private sector operator in Belgium, with a 9.6% share of the private sector market and became the largest private sector operator in Brussels (23% market share).

2.2.3 – Spain

Spanish subsidiary, Orpea Ibérica, has a network of 19 facilities, representing 2,649 beds in Spain's major cities.

Orpea rolled out its business model in Spain to create a network of highly attractive facilities:

- to offer high-quality care services for the elderly;
- protected units intended specifically for elderly persons suffering from Alzheimer's disease;
- modern facilities;
- 80% single rooms, i.e. a significantly higher percentage than average in the Spanish dependency care sector;
- strategic locations (51% of facilities in Madrid).

Orpea Iberica's expertise was recognised by the newspaper "Negocios y Gestion Residencial", published by the Jubilo Group, which in 2008 elected Orpea Iberica "best retirement homes group in Spain" for the quality of its services and care. On this occasion, particular recognition was paid to the establishment of high quality management, with an effective work methodology and appropriate procedures to organise the day-to-day work of its teams.

2.2.4 – Italy

The Orpea Group has 1,553 beds (including 60 beds under redevelopment and 432 under construction), in 15 facilities.

Orpea only has a presence in northern Italy and, more specifically, in two regions: Piedmont and the Marches region.

All of the Orpea Group's Italian facilities offer a particularly high level of medical services, with different statuses:

- Flexible Residential Facilities (RAF): temporary or permanent stays for semi-able-bodied people, with different specialised units: convalescence, stabilised psychiatric patients, disabled patients (care for mental and physical disabilities);
- Assisted Residential Facilities (RSA): equivalents of long-term care facilities with specialist units for the care of dependent elderly people with slight rehabilitation requirements, Alzheimer's patients and patients in comas;
- Protected Residential Facilities (RP).

All of these facilities have been created by Orpea, unlike in France, Belgium and Spain, where a number of sites are the result of acquisitions.

Since 2011, the Italian subsidiary has also grown in the field of psychiatry, with the acquisition of two clinics in Turin.

2.2.5 – Switzerland

At 31 December 2013, Orpea had two facilities with 165 beds:

- a well-known psychiatric clinic in Nyon, which has 150 years' experience in treating mental health disorders. The clinic is a centre of excellence in the field of addiction and burn-outs;
- a post-acute and rehabilitation care facility, with 90 beds, was opened on the same site in early 2013. This new private hospital is a Treatment and Rehabilitation Centre (CTR), which forms part of a care network comprising hospital clinical and surgical departments and doctors working in private practice.

3. ORPEA: RENOWNED EXPERTISE AND DEVELOPMENT FUELLED BY GROWING NEEDS

It is proven that as they advance in age, the elderly lose their independence at a quicker rate.

The number of elderly people living at home therefore decreases with age, resulting in an increase in care requirements with the need for temporary stays at post-acute and rehabilitation care facilities or placements at long-term care facilities.

3.1 CONSIDERABLE NEEDS FUELLED BY THE AGEING OF THE POPULATION IN FRANCE

"We are undergoing a revolution: that of longevity" as France's Solidarity with the Aged Plan (Plan Solidarité Grand Age) stated.

Progress in medicine and improved living standards have resulted in longer life expectancy, which affects the level of dependency of nursing home residents, as the prevalence of dependency increases with age.

Between 1981 and 2011, life expectancy rose by 8 years for men and 6.5 years for women. This increase is, above all, linked to the progress made, in particular, in the treatment of cardiovascular disease in the over 65s, as well as to the drop in adult male mortality. In 2012, life expectancy reached 78.4 years for men and 84.8 years for women.

This is why there has been an increase in the number of centenarians living in France: with 15,000 in France on 1 January 2010, in other words, 13 times more than in 1970. The French population is therefore continuing to age and people aged 65 or over now represent 16.8% of the population.

(Source: INSEE Première – no. 1319 – October 2010 + no. 1332 – January 2011 + INSEE Tableau de l'économie française, 2013 edition)

In its forecasts for 2060, INSEE expects the ageing of the French population to accelerate: the number of people aged 60 or over is expected to rise by 10.4 million between 2007 and 2060, giving a total of 23.6 million people aged 60 or over in 2060 (an increase of 80%). The increase is likely to be even greater in the oldest section of the population: the number of people aged over 75 years is likely to increase from 5.2 million in 2007 to 11.9 million in 2060, while the number of people over 85 years is likely to rise from 1.3 million to 5.4 million. The number of centenarians is expected to reach 200,000 people.

This sharp increase of people aged over 85 years is particularly marked in the short term: today there are an estimated 1.5 million people aged over 85 and this will rise to 2 million by 2015, an increase of 33% in four years.

This ageing of the population is inevitable, in the sense that it is already implied by the current age structure of the population, i.e. the people who will be 60 in 2060 have already all been born.

(Source: INSEE Première – no. 1319 + no. 1320 – October 2010)

The ageing of the population results in an increase in the number of dependent elderly people requiring help or care. According to the French Directorate for Research, Studies, Evaluation and Statistics (DREES) study published in September 2013, the number of dependent persons will double by 2060, from 1.2 million in 2012 to 2.3 million (central scenario). Of the 1.2 million dependants currently receiving personal autonomy allowance (APA), 60% live at home and 40% in a long-term care facility.

According to INSEE's "Disability, incapacity and dependency" studies of 1998 and 1999, more than 40% of dependent elderly people are aged 85 or over. Dependency begins to increase rapidly from the age of 80, to reach the critical threshold at 85. Persons with the heaviest dependence (severe mental + physical dependence) are most numerous among those aged 85 and over. Among others who are mentally dependent but less physically dependent, most fall into the 60–74 age group.

The number of elderly people living in nursing homes therefore rose by 2% between 2003 and the end of 2007, with around 657,000 residents in total.

The percentage of elderly people living in institutions inevitably increases with age, representing 10% of people aged 75 or over, and rising to 24% of people aged over 85 (as evidenced by the INSEE Première survey no. 1319, the number of people living at home are able-bodied or assisted).

Finally, the increase in the number of people aged over 75 has already had a significant impact on the total number of long-term care beds per person in France. In fact, this rate has dropped sharply over a ten-year period: from 166 places for every 1,000 elderly people aged over 75 in 1996, to 140 for every 1,000 by the end of 2003, finally ending up at 122 places by the end of 2010.

This is mainly because of the much more rapid growth of the population aged over 75 – which increased by 14% between 2004 and the start of 2008 – than the number of places created at care homes.

(Source: DREES "Etudes et Résultats" no. 689 – May 2009 and FHF Note – September 2012).

France has to face up to a scarcity and inadequacy of beds.

These major trends explain the need to create new long-term care facility places. In response, the French government has launched a number of ministerial programmes aiming to develop solutions to provide care and accommodation for dependent elderly people, such as the Solidarity with the Aged Plan and the Alzheimer's Plan. Industry professionals believe that it will be necessary to create 20,000 to 30,000 beds in the next three to five years to cope with the increasing number of dependent people. In addition, the Caisse Nationale de Solidarité pour l'Autonomie (CNSA, the National Solidarity Fund for Autonomy), in its December 2011 report (*Investment in medical/social care facilities*), estimates the modernisation requirement to be 116,900 places, i.e. around 20% of places available in the sector nationally. With the CNSA assessing the current cost of modernising one place at €100,000, the investment requirement would be €11.7 billion.

3.2 – THE CONSEQUENCES OF THE AGEING OF THE POPULATION: INCREASING PROVISION OF MEDICAL SERVICES AND SPECIALISATION OF FACILITIES

3.2.1 – Long-term care facilities

The profile of elderly people entering long-term care facilities has changed considerably over the last few years.

The average age of entering a nursing home was 84 years and two months at the end of 2007, compared with 81 years and ten months in 1994. In this respect, it can be noted that residents aged 95 and over make up a growing proportion of the population living in nursing homes, accounting for 10% of residents in late 2007, 2 percentage points more than in 2003.

(Sources: DREES "Etudes et Résultats" no. 689 – May 2009 and no. 699 – August 2009).

This increasingly delayed entry of residents into institutions leads to an increased dependency ratio: 84% of residents are assessed in GIR 1 to 4, against 75% in 2005.

With residents entering retirement homes at a later age and with increasingly heavy levels of dependence, there is also a shorter average length of stay. It is now an average of 18 months, compared with 36 months in the years 1990 to 2000.

At the same time, there has been an increase in the number of older people affected by senile dementia.

Alzheimer's disease is the most common cause of dementia in the elderly, accounting for over 70% of cases of dementia in France. It is also the main reason for entering a nursing home. Today, 50–70% of people living in nursing homes for the elderly in France show signs of early or confirmed dementia.

The PAQUID study assessed the prevalence in France of Alzheimer's disease and related syndromes with age. If 5% of people over 65 are affected, the disease is observed in 25% of people over 80 years. Based on this study and taking into account the figures from INSEE for the French population in 2009, the number of people affected by the disease or related disorders is estimated at 865,000.

The number of patients will increase with an ageing population. According to a report compiled in 2005 for the French Parliament Public Health Assessment Committee (OPEPS), the number of new cases of dementia each year is estimated at over 225,000. Therefore, the number of people aged over 75 suffering from dementia in France is likely to exceed 1.1 million in 2020 and 2 million in 2040.

Residents entering facilities at an ever later age has resulted in an even higher rate of dependency. This situation requires medical services to be offered by long-term care facilities, primarily by means of the presence of a multi-disciplinary care team.

The "revolution" relating to longevity has therefore changed the sector in terms of increasing the range of medical services provided.

With the signing of tripartite agreements, the proportion of beds with medical services in France has increased. The number of beds with medical services at nursing homes rose by 64% between 2004 and 2007 from 313,136 to 514,635, then by 15% to 592,900 at end-2011.

(Source: DREES "Etudes et Résultats" no. 689 - May 2009 and no. 877 - February 2014).

This provision of medical services has entailed heavy investment, particularly in terms of medical equipment and recruiting qualified care staff.

The sector, and above all residents, has benefited from improvement particularly in terms of quality of care.

It should be stressed that more than 50% of long-term care residents, irrespective of the legal status of the facility they are in (private for-profit, association or public sector), have the highest level of dependence.

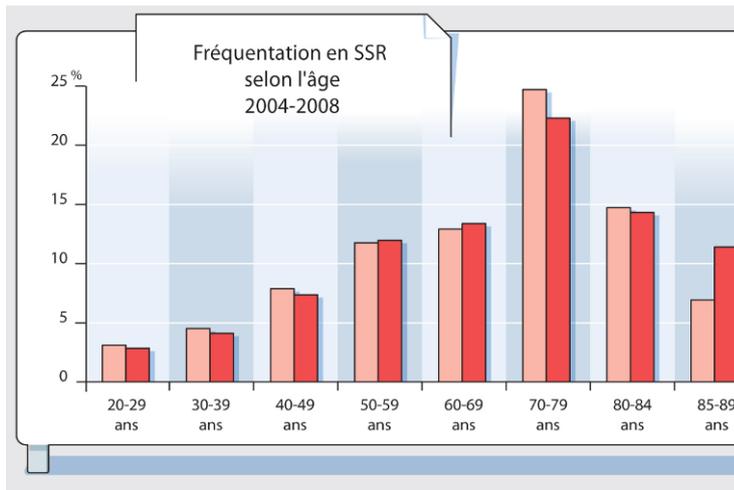
Breakdown of residents by GIR group			
Legal status	GIR 1-2	GIR 3-4	GIR 5-6
Private for-profit sector	57%	34%	9%
Associations	51%	35%	14%
Public sector	55%	34%	11%

(Source: DREES, Reports no. 877 and no. 380 "Offer of long-term care facilities for the elderly in 2011", January 2013)

3.2.2 – Post-acute and rehabilitation care facilities

The profile of patients at post-acute and rehabilitation care facilities has also changed.

The proportion of patients aged 85 to 89 admitted to post-acute and rehabilitation care facilities has risen sharply in recent years. Thus, in 2009, while the average age of patients treated was 69.3, the median age was 75 and 20% of patients were aged over 83.



In addition to the phenomenon of the ageing of the population, the length of acute care stays is decreasing steadily due to changes in medical and surgical practices, in particular anaesthesia and surgical techniques, resulting in patients being admitted with greater dependency needs.

This trend has been accentuated with the introduction of the "T2A" diagnosis-related group payment system in France, given that medical-surgical clinics, for which greater

productivity is a key factor, will send their patients to post-acute and rehabilitation care clinics more quickly.

Post-acute and rehabilitation care facilities have therefore taken the place of medical-surgical clinics in France, which have an average stay of 5.9 days (or even 4.8 days in the private sector) compared with an average of around 34.3 days at post-acute and rehabilitation care facilities. (Source: *DREES – Panorama des établissements de santé – 2011 edition*).

Short-stay facilities have therefore had to review their upstream activities and in particular to negotiate agreements with post-acute and rehabilitation care facilities in order to be able to obtain beds for the patients quickly.

Consequently, due to growing care needs and an increasingly close relationship to acute care services provided at medical, surgical and obstetric clinics, post-acute and rehabilitation care clinics offer complex rehabilitation treatments provided by multi-disciplinary medical, paramedical and social care teams.

Post-acute and rehabilitation care facilities are therefore becoming increasingly specialised depending on the pathologies they care for.

Among admissions to post-acute and rehabilitation facilities, 60% are for rehabilitation, 18% for recovery following surgery and 17% for chemotherapy, radiotherapy or palliative care.

3.3 – AGEING TRENDS IN THE POPULATION AND SUBSTANTIAL NEEDS IN OTHER COUNTRIES WHERE ORPEA OPERATES

3.3.1 – Belgium

Belgium will experience a sharp increase in its elderly population over the next few years. According to the latest demographic projections from the Bureau fédéral du Plan (2011) the percentage of the most elderly (85 and over) will grow spectacularly, accounting for 3% of the population in 2025 and 5.8% in 2050 compared with 2.2% in 2010.

The distribution of the population aged over 70 in 2010 between the different regions was as follows: 60% in Flanders, 31% in Wallonia and 8% in Brussels.

The current offer is 132,500 beds in 1,540 facilities. According to a study conducted by the KCE (Belgian Healthcare Knowledge Centre), depending on different scenarios based on trends in morbidity, dependency or the availability of informal carers, the requirement for the creation of additional beds is between 27,000 and 45,000 by 2025, i.e. an annual increase of between 1,800 and 3,000 beds (3,500 beds if all the worst-case scenarios are taken into consideration).

This outlook was confirmed by a DTZ study published in April 2013: demand is set to rise by between 1,800 and 4,500 beds annually until 2030. As a result, the number of authorised beds should reach close to 200,000 by 2030, a 50% increase on today.

The trend to institutions for the elderly is identical to that of France: increasingly later entry with a higher dependency level. Institutions are therefore forced to increase the amount of drugs they use.

3.3.2 – Spain

In Spain, there were 1.25 million dependent people in 2010, of which nearly 13% were in Madrid. The number is expected to increase by 250,000 by 2020. (Source: Situacion del Servicio de Atencion Residencial en Espana – July 2010 – PricewaterhouseCoopers)

There is also a large shortfall of high quality beds for the elderly. In a 2010 report, the World Health Organization estimates the need for new beds at 70,000.

3.3.3 – Italy

Italy is already one of those European countries where the percentage of elderly people is the largest and is expected to increase sharply. According to the 2007 ITSTAT study, the number of people aged over 75 will more than double between 2010 and 2050, from 6 million to 12.5 million. Those aged over 85 are estimated at 1.7 million people today and should reach 4.7 million by 2050.

27% of the population aged over 85 is concentrated in the northern regions of Italy (Lombardy, Piedmont and Liguria).

4. – A KEY PLAYER IN A PROTECTED ENVIRONMENT

The dependency sector in France is governed by a strict regulatory framework that constitutes a real barrier to market newcomers.

4.1 – A BUSINESS CONTROLLED BY A "NUMERUS CLAUSE" (RESTRICTED NUMBERS)

On the basis of its expertise and its ability to meet the expectations of planning authorities for the healthcare and medico-social sector, Orpea has decided to establish its presence in countries with a regulated and secured dependency care market.

4.1.1 – Orpea: a key player in a regulated activity, characterised by a "numerus clausus" in France and in those countries where it operates

► **in France:**

Healthcare and medical and social care facilities in France are controlled and governed by a single supervisory authority, the Regional Health Agencies (Agences Régionales de Santé or ARS).

The introduction of the Regional Health Agencies on 1 April 2010 created a new local organisational structure covering all care services – from healthcare to medical and social care – on a regional level, thereby taking over the responsibilities of the Regional Hospital Agencies (Agences Régionales d'Hospitalisation), DRASS, DDASS, URCAM and CRAM.

The role of the Regional Health Agencies is to draw up the Regional Health Project (PRS), which determines a regional healthcare policy, implementing the priorities and objectives of national healthcare policy on a regional scale.

In order to operate, long-term care facilities need to obtain authorisation to operate, which is granted for a period of 15 years by joint decree of the head of the Local Authority (Conseil Général) and the local Préfet for the funding of the national health system.

This system was set out by the law of 2 January 2002 concerning medical and social care institutions, amended by the HPST hospital reform bill of 21 July 2009.

This authorisation system concerns both requests to create new long-term care facilities and requests for extensions – i.e. increasing the authorised capacity – and conversions – i.e. changing the category of beneficiaries.

In any case, these requests need to fall within the framework of the needs and objectives analysed and listed by the supervisory authorities, using their programming tools:

- PRIAC sets regional and interdepartmental priorities for financing the creation, extension and conversion of nursing home places over a three- or five-year period. Each year, on the basis of PRIAC's analysis of each region, the CNSA is able to negotiate the national health spending target (ONDAM) and then allocate national health system credits and government credits by setting regional and departmental budgets. The aim is to help to balance out the provision of medical and social care services across the country.

- Departmental "Gerontological Frameworks" (*Schémas G érontologiques*) are drawn up over a five-year period by the Local Authority (Conseil Général) and submitted to the local Prefect (*Préfet*) for approval. They define priorities – which operators must consider in developing creation projects – for territorial needs for equipment, as well as the preferred type of accommodation: specific units for disoriented elderly people, beds dedicated to respite care, etc. In addition, some local authorities go further and also develop specifications, particularly for protected units for disoriented elderly people, with capacity from 12 to 14 beds, architectural features, the average ratio in terms of nursing staff, etc.

These requests to create new facilities or extend existing facilities must comply with strict procedures. The HPST hospital reform bill reformed the authorisation procedure by making widespread the competitive bidding procedure for the creation, conversion and extension of medical and social care facilities, including long-term care facilities for the elderly. This procedure was specified by the decree of 26 July 2010, which was published in the Journal Officiel of 27 July 2010 and came into effect on 1 August 2010.

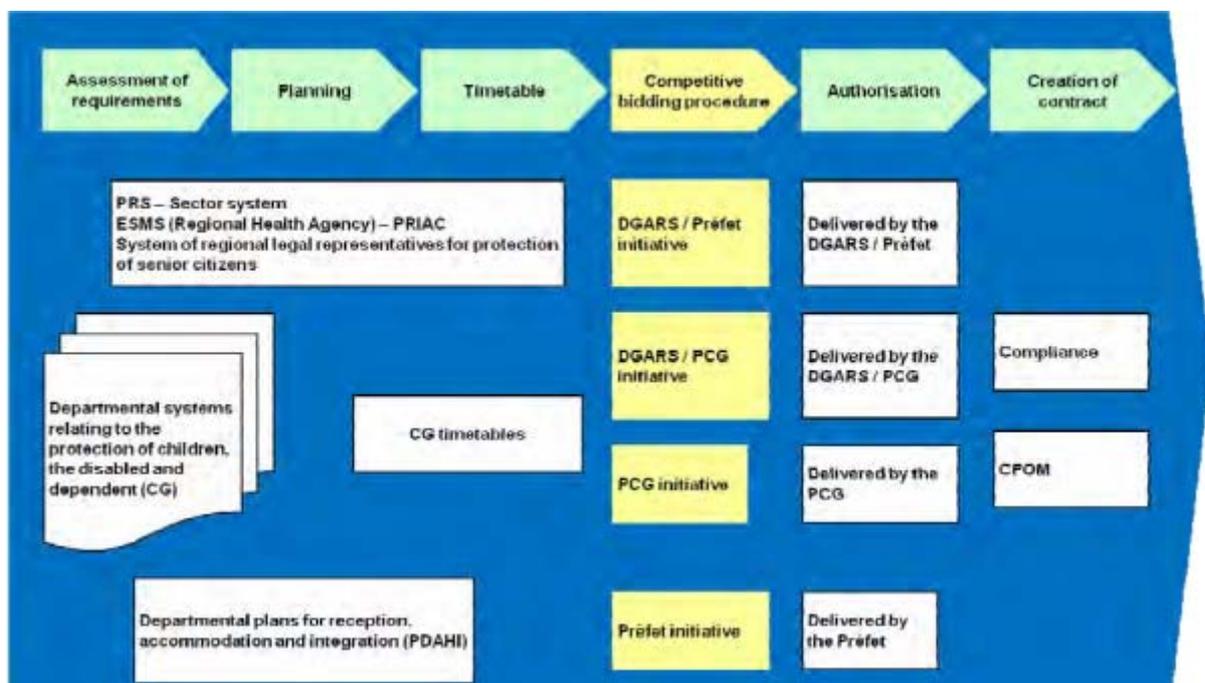
One of the components of the Regional Health Project drawn up by the Regional Health Agencies is the medical and social care regional organisation system (SROMS), which plans and initiates necessary changes to facilities and services to care for dependent elderly people.

The relevant authorities establish their priorities on the basis of:

- the needs defined in Regional Health Projects and various departmental plans (including SROMS and PRIAC);
- as well as available funding.

These priorities are then factored into specifications setting out and specifying the needs to be met and the framework of projects.

The competitive bidding procedure should allow for more rapid funding of authorised facilities and the implementation of projects more suited to regional requirements.



Source: CNSA guidelines for the implementation of the competitive bidding authorisation procedure and drawing up specifications – 3 September 2010

The main stages of the competitive bidding procedure are:

- 1) Publication by the Regional Health Agency of the SROMS plan;
- 2) **Publication of a timetable for competitive bids**, describing the requirement for facilities or services in each region.
The strategic regional plans provided the basis for projecting need and therefore defined the timetable for competitive bidding procedures;
- 3) **Launch of a competitive bidding procedure** with specifications drawn up jointly by the Conseil Général and the Regional Health Agency:
The announcement of the competitive bidding procedure is published in the administrative notices of the Regional Health Agency and the Conseil Général. It also states the selection criteria and grading methods, the deadline for receiving applications and details of how replies should be sent.
The specifications to be met by the applicant state the following:
 - capacity in terms of the number of beds and places,
 - location,
 - description of the main characteristics and architectural or environmental requirement,
 - funding and costs: operating costs, means of funding and the projected amount of costs to be paid by residents and patients,
 - whether or not it is eligible for social security support.
- 4) **Applicant's response** (within a deadline of at least 60 days and no more than 90 days);
- 5) **Instruction procedure: appointment of an instructing officer at the Regional Health Agency and the Conseil Général:**
The instructing officer will be in charge of helping applicants to submit their proposal and giving the selection committee "a justified report on each proposal".
- 6) **Opinion of the selection committee**
All bids are heard by the selection committee. Once these hearings are over, the committee ranks the bids and issues a consultative opinion on each.
- 7) **The relevant authorities – namely the Conseil Général and the Regional Health Agency – have a maximum of six months from the deadline for submitting applications to grant authorisation.**
Their decision is based on the presentation report prepared by the selection committee. However, the authorities do not have to abide by the committee's opinion, which is provided only on a consultative basis.
The President of the Conseil Général and the head of the Regional Health Agency jointly sign the authorisation papers for the selected candidate. Authorisations are given to long-term care facilities for a period of 15 years.

Once authorisation has been obtained and implemented, a visit to ensure compliance with requirements and a visit by the local Social Security committee must be carried out before a long-term care facility can be opened to the public.

The operator needs to request a compliance visit from the Conseil Général and the Délégation Territoriale (local representative of the national health system) two months before the planned opening date, in order to check that the facility is organised in accordance with the terms of the authorisation granted and that it meets the technical requirements provided by law in terms of how its operations are organised. This visit should be scheduled by the authorities at least three weeks before opening.

After this visit, the authorities compile a report that is sent to the operator within two weeks, allowing it to open the facility. If the authorities believe that the facility does not meet the required standards, the operator is informed in writing of the changes that need to be made within a set time frame, after which another inspection is carried out.

When a licence is renewed after the 15-year term, the facility also undergoes an internal and external assessment of its compliance with best practice procedures, references and recommendations. The results of the external assessment carried out by an independent organisation dictate the terms and conditions of licence renewal. The external assessment mainly covers operations and the quality of services provided.

► Belgium

Rest homes and rest and care homes must have operating licences (given different names from one region to another) issued by the competent regional authority.

On the basis of a five-yearly federal plan, each region has a quota of long-term care beds. This regional independence enables each region to define its own standards in addition to federal criteria.

Due to these quotas and in order to obtain an operating licence, operators need to file an application with the regional health authority. An inspection follows to check that the facility complies with regulations, particularly as regards building standards, safety, care staff and care plans. One of the key criteria for obtaining an operating licence, apart from compliance with standards, is the level of need for long-term care beds identified by the region.

Operating licences are issued for an indefinite period in Wallonia and Flanders and for 6 years in Brussels. Authorities may refuse to renew an operating licence if there is a significant breach of standards, though this may only apply to part of the facility (e.g. one sub-standard room). Authorisation can be withdrawn by the health authorities if there is a serious fault, for example charges of maltreatment.

The regional health authorities also validate the facility's accommodation agreement and internal regulations.

► Italy

There are various types of facility in Italy:

- assisted residential facilities ("Residenza Sanitaria Assistita" or RSA), which offer the highest level of medical services;
- flexible residential facilities ("Residenza Assistenziale Flessibile" or RAF), offering temporary or permanent stays for semi-able-bodied people with different specialist units: convalescence, stabilised psychiatric patients, disabled patients (care for mental and physical disabilities);
- protected residential facilities ("Résidence Protégée" or RP), equivalent to long-term care facilities.

The same facility can hold several forms of authorisation and therefore have RSA, RAF and RP beds at the same time.

Italy's authorisation systems were initially defined on a national level. These national regulations set out the minimum structural and organisational requirements for nursing homes. For example, a facility must have no more than 120 beds.

Then, on the basis of this national regulatory framework, each region then has to adopt its own procedures and define its own requirements. While each region has adopted national requirements, their own procedures are inevitably more restrictive than national requirements. For example, in Piedmont, each accommodation unit constitutes a fully autonomous "nucleo", comprising a maximum of 20 beds, and with its own facilities such as a restaurant and health centre, etc.

The authorisation system is therefore planned by each region and then implemented by the local health authority (ASL).

Facilities are monitored primarily by the health authorities by means of surprise checks.

► Spain

The Spanish government has given the 17 autonomous regions the power to authorise the creation of nursing homes, and more generally all personal assistance services.

The Spanish market is therefore based on a decentralised model, in which the government sets out the main healthcare policies in order to ensure standardisation between regions, while also establishing the principle of the right to dependency care – as laid out formally for the first time in the new Spanish Dependency Law.

Regional administrative authorisation is needed to run a nursing home. As in France, authorisation is granted following a review of the application presenting the proposal and a site inspection to ensure compliance with minimum quality and safety standards.

During the life of the facility, inspections are conducted to monitor and assess that the facility is operating correctly and meets the required standards, particularly in terms of care staff.

4.1.2 – Authorisation system for post-acute and rehabilitation care facilities in France

Like long-term care facilities, clinics need to obtain authorisation to operate. Authorisation is given for a period of five years.

The creation, extension and operation of short-term care facilities is also governed by complex regulations designed to regulate hospital capacity with the dual aim of cost control and quality of care provision.

The government order of 4 September 2003 simplified the authorisation system considerably, introducing an authorisation for each type of activity – rather than for a certain number of beds or places – which is now recognised according to the number of days for full hospitalisation and the number of places for day hospitalisation.

All authorisation holders also sign a five-year renewable multi-year objectives and resources contract or CPOM (Contrat Pluriannuel d'Objectifs et de Moyens) with their ARS (Regional Health Agency).

The CPOM defines the strategic direction of the facilities on the basis of regional health projects (PRS) and, more specifically, on the basis of one of its component parts, the regional healthcare organisation plans (SROS). The CPOM describes the changes that the facility needs to make in its activities and cooperation measures. In particular, it incorporates an annex on "operating licences and activity management". This annex has a dual purpose:

- to set operational targets for the facility relating to the implementation conditions for authorised care activities;
- to set guidelines and targets in terms of activity volume for the facility's authorised care activities. However, activity volumes are now indicative rather than enforceable.

The CPOM also defines objectives in terms of quality and safety of care services, specifies the timetable for the certification procedure and the financial terms concerning private healthcare facilities subject to the national financial target (OQN), such as the Orpea Group's post-acute and psychiatric care facilities.

Lastly, renewal of an authorisation is subject to the results of an assessment report sent to the Regional Health Agency 14 months before the expiry date. If the results are satisfactory, the licence will be renewed automatically without further formality. However, if the results are not satisfactory, the ARH's (Regional Hospital Agency) General Manager will issue an injunction, stating the reasons. This is sent to the party holding the authorisation, which then has to present a request for renewal in accordance with the usual process.

4.2 – CONTROLLED PRICING

4.2.1 – Long-term care facilities

► France

In France, each long-term care facility has to draw up and sign a five-year tripartite agreement with the head of the Conseil Général and the relevant authority for establishing care prices – the head of the Regional Hospital Agency – in accordance with the decrees and order of 26 April 1999 and the decree of 4 May 2001 concerning reforms to the pricing of long-term care facilities.

The resources allocated to long-term care facilities are therefore determined for the duration of the tripartite agreement.

However, decree of 8 January 2013 requires that the level of dependency of residents in each facility is assessed half-way through the tripartite agreement at the same time as the PATHOS (medical care needs) assessment so that levels of care staffing can be adjusted to improve care for the most dependent.

The pricing of long-term care facilities breaks down into three components:

- **the accommodation fee**, covering all general administration services, residency, meals, cleaning and social activities at the facility that are not related to people's level of dependency. The accommodation fee is payable in full by the resident (or the Conseil Général if the facility has beds approved for social security support). The revaluation accommodation fees is controlled, as the French Finance Ministry determines the percentage change on 1 January of each year for residents in attendance at the facility on 1 January. By way of example, the maximum revaluation set by the Order of 26 December 2013 was set at 1%. However, the pricing of accommodation is free for any new entrant;
- **the dependency allowance**, which covers support and supervisory services required to carry out essential everyday tasks, not related to the care services the elderly person may receive. These services correspond to additional costs related directly to the residents' level of dependency, whether this concerns relationship services and help with everyday and social tasks, or residential services and various supplies contributing directly to providing dependency care. The dependency allowance is funded by the APA allowance, which covers part of the cost depending on the elderly person's level of dependency and resources. The APA represents an expenditure of €5.3 billion for 1.15 million beneficiaries. This allocation is 72% financed by the Conseils Généraux and 28% by the government. (Source: Synerpa White Paper – March 2012);

- **the medical care allowance**, which covers paramedical services needed for the care of residents' somatic and psychological conditions, as well as paramedical services corresponding to care services relating to residents' level of dependency. This fee is charged on a daily basis partly or in full (depending on the option selected by the long-term care facility). If the facility opts for the full per diem rate, this includes medical services.

The care services fee is funded by the national health system (Assurance Maladie), paid directly to the facility on a monthly basis in the form of a lump sum.

It should be specified that dependency and care fees at a long-term care facility are administered and controlled. The full amount allocated must be spent. Care homes therefore do not make any profit on these services.

The accommodation fee, paid by the resident or their family, makes up 70–75% of the per diem rate. The care allowance, paid by national health insurance, makes up around 20%. Finally, the dependency allowance, paid by the local authority, makes up 5–10%.

► Belgium

Rest and care home charges in Belgium break down into two parts:

- Determining accommodation fees

Accommodation fees are set by prior application to the SPF Economie (Service Public Fédéral), Pricing Department. Following a ministerial decree of 12 August 2005, long-term care facilities cannot apply for a rate increase without first submitting a request, providing quantitative justification of the requested increase.

Several procedures exist according to the request made:

- o Setting a new price (opening or creation of a new service): notification to the SPF, with no time limit;
- o Automatic index-linking to the consumer price index: notification documents simply sent to the SPF, with a ten-day response time;
- o Fee increase over and above the indexation increase, in the event of major works or an event-related financial loss: submission of related documents arguing the case for the increase, with an SPF response time of 60 days. Failure to respond within 60 days implies approval.

- Funding of care services

Long-term care facilities in Belgium are funded by the Institut National d'Assurance Maladie-Invalidité (INAMI) on the basis of the number of residents and their level of dependence.

The INAMI applies the KATZ scale to measure dependence. Gradings of O and A, B, C, C and D, from the least dependent to the most dependent, are given by a nurse and sent to the insurers (private top-up insurers) within seven days of the resident entering the facility.

Any change following a reassessment of the person must be approved by their doctor and notified to the insurer again. Assessments are carried out following each change in the person's health. Care staff standards are also defined on the basis of the KATZ grid.

The aim of INAMI funding is to cover the cost of these required staff standards. Funding therefore consists of two amounts:

- o flat day rates for each long-term care facility. The rate changes each year based on the number of days and level of dependency at each long-term care facility over a reference period;
- o an additional amount known as the "*troisième volet*" [section 3], which subsidises some of the staff engaged on top of INAMI standards as well as staff other than care staff.

These amounts are paid on a quarterly basis in the form of a provision, with later payments when the INAMI has the necessary data and is able to finalise its calculations. The INAMI has the right to inspect facilities for compliance with standards and can impose financial penalties if they fail to do so.

The accommodation fee, paid by the resident or their family, makes up around 60% of the per diem rate. The care allowance, paid by INAMI, represents around 40% of the per diem rate.

► Italy

Each region is autonomous. For example, the Marches region calculates the level of dependence of each resident and gives the facility a care services allocation. In other regions, the ASL gives the future resident a "Voucher" granting access to an accredited facility depending on available accredited places.

However, political awareness is starting to grow on a national and regional level of the shortage of RSA facilities in Italy, which has resulted in the reallocation of public healthcare spending from hospitals to specialist residential facilities.

The average accommodation fee, paid by the resident or their family, makes up around 55–60% of the per diem rate. The portion paid by the regional government represents around 40–45% of per diem rate.

► Spain

Accommodation and care fees are freely determined in Spain and are paid in full by the resident. In some cases, nursing homes and the relevant regional authorities sign agreements with the main aim of "reserving" a number of beds for dependent people requesting help or full or partial provision of services. These people generally live within the region concerned. Under these agreements, rates are set in advance and cannot be increased by private centres beyond what is agreed with the regional authorities. These may be by mutual agreement with a given centre, but in most cases they are the result of winning calls for tenders launched by the authorities, in which a number of operators compete. Sometimes, the aid resulting from these agreements is due even if the "reserved" beds are not occupied. In other cases, the aid allocated to centres is only paid according to the occupancy rate of these beds by beneficiaries.

4.2.2 – The pricing system for post-acute and rehabilitation care and psychiatric care facilities in France

Prices for post-acute and rehabilitation care and psychiatric care facilities are set by the Social Security department. They are set out in targets and resources contracts, signed by post-acute and psychiatric care facilities, whether public or private, with Regional Health Agencies.

On the basis of this pricing system, for each patient looked after, Social Security pays a per diem rate, as well as other fees if applicable, on the basis of prices determined and set by the supervisory authority.

Each year, the Social Security Budget Act (LFSS) draws up a national health spending target (ONDAM), allowing the government to determine – particularly for post-acute and rehabilitation care and psychiatric care facilities – a national financial target (OQN) representing the annual spending budget for the private hospital sector covered by Social Security.

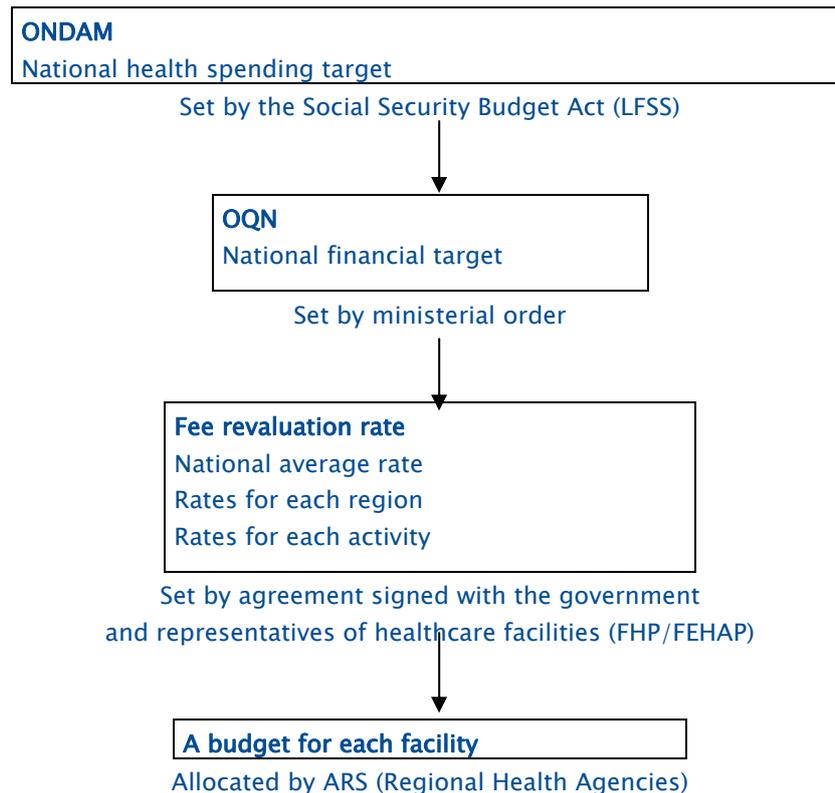
Negotiations are held each year between the government and the Fédération de l'Hospitalisation Privée (FHP) to determine:

- the national average change in service fees for SSR and Psychiatry;
- and the average change in fees in each region.

Each Regional Health Agency is allocated a regional budget, allowing its general director to determine the change in fees for each facility in the region.

In accordance with Article L. 162-22-4 of the French Social Security Code, Regional Health Agencies can adjust the change in facilities' fees each year up to the limit set out in the national agreement, subject to the terms of an agreement with at least one of the regional organisations that has signed up to the national agreement.

The regional agreement determines the general rules for adjusting fees on the basis of figures from France's DRG-based information system (PMSI), as well as other criteria that may be taken into account, on the basis of the PRS/SROS targets, the decisions made by the regional healthcare conference or the target for improving the quality of care services.



The Regional Health Agencies also set rates for new facilities, or new activities authorised for an existing facility, on the basis of average regional rates.

However, in the case of newly created services through the regulatory process, new rates are set by the national agreement between the government and the facilities federations.

Furthermore, in addition to the per diem rate paid by Social Security, facilities can receive additional payments relating to residential services such as private rooms, television and telephone, etc. These additional charges are paid directly by the patient, who requests reimbursement of all or part of the cost from his/her top-up mutual insurance company.

Future developments in post-acute and rehabilitation and psychiatric care: the new "T2A" payment system:

France's diagnosis-related group payment system, "T2A" or "Tarification à l'Activité", was introduced by the Social Security Budget Act for 2004.

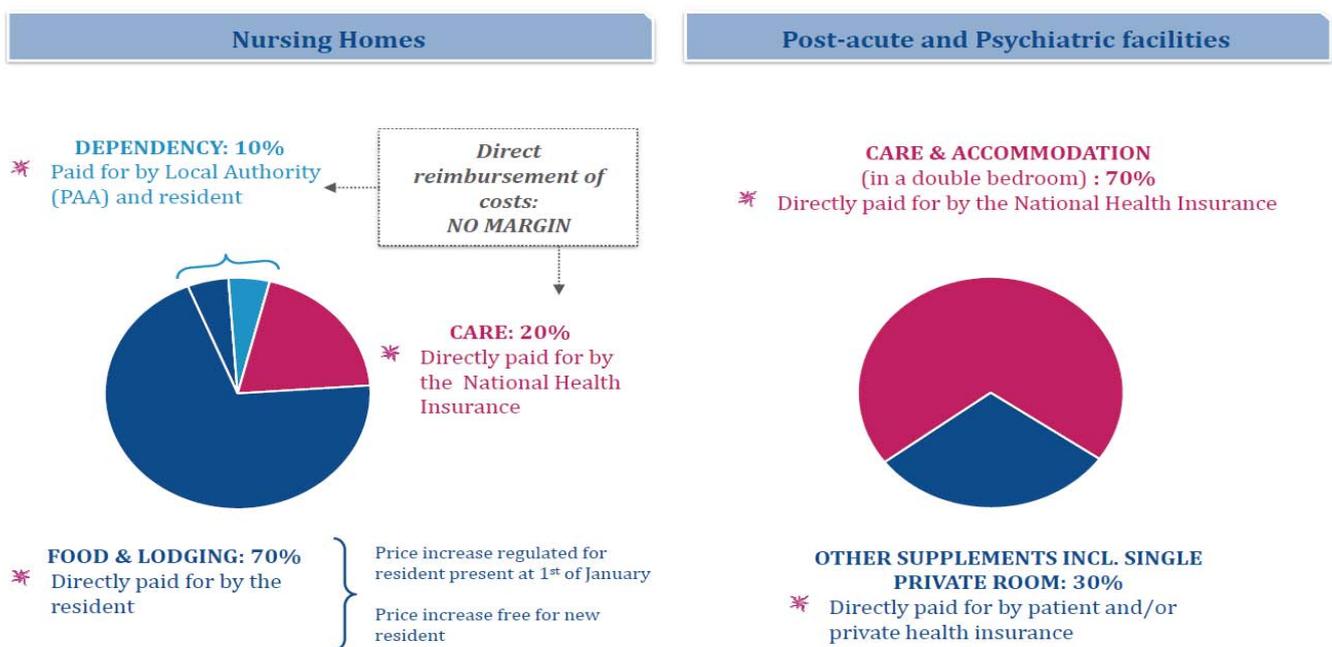
The T2A system created a new means of financing for healthcare facilities. Instead of charging per diem rates or on the basis of services for private clinics, the T2A system aims to standardise means of financing in the public and private sectors.

There are three categories of rates under the T2A system:

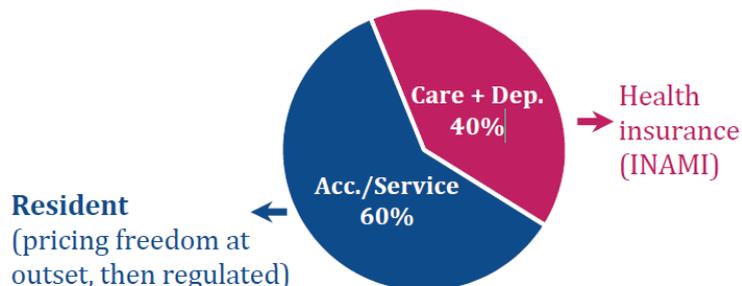
- A per diem rate by type of stay: determined on the basis of Groupements Homogènes de Séjour or GHS (Homogeneous Group of Stays), this is an all-inclusive tariff set for each pathology or specific treatment, covering all direct and associated costs of a service, such as medicines and medical devices;
- Non-GHS: actions funded as a single service such as home hospitalisation, external medical consultations, emergency consultations and organ transplants;
- Some particularly expensive medicines and medical devices (implants) are still financed by means of a specific tariff if they are on a restricted list.

Since 1 March 2005, the T2A system has applied to facilities with medical, surgical and obstetric (MCO) authorisation, as well as home hospitalisation services. It does not apply at this time to post-acute and rehabilitation care or psychiatric care facilities.

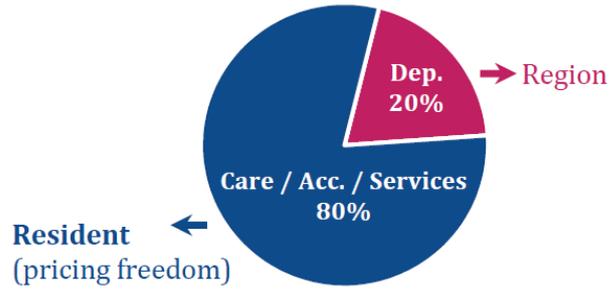
Summary of per diem rates for facilities in France



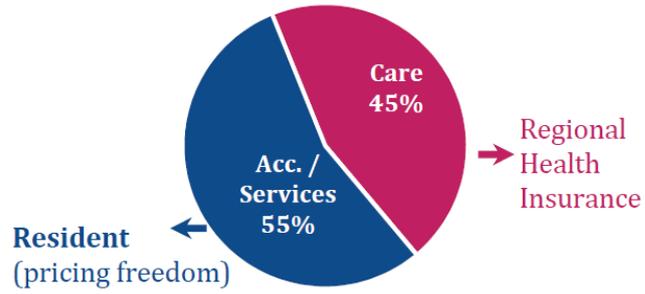
Summary of per diem rates for facilities in Belgium



Summary of per diem rates for facilities in Italy



Summary of per diem rates for facilities in Spain



5. ORPEA'S GLOBAL OFFERING: INNOVATIVE ACCOMMODATION AND DIVERSIFIED PROVISION FOR ALL STAGES OF DEPENDENCY

5.1 – THE ORPEA GROUP'S FACILITIES FOR THE ELDERLY

The Orpea Group's care facilities for the elderly in France, Belgium, Italy and Spain offer the following services:

- care and support services tailored to each resident (for example, there is a specialist unit for sufferers of Alzheimer's-type conditions at most facilities);
- logistical and residential services, such as accommodation, meals, laundry, room cleaning and various entertainment activities.

On the basis of the Group's procedures, each facility draws up its own care plan suited to its residents. This care plan, conveyed by all staff, combines quality of life and quality of care on a daily basis, offering professional and individualised care ensuring the safety and well-being of residents.

5.1.1 – Various residential services

The Orpea Group offers a variety of residential services. In addition to long stays, complementary residential options are available, primarily in France, for people living at home, in the form of temporary accommodation or day visits.

An elderly person may have to stay at one of the Group's residences temporarily, for example if:

- their spouse and/or children are exhausted and need some time to rest;
- their spouse is hospitalised and can no longer ensure continuity of care with professionals at home;
- the elderly person has recently come out of hospital and the family believes that it is too soon for them to return home; in this case, a temporary stay allows for the return home to be organised with family and professional support.

Day visits allow an elderly person living at home to benefit, once or several times a week, from therapeutic and social activities tailored to their needs, as well as social activities and opportunities to meet others.

The aim of these solutions is to provide relief for family carers and to use the visits to inform and support families in their daily care.

In all of the countries in which the Group operates, Orpea also offers protected units intended specifically for people suffering from Alzheimer's disease and related pathologies.

Alzheimer's and associated neuro-degenerative conditions cause the progressive loss of higher-level functions, leading inexorably to psychological and physical dependence for all day-to-day activities.

The Orpea Group is deeply involved in caring for such patients, offering between one and several specialist units (of 12–16 beds) within its facilities.

The building and equipment of a "protected" unit are key to delivering this care. These are specialist units for people with behavioural problems or who need a high level of monitoring 24 hours a day. They allow people to live freely and safely in specially adapted premises where their dignity and well-being are respected.

Redesigned living and care spaces allow the professionals working there to keep an eye on their safety without being intrusive.

Orpea Group's Medical Department has defined architectural principles for such units based on their knowledge of the illnesses caused by Alzheimer's and the following guidelines:

- Patient: free movement to walk around, accessibility, easy-to-find living spaces and bedroom, permanent passive and natural monitoring, appropriate activities;
- Families: can share intimate family moments in a dedicated room where they can be alone and be reassured to see their relative progress in a calm and safe atmosphere;
- Staff: an ergonomically designed working environment; rooms for therapeutic activities that require concentration and calm and dedicated spaces where special attention can be given to patients suffering a worsening of their behavioural problems;
- The Group has also developed "non-medical" approaches that seek to allow residents as much independence as possible, develop their potential and assuage their behavioural problems, while keeping the use of sedatives to a minimum in accordance with international recommendations;
- A furniture range has also been developed based on an understanding of the illness and the risks it poses;
- Numerous therapeutic innovations such as:
 - o Snoezelen therapy: the Snoezelen area is an area of multisensory stimuli which, together with a philosophical approach to the elderly, provides relaxation and recreation and encourages other modes of communication than language;
 - o art therapy and music therapy;
 - o Reminiscence workshops;
 - o spa baths where patients can work on their bodies and self-recognition which has a naturally calming and comforting effect;
 - o workshops to improve psychomotor coordination and balance with the aim of preventing falls, maintaining muscle strength and exercising the heart.

In April 2012 Orpea was awarded a Trophée du Grand Age for "Alzheimer's Initiative" in recognition of its "Memory box" technique. Memory boxes seek to break the isolation felt by many Alzheimer's sufferers and encourage new modes of communication by bringing together symbolic objects designed to trigger memories.

The Trophées du Grand Age reward the best initiatives in the sector, as well as innovations or gerontechnologies, to improve the quality of life of elderly people, both at home and in institutions.

Specific procedures were also introduced to address this particular aspect of care: they cover continuous training of staff, recommendations on approaching and communicating with patients, prevention and early management of risks posed by the illness and its progression.

The aim of these protected units is to maintain and encourage patients to live with social relationships throughout their stay as well as monitoring their safety.

Partnerships with regional geriatric care departments and health professionals allow the group to integrate within the local geriatric environment and develop the best possible dependence care offer.

5.1.2 – Long-term care facilities

Receiving dependent elderly people at long-term care facilities requires strictly organised care services, comprising aid and support several times a day to help residents perform everyday tasks, as well as nursing and paramedical care as directed by each resident's doctor.

These care services contribute to the quality of life offered at long-term care facilities, respecting each person's desires and habits, within the framework of individual care plans.

Multi-disciplinary teams, working to professional best practice and values, deliver care that is prescribed by the residents' doctors.

Paramedical teams are headed by a coordinating doctor and nurse, and consist of nurses, care assistants, medico-psychological assistants and – depending on the facility – other paramedical support such as psychologists and/or physical therapists or occupational therapists.

Also, independent specialists such as physiotherapists and speech therapists can be brought in where such treatment is prescribed.

Standardised care procedures, drawn up in consultation with the Group's medical management team, ensure the best possible care is provided throughout the Orpea network.

Standardised organisation means that procedures can be checked and controlled to maintain high quality care at all times. Individual care plans are managed through a rigorous system that tracks all care given to each resident; the Medical Management team is responsible for monitoring healthcare and can respond immediately, providing safety and support on the ground.

In addition, to ensure continuous improvement of care quality, a continuous training programme is in place specialising in illnesses affecting the elderly and their risks for all care and non-care staff.

This programme creates space for ongoing reflection on the ethics of care and support, which are the Group's core values.

All of the Group's facilities offer lifestyles and care that supports residents through all stages of dependence via an individual care plan.

5.1.3 – Care plans

Staff endeavour to create a pleasant and welcoming living environment by organising activities each day. Each facility is individual, based on its own institutional mission which is adapted to the residents it looks after. A wide range of activities are offered, including pet therapy, horse therapy, relational clowns, appropriate event programmes, theatre workshops, memory cafés, etc.

A coordinated programme of events is arranged by a qualified professional with two main aims:

- occupational, relating to or concerning socio-cultural activities (dressmaking, shows, days out, etc.): Orpea's priority is to make all of its facilities real places for living in order to enable residents to rebuild their ties with the local community;
- therapeutic, with therapeutical workshops on keeping up physical and intellectual capabilities (press review, gentle gymnastics, visual arts, etc.).

Family and friends are welcome and invited to take part in the life of the facility in order to maintain family ties and encourage intergenerational relations.

Finally, Orpea strives to integrate its facilities with the social life of the town, to develop rich and dynamic social ties between the surrounding cultural life for the well-being of the elderly people it cares for. This includes the organisation of activities with children from nearby schools, as well as with local associations. Some even offer nurseries and childcare facilities for everyone's enjoyment.

5.2 – THE ORPEA GROUP'S POST-ACUTE AND REHABILITATION CARE CLINICS

Orpea Group's post-acute and rehabilitation care facilities, most of which are in France but some also in Switzerland and Italy, seek to re-educate patients requiring medical resources and technical platforms with a view to their eventually returning home. Each patient has a care and rehabilitation plan based on the speciality that their illness demands.

These clinics form part of the regional health service.

Orpea has successfully achieved this positioning by:

- offering high quality care and services (high quality residential services and cutting-edge technical equipment with spa baths, occupational therapy, physiotherapy, etc.), thereby allowing it to form effective partnerships with specialist centres and well known hospitals;
- specialising in major issues, allowing it to provide care solutions most suited to patients' needs and responding to the needs of the healthcare environment in accordance with regional public healthcare plans.

In general, the Group's post-acute and rehabilitation care clinics offer multi-disciplinary hospitalisation services, including:

1- Multi-disciplinary post-acute and rehabilitation care, looking after patients after a simple surgical procedure or medical condition requiring rehabilitation. While the majority of patients are elderly, these units are open to patients of all ages and can manage the post-acute care of a wide variety of pathologies. The dependency of patients passing through these units therefore relates to a pathology that has been treated or is in the process of treatment.

The aims are to provide follow-up care and rehabilitation, and to prepare the patient to return home and possibly to prepare for a stay at a care facility, or providing the means for them to return home.

The specific resources include: multi-disciplinary staff with specific training, including physiotherapists and occupational therapists, rehabilitation treatment in suitable premises, and finally an accessible and pleasant architectural environment. A social support worker further enhances the team.

2- Physical medicine and physical therapy: these services are intended to provide active care of post-surgical trauma or orthopaedic patients, or of patients with degenerative neurological or vascular conditions. Patients with a disability may be fitted with a temporary or permanent prosthesis.

In accordance with the specifications, the aims are to:

- offer a high level of physical therapy with medico-technical support;
- provide the necessary complementary care services, such as occupational therapy, psychology and support services;
- teach patients the compensation techniques and adaptations they need.

To do this, the Group's clinics have high-end technical resources, including in particular spa baths, with a permanent organisational structure and high quality medical monitoring. Prostheses and the necessary compensation devices are fitted and adjusted in a specific studio.

3- Orthopaedic and trauma rehabilitation services are smaller units providing rehabilitation of patients who do not require very active care but who need to return to their previous physical condition, such as rehabilitation after total hip replacement.

4- Haematology and oncology post-acute and rehabilitation care units look after cancer patients of all kinds who have completed or are in the process of their essential treatment, such as inter-treatment intervals of chemotherapy with management of haematological complications or infections or respite

periods between radiotherapy sessions. They also provide continuation of clinical, psychological and rehabilitation care of cancer patients. Lastly, these units provide support while waiting for a place at a palliative care unit.

The resources provided are high-quality medical and paramedical supervision, permanent 24-hour medical support and specific medical skills, with partnerships with the prescribing medical specialists allowing for continuity of care.

5- Geriatric post-acute and rehabilitation care units look after elderly dependent patients with multiple pathologies with a view to returning home. The gerontological assessment allows for targeted care, particularly of cognitive issues, or care of patients suffering from Alzheimer's disease and related disorders.

To do this, the Group has not only implemented a specific organisational structure for its care services, but also provides continuous training of its staff in order to offer specific and high quality care.

The aim in caring for elderly patients with multiple pathologies resulting in multiple dependencies is to provide rehabilitation, continuation of care, reassessment and ranking of diagnostics avoiding concomitant harsh treatments, draw up a personal and social care plan, and look after patients with degenerative conditions such as Alzheimer's and dementia, of whom there are now many requiring specific care resources.

The resources are adapted, specialised facilities, staffed by people trained in geriatric care services, such as physiotherapy, occupational therapy, physical therapy and activities within suitable architectural surroundings in the form of protected units with care given in closed units, allowing for the management of disoriented patients wandering off.

These units are characterised by:

- a specific care structure adapted to the patient's needs;
- therapeutic care and workshops adapted to patients' remaining abilities and reassessed as their physical disability develops.

This is provided in a carefully thought-out architectural environment adapted for disabilities and therapeutic resources.

These units are optimal for looking after people with associated pathologies in addition to their cognitive pathology, who require an organised structure to help them prepare for the future with the most challenging care requirements.

6- Other specialist services are provided at the Group's clinics:

• care of chronic neurovegetative states or minimally conscious states, allowing patients with very severe neurological after-effects to benefit from continuous high-level care, both of the patients themselves and their families in a delicate and difficult situation.

These units provide long-term care of patients with brain injuries that are deemed irreversible and requiring daily assistance.

They aim to provide the necessary stimulation and rehabilitation care for highly dependent patients, to continue to provide high-quality assistance by focusing on family relationships, and to offer rehabilitation care with supervision by neurologists and physiotherapists.

Patients benefit from large rooms with individual care resources, looked after by trained, pro-active and motivated staff. The team includes specialist doctors who provide permanent medical care, as well as a high standard of psychological supervision;

• multi-functional medical services, for short stays for diagnosis and treatment. These multi-functional units cover general pathology but are generally strongly focused on geriatric care. The definition of these units is caring for patients for a short period for acute pathologies requiring diagnosis and appropriate treatment.

These units aim to provide acute care ahead of emergency services and general practitioners, provide high quality care in accordance with protocols and best practices, provide preparatory care for example to enter a post-acute and rehabilitation care facility, and improve care services by participating in care networks on key issues such as oncology, renal failure and Alzheimer's.

The resources provided are medical units with access to complementary examinations, with a permanent care structure with constant medical presence, available and trained staff, and access to current and known medical treatments.

The Group has continued with its approach to specialise its post-acute and rehabilitation care clinics, particularly within the framework of authorisation renewals in 2010.

The pace of development of post-acute and rehabilitation care facilities and the trend towards specialisation are in anticipation of the introduction of the T2A payment system in France, allowing for the provision of units that comply with the PMSI classification system as major clinical categories, with a parallel valuation.

In parallel with the specialisation of its care services, the Orpea Group has also developed daily hospital services to respond to patients' desire to receive rehabilitation during the day at clinics and return home in the evening.

5.3 – THE ORPEA GROUP'S PSYCHIATRIC CLINICS

The Group's psychiatric facilities receive patients with acute mental pathologies requiring care over an average stay of 30 days (ranging from one to six months depending on the pathology). The Group's Clinics provide psychiatric treatment and psychotherapeutic monitoring:

- mood disorders (depression, bipolar disorder, adjustment disorders, dysthymia);
- anxiety disorders: panic attacks, generalised anxiety, simple phobias, social phobia);
- addictions: alcohol and drug dependencies, behavioural addictions (to screens, games, etc.).
These addictions are often co-morbidities with other psychiatric diagnoses;
- overuse or burn-out syndromes;
- recently discovered disorders: chronic fatigue syndrome, fibromyalgia;
- obsessive compulsive disorders, impulsion phobias;
- sleep disorders: insomnia, hypersomnia, dysomnia, parasomnia, sleep apnoea;
- eating disorders:
 - o restrictive: anorexia, bulimia with vomiting,
 - o hyperphagia with obesity;
- Borderline personality disorders;
- age-related psychiatric disorders: grief reactions, delusions of injury, geriatric cachexia, neurodegenerative diseases with psychiatric symptoms, classic side effects of drug interactions due to the French predilection for over-prescribing;
- certain psychotic disorders.

Overall clinical oversight is provided by a psychiatrist acting as coordinator; the creation of an additional post of child psychiatrist coordinator has made it possible to harmonise the operation of the division's eight adolescent units. The role of these two practitioners is to ensure the scientific validity and ethical nature of practices, to take part in continuing professional development for doctors and teams, as well as recruiting new practitioners, auditing medical files, regularly attending meetings of the Facility Medical Commission (CME) and finally, and most crucially, being on hand to listen to colleagues, especially when incidents have occurred.

Orpea Group encourages each of its clinics to develop an area of special skill. Several Group facilities have developed real expertise or excellence in specialist fields, such as:

- **Clinique Lyon Lumière (Meyzieu 69):**
 - o *The Geriatric Psychiatry unit* receives 40 elderly patients with psychiatric pathologies specific to ageing. Care is provided by two geriatric psychiatrists, a geriatrician, a neuropsychologist, a neurologist and an enhanced paramedical team;
 - o *The Cognitive Behavioural Therapy unit* offers care for obsessive compulsive disorders (OCD). This department was the subject of several reports on OCD at the clinic broadcast during programmes such as France 2's "Ca se discute" in 2006, "Jour Après Jour" on 20 February 2007, and "Tellement vrai" on 14 May 2009;
 - o *The Sleep Disorders unit* which opened in 2010 and offers investigation and treatment of sleep disorders.
- **Clinique d'Orgemont (Argenteuil 95):**
 - o The Collaboration Unit receives patients in hospital on voluntary or compulsory basis within the framework of a close collaboration with the Centre Hospitalier d'Argenteuil, for which it operates 20 inter-departmental beds. A similar structure was applied in the Clinique L'Alliance (Villepinte). These two public private partnerships were seen as pioneering examples in France.
- **Clinique Villa des Pages (Le Vésinet 78):**
 - o *The Young Adults Unit* receives patients aged between 16 and 25, mainly with behavioural disorders, which could go as far as self-injury. It is part of the behavioural disorders network for the Paris region. It also looks after patients with eating disorders. This unit is recognised and part of the national network for eating disorders.
- **Clinique Villa Montsouris (Paris 75):**
 - o *The Eating Disorders Unit* works in close collaboration with the specialist department at Hôpital Sainte Anne and is a member of the eating disorders network for the Paris region.
- **Clinique des Orchidées (Andilly 95):**
 - o *The Bipolar Disorders Unit* is due to open in the near future and will be part of the bipolar network for the Paris region.
- **Clinique de l'Ermitage (Montmorency 95):**
 - o *The Alcoholism Unit* provides specific care for alcohol dependence.
- **Clinique de la Lironde (Saint Clément de Rivière 34):**
 - o *The Adolescent Unit* receives young patients mainly with behavioural disorders, which may go as far as self-injury. It is a member of the networks for the Languedoc Roussillon region.
- **Clinique l'Escale (St Victoret 13):**
 - o *The Adolescent Unit* (inpatient and outpatient hospital care) uses hypnotism-based techniques
- **Clinique La Métairie (Nyon Switzerland):**
 - o The clinic, a private institution with a long track record in hospital treatment for psychological disorders, specialises in caring for eating disorders, addictions (alcohol and nicotine), post-traumatic stress and burnout.

Five specialist units spread across an attractive, landscaped, seven-hectare site are able to receive anyone requiring medical supervision and agreeing to play an active role in their own care.

This non-exhaustive expertise is renowned not only among the healthcare professionals of the region, on which the clinics depend, but also among the supervisory authorities, with which the Group has developed high-quality professional relations and appropriate funding agreements with different hospitals and public services.

► Treatment

Treatments are individual or group-based and are psychotherapeutic or pharmacotherapeutic. Depending on their culture and training, practitioners use one or more psychodynamic, cognitive and behavioural, interpersonal, hypnosis, support and systemic models, all in terms of integrative institutional psychotherapies. In other words, these theoretical practices are used in all the clinics, generally with a particular emphasis on one direction or another, whilst at the same time attempting to incorporate them into as harmonious a whole as possible.

The level of care largely depends on the general atmosphere at the clinic. Caregiver/non-caregiver/administration meetings, multi-disciplinary staff, supervisions, enable professionals to compare notes and to work towards a common goal which is the well-being and recovery of our patients.

Furthermore, the therapeutic life of an institution is heavily influenced by the leadership of its care team and is dependent on the quality of the therapeutic groups available to patients. These may be:

- open: taking the form of therapeutic education or discussion groups such as welcome groups, discussion groups, medication, sleep, self affirmation, managing emotions, relaxation, introduction to cognitive and behavioural therapies, etc.;
- closed: reserved for particular categories such as TCA (anorexia), OCD (obsessive compulsive disorder), alcohol, self worth, preparation for leaving, etc.;
- with mediation: occupational therapy, art therapy, sports therapy, 'sensimage' (an internally developed tool using images), self play (a game-based intervention developed mainly for alcoholic patients), etc.

5.4 – A POLICY OF INNOVATION AND SCIENTIFIC REFLECTION

► Development of a telemedicine project

In 2012, Orpea submitted a telemedicine project to the Ile de France Regional Health Agency's project selection committee. Out of the 26 projects submitted, nine were selected, including the Orpea project.

The objective of this project is to improve ways in which long-term care facilities can manage emergencies, offering remote medical advice, by taking advantage of the skills of the specialist medical teams at the Group's Post-acute and Rehabilitation and Psychiatric clinics.

The project was launched in May 2013 at 3 clinics and 17 long-term care facilities.

The expected results are clear: to reduce outside consultation travel time for residents and waiting times for specialist advice, to limit hospitalisations and help to optimise national health (Assurance Maladie) expenditure whilst improving the quality of care given.

► Creation of scientific panels [Collèges de réflexions scientifiques]

The creation of a certain number of panels means that professionals in different fields can meet, exchange ideas, compare practices, inspire one another and occasionally pool their resources. These panels promote a sense of belonging and foster professionals' loyalty to the Group.

- **Panel of psychologists [Collège des psychologues]:** the longest-standing panel (10 years) meets several times a year, bringing together practitioners in the psychiatric division, post-acute care and long-term care facilities. Over 180 professionals are involved. For a number of years now, psychologists have been working on developing original care tools ('sensimage', self play, treatment journals for patients suffering addiction and adolescents), have held seminars, organised conferences, created a new half-yearly collection with the publisher Eres (Clinics, practitioners' discussions in institutions) with seven issues so far. A unit comprising 20 practitioners trained in "institutional emergencies" who intervene immediately to assist teams in the event of trauma (suicide, aggression etc.) has also been created;
- **Panel of Private Clinic Heads [Collège des présidents de CME]** and clinical coordinators: peer-elected psychiatrists meet three times a year, keep themselves up-to-date with the law, organise continuing professional development, inform their colleagues of news about each of the institutions and oversee the ethical and work-ethics dimension of the division (Clinéa psychiatric charter). The division's clinical coordinator visits each of the Group's different psychiatric clinics on a regular basis in order to audit documentation, propose training for care workers, lead supervision meetings and role plays;
- **Panel of pharmacists [Collège des pharmaciens]:** meetings of professionals to share know-how, develop drug dispensation procedures and attend continuing professional development presentations;
- **Panel of managing nurses [Collège des infirmiers cadres]:** recently set up, intended to harmonise nursing practices by these professionals.

An annual meeting in the form of a conference brings together all of the division's psychiatrists.

Research also takes place within the division, resulting in articles published in prestigious international journals such as the *Journal of Clinical Psychiatry*; *Human Psychopharmacology*; *Journal of Sleep Research*; *Psychiatry Research*; *L'Encéphale*.

Ongoing collaborations with institutions such as the university, CNRS, and School of Les Arts et Métiers are seeking to develop new treatment tools, such as virtual reality therapy; participation in research clinics on OCDs and psychosurgery, anorexia, transcranial magnetic stimulation (TMS) and a research and treatment proposal under discussion with the University of Marseille.

University and post-graduate education also play an important role: one of our practitioners is co-head of the Inter-university Diploma for cognitive and behavioural therapies in Lyon (the city's top body in the field) and many other psychiatrists, psychologists and nurses are involved in teaching: medicine, university courses, conferences, etc.

► **Research Unit and Medical Publications**

In October 2010, the Group set up a "Research & Publications" unit to respond to an ongoing demand from our care staff and doctors.

The Unit's objectives are to promote the areas of research conducted within the Group's long-term, psychiatric or post-acute and rehabilitation care facilities and to enhance the skills of the Orpea/Clinéa teams.

The Research & Publications unit's activities are split into three areas:

- support for research programmes coordinated by Dr Benattar;
- participation in the work of the Collège des psychologues;
- preparing scientific or professional articles and works.

Support for research programmes (Dr L. Benattar)

- Doctoral thesis supervision:
 - o Food science doctoral thesis: "Food and Alzheimer's disease" (supervision: Dr Linda Benattar) (Virginie Pouyet/Institut Paul Bocuse/AgroParisTech);
 - o Doctoral thesis in science and management of risk activities: "Burnout of healthcare professionals – The example of Alzheimer's disease management" (supervision: Dr Linda Benattar) (Philippe Zawieja/Centre for research into risks and crises, Mines ParisTech).
- Participation in external scientific studies: for example, study on atrial fibrillation in long-term care facilities, led by Pr Olivier Hanon (Hôpital Broca, Assistance publique – Hôpitaux de Paris): approximately 1,700 patient records collated within the Group.
- Orpea internal network moderation
 - o Medical newsletter for doctors who are long-term care facility coordinators;
 - o Bibliographic aid for Group employees preparing research papers or on training courses.

Collège des psychologues

- Participation in the preparation of the "Cliniques" journal (selection and correction of texts);
- Help with referencing the journal in international bibliographic databases (American Psychological Association, etc.).

Science and professional research writing

- 11 articles already published in 2012, one publication in 2013 with another to follow in 2014.

6. THE ORPEA GROUP'S ORGANISATIONAL STRUCTURE: AN OPTIMISED AND EFFICIENT ORGANISATIONAL STRUCTURE IN FRANCE AND EUROPE

6.1 – AN ORGANISATIONAL STRUCTURE SUPPORTING THE QUALITY OF THE GROUP'S SERVICES

Thanks to a highly organised head office, facility directors are relieved of administrative duties and can therefore focus the majority of their efforts on helping residents and patients and in managing their teams.

This centralised system allows for the pooling of costs and optimisation of how facilities are run.

The head office also plays a supportive role, using the most up-to-date methods to devise and disseminate its various procedures and allowing directors and staff to focus their skills on residents and patients.

The Group's organisational structure is based on two main principles:

- centralisation of all general services at the head office (accounting, purchasing, payroll, legal, billing, etc.);
- an operating organisational structure suited to the responsiveness requirements of its business lines, as well as the Group's management reporting and quality monitoring demands.

The Orpea Group also develops IT applications in order to have management and operating tools that meet its actual needs. Within this framework, the Group has invested in research and development to adapt its "Hospital Manager" IT system, needed for the management of its clinics.

Hospital Manager is an integrated solution for looking after patients' administrative and medical information. Its various modules – including invoicing, PMSI, prescriptions, pharmacy and medical records – allow it to address the problems relating to dispensation of drugs and regulatory changes, such as the diagnosis-related group payment system. The notions of "multi-facilities" and multi-disciplinarity (medical, surgical and obstetric/psychiatric/post-acute and rehabilitation care) were fundamental in the design of this system, allowing for the creation of a single database – Oracle – facilitating checks, data extractions and medical and financial analyses.

Since the project was launched several years ago, the Orpea Group has made a significant contribution to ensuring that Hospital Manager meets users' demands and that it is intuitive to use, facilitating the roll-out among its users.

6.2 – LEGAL ORGANISATIONAL STRUCTURE

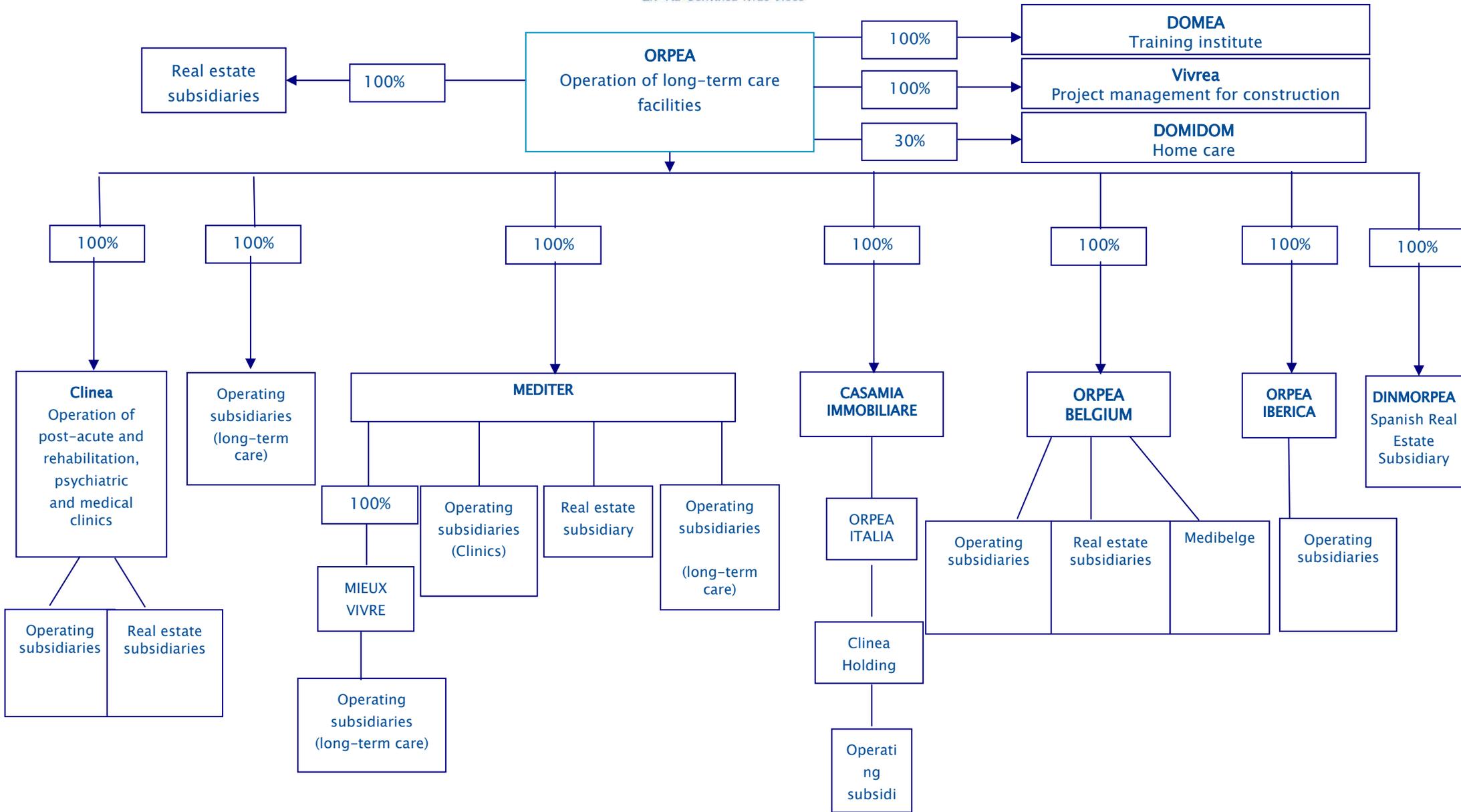
In order to simplify its legal organisational structure and streamline its costs, mainly administrative and accounting costs, in 2013, the Group carried out complete transfers of the assets and liabilities of its wholly-owned subsidiaries, in the form of dissolution without liquidation.

Subsidiaries absorbed by SAS CLINEA:

- SAS NOUVELLE CLINIQUE MIRABEAU MONT D'EAUBONNE;
- SA CHÂTEAU DU BEL AIR

Subsidiaries absorbed by SA ORPEA:

- SARL MAISON DE RETRAITE L'ERMITAGE;
- SA MAISON DE RETRAITE PAUL CEZANNE;
- SARL LE SEQUOIA;
- SAS LES OLIVIERS DE SAINT LAURENT;
- SAS L'OCCITANIE;
- SAS LES JACOURETS;
- SAS LA CIGALIERE.



7.1 ORPEA: VALUES, QUALITY, CONTROLLED REAL ESTATE POLICY: THE THREE MAIN TENETS OF THE GROUP'S STRATEGY

7.1 – THE FUNDAMENTALS OF THE ORPEA GROUP OFFER

Since it was founded, Orpea has always aimed to optimise the quality of dependency care it provides. Offering services 24 hours a day, seven days a week, its awareness consists of acknowledging inevitable imperfections and the risk of error. The pro-active approach of Orpea and all of its staff consists of thoroughly and regularly looking into all possible ways of optimising and improving the services given to residents and patients.

The Orpea Group's activities are based on the following fundamentals:

- service values, professionalism and welcome shared by all employees;
- uniform facilities, allowing it to offer global and high quality dependency care;
- an organisational structure in place to satisfy residents, patients and employees;
- an on-the-ground operating framework, as close as possible to residents, patients and employees.

These fundamentals define the Group's strategy:

- in terms of its business: contributing every day to providing better global dependency care, whether physical, moral or mental;
- in terms of management: a management team trained in quality of care, available seven days a week, and assessed once a quarter;
- in terms of tools: tools to ensure the safety of residents and patients with respect and dignity, and control of activities at Group level.

7.1.1 – The Orpea Group's values

The term "value" relates to both a financial aspect and a moral aspect.

We believe that there cannot be value creation without founding values that guide our actions and which we work to support each day.

The Orpea Group is eminently dedicated to caring for dependent people, and is therefore fully focused on personal service, creating value every day while also fuelling the values that form the basis of its corporate culture.

The fact that the Group was founded and is directed by a doctor, and is surrounded by people chosen for their ethics as well as their managerial skills, is reflected by the warm atmosphere of its facilities.

The ability to invest in people in order to raise relational and moral standards at the same time as purely technical aspects is a positive factor. The Group's reputation rests on basic values such as kindness, compassion, empathy, availability and human warmth, as well as its performance in terms of its skills and technical expertise. When the head of a unit dedicated to Alzheimer's disease or for people in a chronic vegetative state takes the time to explain how their family support groups work, or how they teach support staff about the respect that should be given to confused or unconscious people, it is easy to understand that the human and relational aspects are just as important as simple mastery of care techniques.

This is clearly demonstrated by satisfaction questionnaires. Exit comments highlight the kindness of the staff just as much as the quality of care. Fundamentally, if we have to summarise what the Group's core value is, we would say that it is possibly the profoundly human nature of its employees.

Considering **that our business consists essentially of managing imperfections**, on a daily basis, the criticisms indicated in questionnaires are also possible ways for the Group to improve. This continuing will to improve is therefore firmly anchored into our values.

The core value that underlies all these values is clearly ethics. This core value guides the Group, particularly in designing quality and training policies.

7.1.2 – Ethics: an everyday requirement

The code of ethics set out in the "best practices" manual contains fully validated commitment charters devised by true professionals with a clear set of ethics. While this is undeniably a praiseworthy practice, it is reasonable to ask how many members of staff have really read and assimilated these guidelines.

The value of a charter that has been put together by a facility's staff is another matter altogether.

It is on the basis of this assumption that the Group has drawn up an original code of ethics. The idea is simple but requires a certain amount of energy and time.

Based on a task that began nearly 15 years ago and was performed with two consultants, independent of the Group and specialising in care ethics, all the teams were invited to choose a number of values that they considered to be the most important (such as respect, listening skills, competence, cooperation, trust, professional conscience, etc.). Five to seven of these values were selected by staff as the most fundamental. Each member of staff is then invited to participate in groups in which guidelines are drawn up to explain each value, before choosing a picture or image to illustrate each of these values.

This way of establishing a set of ethics is offered to all members of staff, including cleaners, nurses, invoicing clerks, receptionists, care workers, waiting staff, doctors, chefs, directors and support staff. Overall, around 80% of members of staff attend on average 18 hours of ethical reviews, representing around three hours per key value.

Lastly, the results of this work are put together in the form of a charter, which is displayed throughout the facility and implemented by all staff.

Charters are read and commented on in detail by new members of staff, whom existing staff are proud to receive. Residents, patients and their families also give frequently detailed comments on these charters.

Almost 250 charters – each of which is unique – have been drawn up so far at the Group's facilities.

To a certain extent, it can be said that ethics form the main foundation of staff at these facilities. From the time a facility itself draws up, assimilates and makes these moral and fundamental values its own, the behaviour of its staff corresponds as far as possible to the principles set forth, particularly with in-house training modules on subjects such as "preventing maltreatment" and "conflict management" offered on a recurring basis.

It seems that any shortcomings in professional ethics at the Group are an exception, as demonstrated by the records of undesirable events or grievances and complaints reported by families and patients or residents. The large number of records of undesirable events, as they are easy for staff to complete, shows that there is an atmosphere of trust towards management, with the feeling of giving an opinion rather than denouncing how the facility is run.

This is not to present a perfect image of exemplary behaviour. Such a simple project would in any case be unethical. With a sense of modesty that does not exclude pride, it is simply a matter of showing that with a bit of imagination, an informed management team can reinforce what constitutes the core essence of a group like Orpea.

Orpea never forgets that its business consists essentially of managing imperfections on a daily basis.

7.2 – ACTIVITIES GOVERNED BY A RIGOROUS QUALITY POLICY

The landscape of the dependency care sector has also undergone a cultural revolution, taking quality concerns into account in its day-to-day operation.

As a result of the implementation of tripartite agreements in 1999, long-term care facilities are committed to continuous quality improvement. By defining the terms of operation of the facility, particularly in view of the quality of care and care services provided, the tripartite agreement also sets out targets for the development and improvement of the facility, as well as how it is to be assessed.

By signing their tripartite agreement, the Group's long-term care facilities thereby agree to meet a number of quality targets in return for the funding of a portion of care expenses by the national health system and expenses relating to dependency care by the Conseil Général.

The quality of care targets defined within the specifications of the tripartite agreements are structured around four key themes that form the basis for negotiation with the supervisory authorities:

- residents' quality of life;
- quality of relations with residents' friends and families;
- quality of staff working at the facility;
- membership of a gerontological network offering coordinated care services.

For many years, this quality-led approach has been not a regulatory requirement but one of the Orpea Group's fundamental values.

As people are central to what the Group does and it believes that lasting growth cannot be achieved without quality, continuing quality improvement is one of the Orpea Group's main strategic aims.

The Orpea Group has therefore implemented a pro-active and rigorous Quality policy. The overall objective of all of the Quality procedures in place within the Group essentially means giving meaning to the work of each employee, allowing them to create the necessary link for providing quality care.

The Orpea Group's Quality policy is structured around:

- protocols and care procedures that are harmonised and subject to continuous improvement;
- satisfaction surveys;
- internal and external assessments;
- competitions and other prizes;
- staff training.

This quality approach is driven by a team of over 20 people led by the Quality Manager, in collaboration with the Medical Director.

For over 15 years, strict procedures – standardised across the network – have been implemented and are constantly evolving.

The role of the Group's Quality Department is:

- to provide facilities with methodological assistance in the context of the implementation and oversight of their quality and risk management initiatives;
- to support facilities within the context of their certification and internal and external assessment initiatives;
- to develop training:
 - o and assessment tools with a view to improving planning teams' know-how,
 - o and overseeing standard audit initiatives,
 - o such as scorecards, indicators, quality, etc.;
- to set up the Orpea/Clinea Quality Award;
- to organise the annual satisfaction survey;
- to conduct audits, as a team training exercise, or to audit the quality of services delivered to residents/patients;
- to monitor regulations and documents within the context of quality, risk management or regulatory initiatives as they relate to the various activities carried out at our care facilities.

The Quality Department reports to the Chief Operating Officer and works in close collaboration with the Operating Divisions and Head Office Departments.

7.2.1 – Satisfaction surveys of residents and patients

In order to support ongoing improvement in practices, satisfaction surveys are conducted regularly at Orpea Group facilities.

For the Group's clinics, questionnaires are systematically handed out to patients on admission. They are analysed once a month in order to monitor the development of areas for improvement. The results are then displayed.

At long-term care facilities, the Quality department puts together a "**satisfaction barometer**" each year, which enables residents and their families to assess the services provided by the facility.

This yearly satisfaction barometer has been designed to listen to all parties concerned and thereby allow for any corrections that need to be made and for strengths to be consolidated. Each facility therefore gives out a satisfaction questionnaire to all residents and their families. On receiving the responses – which are anonymous – the Quality department sends them to an external company to analyse the results.

In France in 2013, 15,801 satisfaction questionnaires were sent to all residents and families and 8,733 questionnaires were returned and analysed, representing a 55.3% response rate. 92.4% of residents and families said that they would recommend the Group's facilities.

This satisfaction survey was also extended to our European facilities: 6,246 questionnaires were sent out and 3,946 were returned, representing a 63.2% response rate; 89.9% of respondents said that they would recommend our facilities.

The results of this satisfaction survey in France and in Europe are presented to the Executive Committee and then to the staff at each facility. After these presentations, each facility Director sets up working parties to determine areas for improvement in terms of care plans, activities, residential services or meals.

All of the results and plans of action are presented to families and residents within the framework of a discussion meeting.

Each year, the new satisfaction barometer allows for assessment of the impact of the plans of action implemented and the development of the satisfaction of residents and families.

7.2.2- External assessments of the Group's facilities

The benefits of the Quality improvement procedures in place within the Orpea Group since 1998 can be seen in the certifications of its facilities.

► In the clinics

In France, an external assessment procedure is mandatory for all healthcare institutions, whether public or private: certification is carried out by the Haute Autorité de Santé (HAS), an independent public authority. It concerns all a healthcare facility's operations and practices and aims to ensure that safety and quality of care requirements are actually taken into account by the facility.

Certification is based on all of the facility's professional staff taking part in the self-assessment process, carried out on the basis of the certification manual published by the HAS and a visit from HAS experts.

This procedure therefore allows for:

- assurance of the quality and safety of care services given to the patient;
- evaluation of the dynamic of assessment and improvement processes in place;
- involvement of professional staff;
- enhancing the value of assessment and improvement measures;
- fostering greater confidence among the public by reporting results;
- formulation of clear recommendations for facilities.

Certification therefore fits in with a dual international trend advocating:

- a professional approach to promoting continual quality improvement based on an industry reference framework and external assessment by peers;
- and assessment of the level of quality achieved against the backdrop of increased obligations to report to the public on the quality of services provided.

The certification process is carried out every four years:

- The first wave of accreditations was from 1999 to 2006 ("Version 1");
- The second version of certification began in 2005 ("Version 2") and was the subject of a new manual in 2007 ("V2007" certification). This places particular emphasis on the quality of medical services provided for patients, the quality of the facility's management, assessment of professional practices and risk management;
- The third version of the certification (called "V2010") began in 2010;
- A fourth version "V2014" is now being tested. It aims to return to a patient-centred approach.

The Group's clinics which have already taken this certification have obtained satisfactory results.

During these certification processes, experts from the *Haute Autorité de Santé* (HAS) highlighted points of note in the organisation of some of the Group's clinics, based on their innovative and/or durable character. These strengths are presented as "actions of note" in the certification reports.

In addition to obtaining certification and the Group's positive results, it is important to stress that the Group's quality improvement system is a continuing and permanent process of which certification is just one stage.

Furthermore, a multi-disciplinary steering committee at each of the Group's clinics – comprising primarily the management team and members of the medical, paramedical, administrative and logistics teams – is responsible for the permanent monitoring of this quality improvement system.

► **At long-term care facilities**

In 2009, the Orpea Group voluntarily decided to obtain external assessments of 19 of its facilities for the elderly, in the form of certification based on the "Qualicert" standards set by SGS (Société Générale de Surveillance).

This certification process therefore allows for an assessment of the facility's standards, comfort, quality of welcoming and integrating new residents, respect for "rights and freedoms", maintaining social ties, care given to residents and training of staff. Once facilities have been certified, monitoring is organised each year to check that the commitments made are observed, particularly as regards the quality and consistency of the services it offers.

These 19 facilities obtained Qualicert certification on the basis of 21 key characteristics, following an independent audit carried out over two days.

In 2010, the Orpea Group decided to involve over 50 additional residences in this process. In March 2014, 83 of the Orpea Group's facilities for the elderly obtained Qualicert – Services Certification from SGS.

During the site audits – which comprise a full visit of the facility, interviews with the various staff categories and documentary verification – a number of strengths were identified:

- both with regard to fundamental aspects:
 - o objective self-assessments, with plans of action to implement the required corrective measures, and a high level of reactivity to address discrepancies,
 - o involvement of all members of staff – including care workers, administrative and residential staff – in a process of continually improving their practices,
 - o solid management of procedures and protocols in force, and a rigorous approach to the traceability of measures taken;
- and in terms of form:
 - o clean residences that are pleasant to live in,
 - o a wide variety of therapeutic activities and events.

This certification policy has enabled the Orpea Group to anticipate external assessment, an obligation defined as part of the Decree of 15 May 2007, by preparing our facilities' teams for the audit process to be conducted by external operators.

This advance preparation has also been recognised insofar as the Decree of 30 January 2012 acknowledged the certification process as part of the external assessment.

7.2.3 – The ORPEA – CLINEA Quality Awards

In order to enhance its policy of continuing improvement in quality of services provided and make quality a unifying managerial tool serving the well-being of its residents and patients, the Quality department has instituted the "Orpea-Clinea Quality Award".

This is an annual internal competition based on the assessment of external and internal regulatory criteria. The competition consists of three stages:

- (i) selection of finalists, during which more than 400 criteria are assessed, headed by the Quality department, the medical department and regional departments and/or divisions for clinics;
- (ii) a control audit of non-finalists by the Quality department and the medical department;
- (iii) the final stage, with a new assessment grid and case studies, headed by the Quality department and the medical department, in addition to a member of the Executive Management team (the Chairman, the Chief Operating Officer or the Chief Financial Officer).

At the end of the competition, six prizes are awarded – three for nursing homes and three for clinics. In 2013, the prize winners were:

- 1st prize: Clinique La Jonquière in Paris (75) for post-acute and rehabilitation care and the Résidence de La Rochelle (17)
- 2nd prize: Clinique PSY Montsouris in Paris (75) and the Résidence de Vence (06)
- 3rd prize: Clinique Les Jeunes Chênes in Pau (64) for post-acute and rehabilitation care and the Résidence de Limoges (87)

These facilities are awarded a prize fund allowing them to carry out an innovative and original project to improve the care given to residents or patients. This project is designed by all of the facilities' teams.

During an evening awards ceremony held in their honour, teams are awarded a trophy and a gift, adding to the valuation and recognition of their daily work.

The Orpea Group won the "Quality" award for Healthcare Human Resources Management from "Le Quotidien du Médecin" and "Décision Santé" in February 2007 for introducing this internal quality award for its facilities.

7.3 – A CONTROLLED REAL ESTATE POLICY

7.3.1 – Real estate: a strategic asset

Real estate represents a strategic asset for the Group in carrying out its business activities. The Group selects sites according to the intrinsic quality of the property, including in particular the quality of **the site and its location**. Most of its facilities are located either in city centres or in exceptional surroundings, with the constant aim of allowing for synergies with families and prescribing medical specialists.

A study conducted in 2011 by Drees (Study no. 18 – Institutional living accommodation for the elderly from the perspective of residents and their families) with residents and their relatives confirmed this strategy: it pointed out that the first selection criterion by residents and their families is the location of the facility (69%).

The Group's assets are often located in dynamic regions such as Ile-de-France (Paris and west of the Paris region), Provence-Alpes-Côte d'Azur (Mediterranean coast), Aquitaine and Poitou-Charentes.

The Group also pays particular attention to:

- the architectural quality of the building: the Group has built a large proportion of its properties, allowing it to design its facilities in accordance with its own quantitative standards;
- the quality of its internal services;
- compliance with environmental standards and the search for energy savings.

7.3.2 – The Group's real estate portfolio

For many years, Orpea's real estate strategy has been to remain the owner of a major portion of its real estate stock. The objective of this real estate policy is to:

- control its operation to provide the best quality service and maintain the flexibility to perform any work needed;
- increase the Group's net worth through acquiring new and well located assets;
- secure Orpea's profitability in the medium and long term;
- provide a source of financial security and flexibility in the form of assets that are not volatile and easily saleable.

In recent years, Orpea has acquired a number of groups that owned none of their own real estate (100% rented), such as Medibelge, Mediter, Mieux Vivre, which reduced the share of its real estate that it owns to below 50%.

At 31 December 2013, the Group's real estate portfolio comprised 268 buildings, including:

- 140 fully owned
- 128 partially owned. Partial ownership represents condominiums in which the Group owns a portion of lots primarily intended for services in common: restaurant, entertainment rooms, first-aid room, staff facilities, etc.

This portfolio represents a built area of 874,000 m² over more than a million m² of land. The group also owns land and assets under construction.

The real estate assets (including assets under construction) thus accounted for a figure in the balance sheet of €2,561 million, after deducting assets held for sale on 31 December 2013, for an amount of €210 million.

All of the fully or partially owned real estate assets operated by the Group (under joint ownership, for the parts owned by the Group) are recognised at fair value, without the valuation method differing according to the type of ownership.

Assets under construction are recognised at the cost of building work and land at its acquisition cost.

The Group's real estate is financed by long-term loans or lease financing agreements.

The Group is a leaseholder under a number of lease financing agreements concerning 86 properties, most of which are located in major cities.

The lease financing method is favoured by the Group as, by paying a fee just above the ordinary rent, it has the option to become owner of the building after a period of 12–15 years by paying a low residual value. The Group therefore becomes owner of a number of leased properties each year.

The lease financing method allows the Group to anticipate the application of the changes to IAS 17, under which all operating leases will have to be recognised under assets and liabilities on the balance sheet at the value representative of the right of use. Operating leases will therefore be recognised in a similar way to lease financing agreements, although only lease financing will allow the Group to become the final owner of the property at the end of the contract by exercising the option to buy the property under favourable terms.

Although the lease financing method results in the property being consolidated in the balance sheet under assets (the building) and liabilities (the debt), this ownership strategy is a source of value creation. This is why Orpea has continued to use it since it was founded.

7.3.3 – A flexible and controlled property policy

This strategy enables the Group to optimise its financial structure, controlling the overall cost of its real estate. It also allows it to maintain its pace of development while maintaining a satisfactory financial balance, disposing of property assets through several methods:

- Disposal by lots to individual investors;
- Direct transfer of entire buildings to property companies, family offices or institutional investors, such as insurers, seeking a secure long term investment. It appears that insurers, particularly life insurers, show a strong interest in the Group's assets;
- If necessary, transfer to the Orpea Group's OPCI (Amundi Immobilier Novation Santé OPCI), [Property Collective Investment Organisation], approved on 28 November 2008 by the AMF.

As part of these disposals, regardless of the purchaser, Orpea's strategy is to get attractive terms in order to control its rental expenses over the long term: a low initial yield but an attractive indexing overall.

For leased buildings, the commercial leases generally state that the Group is responsible for works mentioned in article 606 of the French Civil Code, in order to manage these works and therefore the quality of its services.

7.3.4 – Management of the real estate portfolio

In order to control the quality and construction cost of the buildings it needs for its operations, the Group is closely involved in both the construction and the maintenance of its buildings.

The Orpea Group has a **Project Management department** in charge of new constructions, as well as a **Works and Maintenance department** which is primarily in charge of the maintenance of properties in operation.

► **The Project Management department**

The Project Management department is in charge of the construction of buildings belonging to the Group, thereby allowing it to control the quality of its constructions.

It is headed by a Delegated Project Manager, who is supported by business managers who are qualified engineers or architects, and a works accounting department.

With its expertise in the construction of both accommodation facilities for dependent elderly people and clinics, the Group has very quickly grasped the importance of sustainable development for its business. This is reflected increasingly by compliance with certain HQE environmental quality criteria.

The Project Management department applies these rules to new constructions, which need to be more energy efficient and blend in with their environment in terms of accessibility, landscape and urban integration. Construction sites are also closely examined in order to limit disruption. The consequences of rainwater are analysed before works begin. The architecture favours acoustic and visual comfort.

The organisation of the various steps – project management, selection of prime contractors, selection of assistants and companies, etc. – is adapted to these new requirements.

In addition to HQE rules, the Group is particularly vigilant and innovative in the design and use of living areas on the basis of a care plan, which prioritises the independence and well-being of residents, using materials, colours and lighting in particular.

► **The Works and Maintenance department**

The role of the Works and Maintenance department is to maintain the Group's properties and in particular to ensure that they meet safety standards.

This department, represented by regional assistants, is in charge of monitoring the works carried out by the Group's external service providers, as well as providing technical support for the technical agents at each facility. Its main duties are:

- reviewing and implementing investment works and subsequent development works;
- ensuring that electricity, gas, lifts and fire safety systems are brought up to standard by accredited companies;
- maintenance and renovation works or extensions of existing facilities;
- assistance during valuations due to an insurance claim or defects.

The agents for each facility are responsible for everyday building maintenance:

- regular checks of all equipment, cleaning of ventilation and air conditioning systems, maintenance of green areas, high pressure cleaning of terraces and external areas, management of supplies and getting rid of waste, monitoring of Legionnaires' disease prevention protocols;
- everyday repairs (replacing light bulbs, leaks, redecorating of bedrooms, premises, offices, etc.).

In order to standardise the work of all technical agents, a maintenance plan has been defined by the Works department and the Quality department, which is sent to facilities twice a year.

At the end of each year and on the basis of the checks carried out and requests from directors, provisional works budgets are prepared and approved by Executive Management.

These works include all the needs for N + 1: bringing technical and safety equipment up to standard, replacing dilapidated equipment, major repairs to traffic areas and/or bedrooms, changes to the layout in order to improve services, and safety works in the area for Alzheimer's patients.

An invitation for tenders is launched for these works, which are negotiated by works assistants and validated by the Works department, thereby enabling the Group to preserve the quality of its real estate assets.

8. RESULTS OF AN EFFECTIVE STRATEGY: ORPEA, A KEY PLAYER IN ITS SECTOR

8.1 ORPEA: A KEY PLAYER IN FRANCE

The private for-profit sector is made up of three types of operator:

- four major groups with national coverage (over 5000 beds) at end 2013. Since the Korian-Medica merger at the start of 2014, the number of large groups with more than 5,000 beds has been reduced to three.
- 11 small to medium-sized groups (between 1,000 and 5,000 beds);
- around 800 independent operators (including 700 individual operations with capacity of 5–40 beds).

In 2011, the private commercial sector accounted for 118,240 long-term facility beds and the top 15 groups accounted for 70% of this sector, but for only 14% of all beds in long-term care facilities (public, voluntary and private sector). *Source: Mensuel des Maisons de retraite – January 2014 and DRESS report no. 877 – February 2014).*

Four major operators have more than 5,000 beds each, offering residential facilities for dependent elderly people:

Group	France in 2013		Internationally in 2013
	Number of beds in operation	Number of facilities in operation	Number of beds
ORPEA	18,556	223	8,374
DOMUSVI	15,378	193	0
MEDICA	12,452	159	7,648
KORIAN	11,253	128	15,709

Source: Mensuel des Maisons de retraite – January 2014

The private general psychiatry and post-acute and rehabilitation care sector underwent many changes in 2013 and early 2014:

- Korian sold its seven psychiatry facilities to Inicea;
- Générale de Santé sold its psychiatry business, Medipsy, with 26 facilities to the Australian Ramsay Santé group;
- Korian and Medica merged at the start of 2014.

This leaves six main private commercial players in this field:

GROUP	Psychiatry	Post-acute and rehabilitation care
Orpea-Clinea	33 facilities	64 operating facilities
KORIAN	0 facilities	37 facilities
MEDICA	7 facilities	32 facilities
GÉNÉRALE DE SANTÉ	0 facilities	20 facilities
RAMSAY SANTE	26 facilities	4 facilities
INICEA	9 facilities	0 facilities

Sources: Company websites

8.2 – THE DIFFERENT TYPES OF OPERATORS IN POST-ACUTE CARE AND PSYCHIATRIC FACILITIES

France's medium-stay capacity consists of around 110,000 post-acute and rehabilitation beds in 1,826 facilities (35 million full or partial days of hospitalisation) and 55,000 general psychiatric beds (in-patient hospitalisation) in 579 facilities (18 million days)(source: DREES, *Panorama des établissements de Santé, 2013 edition*).

The public and voluntary sectors predominate, as they account for 70% of capacity in post-acute and rehabilitation care and 78% of capacity in general psychiatry.

Breakdown by status of facility in mainland France on 31 December 2011

Units: number of fully hospitalised beds

Source: DREES, *Panorama des établissements de Santé, 2013 edition*

	Public sector	Private non-profit sector	Private commercial sector	Total
Medical, surgical and obstetric	149,580	18,260	55,920	223,760
Post-acute and rehabilitation care	43,631	33,935	32,473	110,040
General psychiatry	36,000	7,240	12,150	55,390

In post-acute and rehabilitation, the commercial private sector ran 29.5% of the capacity in France and 25% of the facilities providing it in 2011.

In terms of specialisation, in the private sector, convalescence institutions and rest and rehabilitation services account for 75% of capacity.

The private for-profit sector activity is predominant in the southern regions of France: Provence-Alpes-Côte d'Azur (61% of the region's post-acute and rehabilitation activity) and Languedoc Roussillon (51%).

In general, the post-acute and rehabilitation care market has grown over the last few years. In 2008, over three million post-acute and rehabilitation stays (representing 30 million days) were recorded in France (an increase of 6.7% over the previous year, and 36.2% since 2002). Partial hospitalisation has driven this growth in activity, which saw an 8.7% increase in the number of admissions in 2008 and the number of authorised places increase by 7.4%. In 2009, post-acute and rehabilitation activity generated over 33 million days, an increase of 10% over the previous year.

These performances fall against the backdrop of increased capacity (growth of 2% in 2008), which is likely to be confirmed over the next few years, as suggested by the aims of France's Cancer Plan – which plans to provide 15,000 new post-acute and rehabilitation care beds through the conversion of existing beds or creating new beds – and the Alzheimer's Plan – which exposes the need to create specialist post-acute and rehabilitation care units for the care of confused patients.

Private clinics have seen the strongest growth, with an 11.9% increase in supplementary post-acute care admissions in 2008 following growth of 4.1% in 2007 and 5.9% in 2006.

In General Psychiatry, the private for-profit sector makes up an even smaller part of the market, representing 21% of beds opened, with 23% of admissions in 2009. However, the weighting of the private sector has tended to increase over the last few years – with an increase of 0.8% in the number

of admissions and an increase of 0.4% in the number of days – against the backdrop of a general reduction in capacity, with a 9% drop in the number of general psychiatry beds since 2009.

Overall, the private post-acute and rehabilitation care and psychiatric care sector is still highly fragmented. More than 75% of medium-stay clinics belong to independent operators, owned by staff or families, with just one facility.

This sector is nevertheless undergoing a process of restructuring that is not yet over. On one hand, smaller facilities need to cope with more stringent operating requirements for care units. On the other hand, the new generation Schéma Régional d'Organisation Sanitaire or SROS III (regional medical care plans system) has accentuated these restrictions, as the breakdown of activities at each clinic is based on demand from patients, the competitive climate and the decisions of the Regional Hospital Agency. This change requires restructuring of the supply of care services and therefore financial resources, which the majority of independent clinics do not have.

*Source: DREES "Etudes et Résultats" no. 716 – February 2010
"Healthcare facilities in 2008".*

8.3 – THE DIFFERENT ACTORS IN CARE FOR THE DEPENDENT ELDERLY

► France

A report by the French Directorate for Research, Studies, Evaluation and Statistics (DREES) on "*Supply of accommodation facilities for the elderly in 2011*", published February 2014, counted 7,752 long-term care facilities in France, offering 592,900 places. This shows that the number of long-term care beds in France had grown by 15% between 2007 and 2011.

Taken together, the number of facilities of all types accommodating elderly people (dependent or independent) – including long-term care facilities, sheltered housing, chronic care units and non-medical retirement homes – totalled 10,481 at end-2011 providing 719,810 places, growth of just 5% since 2007. The number of sheltered housing places actually fell by nearly 7% over the period, and places in non-medical retirement homes and chronic care units also fell by 73% and 55%, respectively. These falls were linked to the increase in provision at long-term care facilities as residents became increasingly dependent.

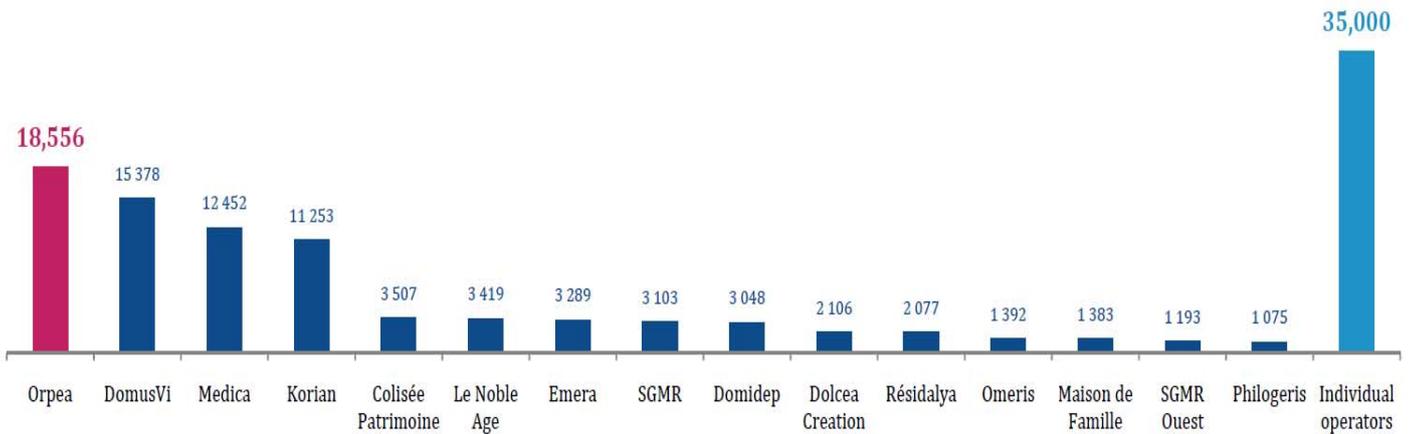
At end-2011, the private commercial sector was providing 20% of all long-term care accommodation, while the public sector provided 53% and the voluntary sector 27% (source – DREES – Study no. 877 of February 2014).

In recent years, the private business sector has been particularly active in creating new facilities, but its weight on the whole sector remains weak. In 2007-2011 the market share of the private commercial sector rose from 18.5% to 20%, while the voluntary sector's share was largely unchanged (edging up from 26.5% to 27%) and public sector provision dropped from 55% to 53%. The general balance of the sector thus remained stable over this period.

Associations comprise religious organisations and not-for-profit associations, for example those backed by the Caisses d'Épargne or Red Cross.

The private for-profit sector is made up of national or regional groups, as well as a large number of independent facilities. The sector is therefore still highly fragmented.

Rankings of private business groups – (Source: Mensuel des Maisons de Retraite, January 2014)



► **Belgium**

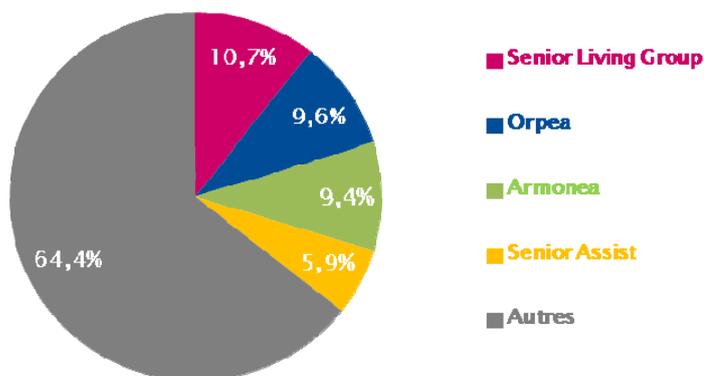
The Belgian long-term care facilities sector consists of 137,000 authorised beds at 1,600 facilities. (Source: INAMI, List of nursing homes on 01/01/2014). Of these beds, around 30% are managed by the public sector, 37% by the voluntary sector and 33% by the private commercial sector.

From a geographic perspective, 11% of beds are located in Brussels, 36% in Wallonia and 53% in Flanders.

Belgium's Social Security department, the INAMI, allocates around 10% of its budget to the elderly.

The private commercial sector is growing and remains highly fragmented.

Market share of private commercial sector (Source: INAMI)



Further to recent developments and the 100% acquisition of Medibelge, Orpea is now the leading private commercial sector operator in Brussels (22% of market share) and the second largest in the country with a 9.6% share of the private commercial sector market.

Orpea operates in three regions of Belgium – Flanders, Wallonia and Brussels – and therefore covers both the French-speaking and Flemish-speaking parts of the country.

Italy

The Italian long-term care facilities sector is even more fragmented than the French sector, with considerable disparities between regions in terms of supply of beds and financial resources, as well as operating models. Regions in the north of Italy account for nearly 95% of total long-term care facilities for the elderly, representing around 127,000 beds.

In total, there were 340,000 beds in 2003, of which just 88,000 were beds in long-term care facilities or RSAs, with an estimated need for 490,000 beds by 2011. (*Source: ISTAT 2006*)

With no centralised organisation for the market, it is difficult to obtain precise statistics. However, 45% of RSA beds are managed by the public sector, 35% by the not-for-profit sector and 20% by the private for-profit sector. (*Source: ISTAT study "L'assistenza residenziale in Italia"*)

Spain

There are 4,350,000 beds for dependency care in Spain, of which 80% are in the commercial private sector and associations. More than half of these "private" beds are managed as public service concessions on behalf of regional authorities. (*Source: Situacion del Servicio de Atencion Residencial en Espana - July 2010 - PricewaterhouseCoopers*)

The equipment rate is relatively low, with 29 beds for every 100 people requiring dependency care.

The Spanish market for nursing homes is still, as in France, particularly fragmented. In fact, the ten largest companies account for only 9.1% of national intake capacity (*Source: MSI Study, September 2007*). In addition, there are a majority of small structures, as 50% of establishments have fewer than 50 beds.

Many institutions are not adapted to accommodate dependent persons and the average comfort level has still to be improved. For example, 85% of rooms are double.

The Spanish sector is extremely buoyant due to insufficient supply to cope with the ageing of the population.

On 30 November 2006, Spain adopted a law providing the right to support for people who are not or no longer capable of looking after themselves because of their age or disability. Spain has a System for Independence and Care for Dependency (SAAD), managed by the government and autonomous regions. This service has operated since January 2007 and 61,000 persons were covered at the end of 2011.

The Orpea Group has operated in Spain since July 2006. It increased its representation at the start of 2012 with the acquisition of Artevida, representing six institutions, all located in the Madrid region where the Group now has 51% of its coverage in Spain.

CHAPTER IV: 2013 MANAGEMENT REPORT

This management report provides details of the operations of Orpea SA and the Orpea Group in 2013. The Chairman's report is attached to this report and provides additional information for all sections stated. The Board of Directors has put forward the reasons for the draft resolutions submitted to the shareholder vote at the general meeting in a separate report.

1. OVERVIEW OF 2013

Orpea continued to expand in 2013 through targeted acquisitions and the obtaining of licences in the countries in which it operates while strengthening its profitable growth momentum.

2013 also marked the start of a major new phase in the Group's history with the acquisition of a 15.9% interest in Orpea by CPPIB, a major new long-term strategic shareholder, enhancing the Group's future outlook and growth potential.

1.1 – NEW STRATEGIC SHAREHOLDER

On 11 December 2013, Canada Pension Plan Investment Board (CPPIB), a global investment management organisation and one of the top 10 pension fund managers worldwide, acquired 15% of the share capital of Orpea from Dr. Jean-Claude Marian, founder and Chairman of the Board of Directors, and from his firm Santé Finance et Investissement, at a price of €40.34 per share.

In parallel, Orpea carried out a capital increase through private placement, underwritten for up to €100 million at a minimum price of €40.34 per share.

Following these transactions, CPPIB was the leading shareholder in Orpea Group, with 15.9% of the share capital.

A long-term international investor, with C\$193 billion in net assets under management, CPPIB's investment portfolio contains listed and private companies, infrastructure, bonds as well as real-estate assets (C\$22 billion).

CPPIB aims to be a major shareholder and long-term partner, supporting Orpea particularly with its international expansion.

The entrance of this strategic shareholder allows Orpea to open a new chapter in its international expansion. Orpea will in effect benefit from CPPIB's expertise, particularly in real estate, as well as from its networks, to help it roll out its profitable growth model in countries facing the challenge of an ageing population.

1.2 – CONTINUATION OF VALUE-GENERATING DEVELOPMENT

During the 2013 financial year, Orpea continued to implement its development strategy, consisting in:

- organic growth with the opening of 15 newly built or redeveloped facilities;
- the obtaining of licences or extensions in France and Belgium;
- selective external growth with the acquisition of a number of independent facilities in France, Italy and Belgium. The Group also strengthened its footprint in Flanders with the acquisition of the rest-home operator CORASEN, with 311 beds in operation and 785 beds to be developed.

1.2.1 – Strong internal growth: new facilities and redevelopments

► 15 new facilities opened

During 2013, Orpea opened 15 new facilities totalling 1,328 beds, comprising facilities created from scratch and major redevelopments.

In France, Orpea Group opened 13 facilities during the year, with capacity ranging from 48 to 110 beds, averaging 82 beds, and private rooms. They are highly attractive in terms of residential services and their excellent locations: Nantes, Le Cannet, Guérande, etc.

In Italy, building and redevelopment operations of Italian sites continued. Orpea opened a new 110-bed psychiatric care facility on Lake Maggiore.

In Switzerland, the 95-bed Bois Bougie post-acute and rehabilitation care facility opened in early 2013.

► New licences acquired during the year

In France, Orpea also obtained new licences or additional licences to open new facilities, either from scratch or by combining licences acquired, and to extend care capacity to develop new services, such as day care or outpatient facilities and Alzheimer's units.

Orpea, for example, acquired a licence to open a 103-bed long-term care facility in Lilas, in the Paris region.

1.2.2 – Selective external developments continued

Orpea has pursued its policy of targeted acquisitions of facilities in operation in France and Belgium. These activities concerned the entire dependency care sector and provide strong growth and profitability leverage opportunities for the coming years.

Summary of 2013 external development in France

► Acquisition of goodwill:

- Moneteau (89): 80-bed post-acute and rehabilitation care facility
- Vetrax Monthoux (74): 110-bed post-acute and rehabilitation care facility
- Salies-de-Béarn (64): 66-bed long-term care facility
- Roquebrune (06): 34-bed long-term care facility

► Interests and controlling interests:

By Orpea S.A		
SAS MAISON DE RETRAITE VAN GOGH	100% of share capital	Long-term care facility in Avignon (84)
SCI LES JARDINS DE CASTELVIEL	50% of share capital	Signatory of a lease financing agreement for the property where Clinique Castelvieu operates, a psychiatric clinic
SAS MAISON DE RETRAITE VILLA GARLANDE	100% of share capital	Long-term care facility in Bagneux (92)
SAS LE CLOS DES MEUNIERIS	100% of share capital	Long-term care facility in Bagneux (92)
SAS IMMO NEVERS	100% of share capital	Owner of a property in Nevers (58)
SARL MAISON DE RETRAITE DU CHATEAU DE PILE	100% of share capital	Long-term care facility (non-trading)

Via subsidiary CLINEA (wholly-owned by Orpea)		
SAS CLINIQUE LES SORBIERS Via Clinique Les Sorbiers SCI DE PEIX	100% of share capital 100% of share capital	Surgical clinic in Issoire (63) Owner of the property where Clinique Les Sorbiers operates
SAS SOCIETE D'EXPLOITATION SOLEIL CERDAN Via Soleil Cerdan Clinique SENSEVIA	100% of share capital 100% of share capital	Post-acute and rehabilitation care facility in Osséja (66) Psychiatric clinic in Osséja (66), 95.90% owned by Soleil Cerdan and 4.10% by Clinea
SARL HOPITAL CLINIQUE DE REVIN	100% of share capital	Post-acute and rehabilitation care facility in Revin (08)
SAS ALUNORM Via Alunorm SAS CLINIQUE CASTELVIEL	100% of share capital 99.95% of share capital	Holding company Psychiatric clinic in Castelmaurou (31)
SAS STE D'EXPLOITATION DE LA CLINIQUE CARDIOLOGIQUE DE VERNUILLET	100% of share capital	Post-acute and rehabilitation care facility in Vernouillet (28)
SAS CLINIQUE NEPHROLOGIQUE DE LA MAISON BLANCHE	100% of share capital	Nephrology clinic in Vernouillet (28)
SA LES MYOSOTIS	100% of share capital	Post-acute and rehabilitation care facility (non-trading)

Via subsidiary Niort 94 (wholly-owned by Orpea)		
SCS BORDES & CIE	100% of share capital	Owner of a property where Clinique Soleil Cerdan operates in Osséja (66)
SCI CERDANE	100% of share capital	Owner of a property where Clinique Soleil Cerdan operates in Osséja (66)
SCI YOBEMA <u>Via YOBEMA</u> SCI VILLA MORGAN	100% of share capital 100% of share capital	Owner of premises where the Le Clos des Meuniers residence operates Holder of a building lease of Villa Garlande residence
SCI SAINT VICTORET	50% of share capital	Signatory of a lease financing agreement for the property where Clinique Escale operates
SAS ARCHIMEDE - LE VILLAGE <u>Via Archimède - Le Village</u> SARL LE VILLAGE DE BOISSISE LE ROI	100% of share capital 100% of share capital	Holding company and owner of the property where Le Village de Boissise Le Roi residence operates. Long-term care facility in Boissise le Roi (77)
SAS CASTELGEORGES	30% of share capital	
SCI MEDITERRANEE	50% of share capital	
SCI MARSEILLE 9BVD CHALET	49% of share capital	

1.2.3 – Development projects in China

Almost 10 years after it stepped into the international market, and motivated by its position as European leader, Orpea has launched a new long-term development stage, with plans to enter China.

China is already facing a major challenge with the ageing of its population, which will gain momentum in the coming years. In fact, the number of people over 60 will increase by a multiple of 2.5 by 2050, from 185 million to 450 million, 30% of whom – i.e. 150 million – will be over 80.

In light of this population explosion, the accommodation and care offering is very limited. Thus, the country will have to acquire a formidable number of medical establishments, able to care for highly dependent people and persons with Alzheimer-type neurodegenerative diseases.

Even if the public system will meet most of these needs, a significant part of the industry will remain entirely private, in particular for people and families with a high purchasing power seeking high-quality services.

After several months of research and many contacts, Orpea decided to enter this market and a Chinese subsidiary was established. Orpea will bring its know-how, already successfully adapted to the international market, in four different areas:

- building modern facilities;
- implementing Quality procedures in care, residential and entertainment services for the facilities' daily life;
- recruiting and training teams to ensure the well-being of the elderly and staff loyalty.

These projects, currently being reviewed, are led by Orpea's development teams and will be run by local teams. They will be adapted to the local Chinese culture and environment, in terms of both care – with a strong Chinese medicine influence – and life projects, which will be adapted to the daily habits of Chinese elderly people.

These projects will be executed exclusively through the construction of new facilities from scratch and consequently with limited investments, generating high-value.

1.3 – DIVERSIFICATION AND OPTIMISATION OF FINANCING SOURCES

1.3.1 – New bond issues and capital increase

The policy of diversifying financing sources and optimising the financial structure, introduced in 2012, was continued in 2013 with further bond issues through private placement totalling €128 million and the issue of €198 million in ORNANE bonds:

Bond private placements in 2013:

- €33 million maturing on 30 May 2019, with a 4.60% coupon;
- €20 million maturing on 30 November 2019, with a 4.15% coupon;
- €75 million in Belgium with 2 tranches: €55 million maturing on 31 December 2018, with a 4.00% coupon and €20 million maturing on 31 December 2020, with a 4.45% coupon.

These are repayable upon maturity.

€198 million ORNANE bond issue

In July 2013, Orpea issued €198 million in bonds redeemable in cash and/or new or existing shares (ORNANE) maturing on 1 January 2020. The Bonds have a par value of €46.56 each, representing a 27% issue premium over the benchmark price of the Orpea stock at the time of issue. The coupon is 1.75% per year.

Orpea offers all the features its investors desire and, in particular, strong visibility and a long-term development outlook.

The goal of these transactions is to optimise the Group's financial structure, without impacting the global amount of net debt:

- Diversify financing sources;
- Extend average debt maturity;
- Benefit from especially attractive conditions.

€100 million capital increase

In December 2013, in conjunction with CPPIB's investment, Orpea carried out a capital increase without preferential subscription rights, through a private placement in accordance with Article L. 411-2 II of the French Monetary and Financial Code, for a total of €100 million. This capital increase was underwritten by CPPIB.

The idea was to enable Orpea to accelerate its new chapter of international expansion, once again focussed on value creation, through enhanced investment capacity and a secure financial structure.

Through these transactions, Orpea has considerably optimised its financial structure over the past 2 years:

	2011	2013	Change
Diversification % of non-bank debt	11%	45%	↗
Increase in maturity Average maturity of net debt	4.3 years	5.8 years	↗
Increased flexibility Restated leverage	2.2	1.4	↘
Lower cost of borrowing Average cost	4.5%	4.3%	↘
Increased cash	€309m	€468m	↗

1.3.2 – Conventional sources of financing continued

Orpea also continued with conventional sources of financing in 2013, by:

- obtaining new property leases to finance real estate investment;
- obtaining new loans repayable over the medium to long term to finance its expansion.

These transactions were carried out on attractive terms, taking advantage of historically low interest rates and the Group's credit quality

1.4 – PROPERTY POLICY CONTINUED

Orpea's property strategy – consisting in maintaining ownership of approximately half of its properties – was continued in 2013.

In 2013, Orpea sold properties worth €230 million at market value, versus €300 million in 2012.

It became apparent that a number of investors (individuals, insurers, particularly life insurers, family offices, etc.) were showing a keen interest in Group assets. Indeed, these players are seeking investments offering both security and visibility over the long term and are faced with investment constraints on equity and government bond markets. The interest in property assets operated by Orpea is in line with this approach.

As part of these disposals, regardless of the purchaser, Orpea's strategy is to get attractive terms in order to control its rental expenses over the long term: a competitive initial return rate, but also attractive indexation.

2. OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31/12/2013

2.1 – CONSOLIDATED RESULTS

Depreciation, amortisation and provisions	(70,734)	(63,456)
Other recurring operating income	2,508	4,419
Other recurring operating expense	(5,063)	(4,472)
Recurring operating profit	227,282	194,407
Other non-recurring operating income	255,943	336,407
Other non-recurring operating expense	(214,838)	(309,512)
OPERATING PROFIT	268,386	221,302
Financial income	15,492	16,906
Financial expenses(*)	(110,976)	(89,718)
Net finance cost	(95,484)	(72,812)
PRE-TAX PROFIT	172,902	148,490
Income tax expense	(61,030)	(52,448)
Share in profit (loss) of associates and joint ventures	1,899	1,037
NET PROFIT	113,771	97,079
Attributable to minority interests	(140)	51
Attributable to owners of the Company	113,911	97,028
Number of shares	55,476,991	52,998,062
Basic earnings per share (in euros)	2.15	1.83
Diluted earnings per share (in euros)	2.08	1.79

(*) including (€4.9) million in respect of the change in fair value at 31 December 2013 of the entitlement to the allotment of ORNANE shares.

► The Orpea Group's consolidated revenue in 2013

Continuing on from previous years, Orpea once again achieved strong growth in consolidated revenue in 2013, up 12.5% at €1,608 million, above the €1,600 million target announced in November 2012.

Given that the economic and financial climate continued to show signs of weakness in 2013, this performance reaffirmed the strong resilience of Orpea's business to the extent that long-term care is a structural requirement that cannot be put off. This revenue growth also stems from the effectiveness of Orpea's business model, which combines:

- selective external growth, broadly focussed on international markets over the past 2 years;
- continued strong organic growth (+7.1%), generating additional revenue of circa €100 million over the financial year. Mature facilities are showing high occupancy rates owing to their attractiveness both in terms of i) quality of care and services and ii) residential services. The 15 facilities opened in 2013 (newly built and redeveloped) also helped spur this organic growth thanks to a quick ramp-up.

International business continues to grow in percentage terms and accounted for 17% of 2013 consolidated revenue versus 11% two years previous, in particular through the acquisitions in Belgium

and Spain. International growth remained strong in 2013 (+31.6%), with improvement across all regions.

<i>In €m</i> <i>IFRS</i>	2013	2012	% change	2011
France <i>% of total sales</i>	1,342.3 <i>83%</i>	1,227.4 <i>86%</i>	<i>+9.4%</i>	1,094.3 <i>89%</i>
International <i>% of total sales</i> including:	265.7 <i>17%</i>	201.8 <i>14%</i>	<i>+31.6%</i>	139.8 <i>11%</i>
Belgium	158.1	105.6		67.5
Spain	49.6	48.7		30.6
Italy	38.5	32.2		26.9
Switzerland	19.5	15.4		14.8
Total sales <i>O/w organic growth*</i>	1,607.9	1,429.3	<i>+12.5%</i> <i>+7.1%</i>	1,234.1

* *Organic growth reflects the following factors: 1. the growth 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 growth in revenue (in period n vs. period n-1) of restructured facilities or those with capacity increased during period n or n-1, and 3. revenue generated in period n by facilities set up in period n or n-1. Organic growth includes the improvement in sales recorded at recently-acquired facilities by comparison with the previous equivalent period.*

In **France**, 2013 revenue rose 9.4% to €1,342.3 million, illustrating the attractiveness of the Group's facilities, the quick ramp-up of the facilities opened in 2012 and 2013 and the successful integration of recently acquired facilities.

Orpea maintained high occupancy rates at its mature facilities thanks to the quality of its up-to-date offering, which meets the changing needs of people requiring dependency care. The opening of 13 facilities in 2013, which were either newly built or redeveloped, also contributed to this good performance. All these new facilities boast a high-quality residential environment and strategic locations in dynamic cities (Nantes, Lyon, Le Cannet, Guérande, Chamalières, etc.) and modern equipment. These facilities cover the whole physical and psychiatric care sector, both medium and long-term, and make it possible to improve the care continuum through a tailored quality care offering.

The Group also pursued its policy of targeted acquisitions with 16 facilities, some of which are in need of redevelopment.

In **Belgium**, revenue continued to grow sharply (+49.7%) over the year to €158.1 million. This rise was also driven by:

- the 100% contribution by Medibelge, which has been consolidated since the second half of 2012. Medibelge has 1,915 beds (including 89 beds under development and 150 under construction), in 17 facilities.
- the ramp-up of facilities opened and redeveloped in 2012;
- the preservation of the high occupancy rates;
- additional selective acquisitions, and in particular the rest-home operator Corasen, with 1,096 beds including 311 beds in operation and 785 beds to be developed.

In **Spain**, revenue amounted to €49.6 million, up 1.8%.

Despite an ongoing recession, business in Spain remained strong with high occupancy rates and the continued ramp-up of Artevida (six facilities in Madrid and suburbs), acquired in early 2012. The strong performance of Artevida offset the closure of three facilities, located in secondary Spanish cities, which no longer met the Group's quality and location criteria.

In **Italy**, Orpea's revenue stood at €38.5 million, up by 19.5%. This solid performance was driven by the strength of the existing facilities, and the opening in the first half of 2013 of a new 110-bed psychiatric care facility on Lake Maggiore.

Finally, in **Switzerland**, revenue was up sharply (26.6%) at €19.5 million following the opening of a second facility in the first quarter of 2013. This 95-bed post-acute and rehabilitation care facility is located on the same site as the psychiatric clinic, in Nyon, overlooking Lake Geneva. This new private hospital facility forms part of a care network comprising hospital clinical and surgical departments and doctors working in private practice. It offers high-end residential services along with specialist care.

► Profitability and net profit

In m€ (IFRS)	2013 % of sales	2013 Restated** % of sales	2012 % of sales
Sales	1,607.9 100%	1,607.9 100%	1,429.3 100%
EBITDAR (EBITDA before rents)	433.2 26.9%	433.2 26.9%	370.1 25.9%
EBITDA	298.0 18.5%	298.0 18.5%	257.9 18.0%
Recurring operating profit	227.3 14.1%	227.3 14.1%	194.4 13.6%
Operating profit	268.4 16.7%	268.4 16.7%	221.3 15.5%
Net finance cost	(95.5)* n.a.	(90.6) n.a.	(72.8) n.a.
Pre-tax profit on ordinary activities	172.9 10.8%	177.8 11.0%	148.5 10.4%
Net profit (Group share)	113.9 7.1%	116.9 7.3%	97.0 6.8%

* including (€4.9) million in respect of the change in fair value at 31 December 2013 of the entitlement to the allotment of shares in ORNANE bonds.

** These figures are adjusted for the impact of the change in the fair value of the entitlement to the allotment of shares in ORNANE bonds.

Net profit (Group share) net of the change in the fair value of the entitlement to the allotment of shares in ORNANE bonds is €113.9 million.

All performance indicators have outpaced revenue growth, driven by the ramp-up in the facilities opened over the past two years, and by a strong performance at mature facilities.

EBITDAR (recurring EBITDA before rents, including provisions relating to "external charges" and "staff costs") rose by +17.1% to €433.2 million, accounting for 26.9% of revenue versus 25.9% in 2012 and 25.2% in 2011. This ongoing growth in the EBITDAR margin is due to:

- control of staff costs, which rose +11.5%, accounting for 49.7% of revenue, compared with 50.1% in 2012;

- rigorous centralised purchase management enabling economies of scale. The ratio of purchases to external charges (excluding rent) went down, accounting for 18.4% of revenue against 19.3% in 2012.

Recurring EBITDA (recurring operating profit before depreciation, amortisation and provisions, including provisions relating to "external charges" and "staff costs") grew by +15.6% to €298.0 million. Operating lease payments amounted to €135.2 million, up 20.5%, due in particular to the effect of acquisitions (+€7.5 million in additional lease payments) and property asset disposals (+€14 million in additional lease payments). On a like-for-like basis, lease payment fluctuations were limited to +1.3% thanks to indexation ceilings in most leases.

Recurring operating profit was up 16.9% to €227.3 million, amounting to 14.1% of revenue, up 50 basis points on 2012, following a 40 basis point increase in 2012. This performance was mainly due to the ramp-up of mature facilities, producing higher profits than those with beds under development: mature beds now account for 82% of the network total, versus 79% at end-2012.

Operating profit amounted to €268.4 million, up 21.3%. It comprises non-recurring net income of €41.1 million, versus €26.9 million in 2012, linked in particular to the disposal of property assets, and net income and expense from acquisitions through business combinations.

The **net finance cost** was €90.6 million, up 24.4% on 2012, excluding the change in the fair value of the entitlement to the allocation of shares in ORNANE bonds (determined on the basis of the Orpea stock price) issued in July 2013, for €4.9 million.

The income tax expense for the year was €61.0 million compared with €52.4 million the previous year, an increase of 16.4%.

2013 **net profit (Group share)** amounted to €116.9 million (excluding the change in the fair value of the entitlement to the allocation of shares in ORNANE bonds), up 20.5%.

2.2 – CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet

	<i>(in thousands of euros)</i>	31-dec-13	31-dec-12
Assets			
Goodwill		398,394	379,866
Net intangible assets		1,439,714	1,306,292
Net property, plant & equipment		1,992,900	1,898,047
Properties under construction		568,942	553,881
Investments in associates and joint ventures		50,999	45,422
Non-current financial assets		28,404	22,534
Deferred tax assets		24,084	22,549
Non-current assets		4,503,436	4,228,593
Inventories		5,695	5,001
Trade receivables		80,259	100,289
Other assets, accruals and prepayments		183,835	138,134
Current income tax assets			
Cash and cash equivalents		468,351	362,292
Current Assets		738,140	605,716
Assets held for sale		210,014	120,700
TOTAL ASSETS		5,451,590	4,955,009
Liabilities			
Share capital		69,346	66,248
Consolidated reserves		1,006,038	845,761
Revaluation reserve		223,079	205,242
Net profit for the year		113,911	97,028
Equity attributable to owners of the Company		1,412,374	1,214,279
Minority interest		979	1,487
Total equity		1,413,353	1,215,766
Non-current financial liabilities		1,924,940	1,669,510
Provisions		34,146	28,018
Post-employment and other employee benefits obligation		33,998	28,798
Deferred tax liabilities		756,829	692,617
Non-current liabilities		2,749,914	2,418,943
Current financial liabilities		285,436	503,669
Provisions		18,030	12,220
Trade payables		199,426	154,673
Tax and payroll liabilities		188,288	185,937
Current income tax liability		9,246	19,528
Other liabilities, accruals and prepayments		377,885	323,572
Current liabilities		1,078,310	1,199,599
Liabilities associated with assets held for sale		210,014	120,700
TOTAL LIABILITIES		5,451,590	4,955,009

Operating assets

At 31 December 2013, on the asset side of the balance sheet, goodwill amounted to €398 million, compared with €380 million at 31 December 2012. Intangible assets (mainly comprising operating licences) totalled €1,440 million compared with €1,306 million at end-2012.

Impairment testing of goodwill and intangible and property assets has not revealed any impairment losses.

Property portfolio

The Orpea Group's operating properties are included in assets, representing a total development area of 874,000 sq.m. (over one million sq.m. of land), with 268 buildings, 140 of which are wholly owned and 128 partially owned. Partial ownership represents condominiums in which the Group owns a portion of lots primarily intended for services in common: restaurant, entertainment rooms, first-aid room, staff facilities, etc.

The total value of the portfolio is €2,561.8 million⁴, of which €568.9 million in land and properties under construction or redevelopment. Year-on-year, the total value of the portfolio grew €109.9 million, namely 4.5%, due to the effect of acquisitions or the completion of construction, the value of the long-standing portfolio remaining unchanged.

All of the fully or partially owned real estate assets operated by the Group (under joint ownership, for the parts owned by the Group) are recognised at fair value, without the valuation method differing according to the type of ownership.

This real-estate portfolio, comprising new and recent buildings located in dynamic economic areas, represents a significant asset value for the Group and secures medium- and long-term profitability. It is also a particularly attractive portfolio for many individual and institutional investors (family offices, life insurers, etc.) seeking a secure, long-term investment.

Orpea took advantage of the interest shown by investors in the Group's properties and of attractive terms as regards rent and indexation to continue its disposals in 2013, which amounted to €230 million (at market value) up from the €200 million announced in early 2013.

As a whole, property charges – including rent and depreciation of property assets wholly or partially owned – represented €200.3 million in 2013 (€65.1 million for depreciation and €135.2 million in rent), versus €168.0 million in 2012 (€55.8 million in depreciation and €112.2 million in rent).

Financial structure and debt

At 31 December 2013, shareholders' equity (Group share) stood at €1,412.4 million, versus €1,214.3 million at 31 December 2012. In addition to the net profit for the year of €113.9 million, this increase was also due to the €100 million capital increase carried out in December 2013.

At end-2013 the Group had net cash of €468.4 million compared with €362.3 million at end-2012, notably thanks to the proceeds of the bond issuances and the capital increase.

Net debt amounted to €1,741.9 million⁵, €69 million down on 31 December 2012. It can be broken down into:

- Current financial liabilities: €285.4 million;
- Non-current financial liabilities: €1,924.9 million;
- Cash and cash equivalents: €468.4 million.

Debt is mostly property-related (86%) and is therefore backed debt as it is linked to high-quality property assets with low volatility.

⁴ Minus available for sale assets worth €210 million

⁵ Excluding liabilities associated with assets held for sale, €210 million

Net current financial liabilities stood at €285.4 million⁶ at 31 December 2013. They consisted primarily of property bridging loans financing properties that have been recently acquired or are under redevelopment or construction. This debt is therefore primarily property-related. 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.

Orpea has significant financial flexibility, with the debt ratios ("covenants") down compared to 31 December 2012, which, at 31 December 2013, stood at:

- restated financial leverage of property = 1.4 against 1.7 at end-2012 (authorised level 5.5);
- restated debt-to-equity ratio = 1.1 against 1.2 at end-2012 (authorised level 2.0).

Covenant levels are thus far from the imposed limits.

In 2013, the Group continued the optimisation of its financial structure begun in 2012, carrying out private bond placements and an ORNANE bond issue. As a result:

- at 31 December 2013, 45% of net debt is non-banking, versus 11% at the end of 2011;
- the average maturity of net debt went from 4.3 years at the end of 2011 to 5.8 years at the end of 2013.

Over the 2014-2018 period, 95% of the debt is contracted at fixed rates or hedged.

Other Asset / Liability items

Changes in other receivables and liabilities were in line with the Group's growth strategy and mostly involved construction projects and sales of property assets as well as external growth operations.

2.3 – CASH FLOWS

In €m	2013	2012	Change (%)	2011
Recurring EBITDA	+298	+258	+15.5%	+218
Cash flow from operating activities	+247	+208	+18.8%	+202
Cash flow from investing activities	(235)	(279)	-15.8%	(349)
Cash flow from financing activities	+93	+124	N.A.	+180
Change in cash and cash equivalents	+106	+53		+33

2.4 – DIVIDEND PROPOSED AT THE ANNUAL GENERAL MEETING

The Board of Directors has decided to propose a dividend of €0.70 per share (up +16.7% on the previous year) to shareholders at the annual general meeting on 25 June 2014 called to approve the 2013 financial statements. Total distributions will amount to €38.8 million, and represent a payout ratio of 33% of net profit for 2013.

2.5 – RESEARCH AND DEVELOPMENT

The Company did not incur any significant research and development expenses during the year.

⁶ Excluding liabilities associated with assets held for sale, €210 million

3. REVIEW OF STATUTORY FINANCIAL STATEMENTS AT 31/12/2013

3.1 – STATUTORY INCOME STATEMENT

(in euros)	31-dec-2013	31-dec-2012
SALES	552,525,700	494,474,847
– Increase (decrease) in work in progress	(14,873,711)	(33,887,413)
– Other operating income	23,110,665	23,863,502
– Purchases and other external charges	199,992,951	171,262,238
– Taxes other than on profit	28,600,775	23,848,181
– Staff costs	263,084,449	227,580,280
– Depreciation, amortisation and provisions	19,125,917	23,169,516
– Other operating expense	3,280,239	752,072
OPERATING PROFIT	46,678,323	37,838,649
– Financial income	62,346,011	54,980,261
– Financial expenses	96,703,312	78,151,356
NET FINANCE COST	(34,357,301)	(23,171,095)
PRE-TAX PROFIT ON ORDINARY ACTIVITIES	12,321,023	14,667,554
– Exceptional items	(4,542,032)	(31,738)
– Employee profit-sharing		
– Income tax	4,826,545	6,283,056
NET PROFIT	2,952,446	8,352,759

Revenue:

2013 revenue came to €552.5 million, up +11.7% on 2012.

Orpea's core business line of operating long-term care facilities generated revenue of €537.7 million, up 17.9% compared with €456.2 million in 2012. This growth reflects Orpea's expansion policy, as described above, which combines organic growth and acquisitions.

Revenues from the sale of property assets came to €14.8 million compared with €38.3 million in 2012.

Operating profit:

"Purchases and external charges" increased by 16.8% to €200.0 million, due to the effect of the opening of new facilities and of development.

Taxes other than on profit were up 20.2% to €28.6 million, rising much faster than income tax.

Staff costs remained under control, rising 15.6% to €263.1 million.

Depreciation, amortisation and provisions were down 17.5% to €19.1 million, versus €23.2 million in 2012, following property disposals.

Finally, operating profit rose 23.4% year-on-year to €46.7 million in 2013.

Net finance cost

The net finance cost was €(34.4) million against €(23.2) million in 2012, comprising mainly an expense net of interest relating to the Company's net debt.

Exceptional items

Exceptional items amounted to €(4.5) million, compared to close to zero in 2012.

Net profit

After a tax expense of €(4.8) million, net profit came to €3.0 million compared with €8.3 million in 2012.

Non-deductible expenses provided for in Article 39-4 of the French General Tax Code (Article 223 quater of the French General Tax Code)

Non-deductible expenses totalled €127,412 in 2013.

3.2 – STATUTORY BALANCE SHEET

ASSETS (in euros)	31-dec-2013			31-dec-2012
	Gross	Depr., Amort. & provisions	Net	Net
Non-current assets				
- Intangible assets	232,415,086	1,542,120	230,872,966	202,273,463
- Property, plant and equipment	251,682,598	97,395,193	154,287,405	149,406,150
- Financial assets	694,319,817	2,399,956	691,919,861	432,284,851
TOTAL NON-CURRENT ASSETS	1,178,417,502	101,337,269	1,077,080,232	783,964,464
Current assets				
- Inventories and work-in-progress	57,878,193	1,188,655	56,689,538	41,518,714
- Advances and downpayments made	2,741,617		2,741,617	2,558,239
- Trade receivables	19,289,494	5,113,969	14,175,525	11,427,213
- Other receivables	1,238,378,507	633,232	1,237,745,274	1,299,266,743
- Marketable securities	87,310,461		87,310,461	187,506,401
- Cash	293,940,510		293,940,510	72,797,624
- Prepaid expenses	2,837,680		2,837,680	2,602,083
TOTAL CURRENT ASSETS	1,702,376,462	6,935,856	1,695,440,607	1,617,677,017
- Deferred charges		-	-	-
TOTAL ASSETS	2,880,793,963	108,273,125	2,772,520,839	2,401,641,482
EQUITY AND LIABILITIES (in euros)				
			31-dec-2013	31-dec-2012
Equity				
- Share capital			69,346,239	66,247,578
- Share premiums and reserves			460,870,063	385,500,175
- Retained earnings			249,273	8,112,989
- Net profit for the year			2,952,446	8,352,759
- Special tax-allowable reserves			3,670,386	2,522,265
TOTAL EQUITY			537,088,407	470,735,767
Provisions for liabilities and charges			21,345,241	15,888,008
Liabilities				
- Borrowings and financial liabilities			1,606,365,160	1,442,249,743
- Advances and downpayments received			3,594,151	3,387,145
- Trade payables			40,066,247	33,807,557
- Tax and social security liabilities			72,603,693	64,882,468
- Other liabilities			472,692,231	364,339,189
- Prepaid income			18,733,731	6,351,606
TOTAL LIABILITIES			2,214,055,212	1,915,017,707
Unrealised currency gains			31,979	
TOTAL LIABILITIES			2,772,520,839	2,401,641,482

Orpea S.A.'s **net non-current assets** totalled €1,077 million at 31 December 2013 compared with €784.0 million a year earlier. This increase was mainly due to the over €260 million rise in financial assets, primarily as a result of the capital increases at the Clinea, Mediter and Orpea Belgium subsidiaries by means of the capitalisation of current account receivables.

Current assets totalled €1,695.4 million compared with €1,617.8 million at 31 December 2012, in particular due to the increase in cash and cash equivalents, which rose from €72.8 million at end-2012 to €293.9 million at end-2013.

Equity stood at €537.1 million at 31 December 2013, against €470.7 in 2012, due to the €100 million capital increase.

Borrowings and financial liabilities – the Company's main debt item – came to €1,606.4 million at 31 December 2013, versus €1,442.2 million in 2012, in particular following the bond issuances. On the other hand, cash and cash equivalents rose by over €221 million.

Total assets amounted to €2,772.5 million at 31 December 2013 compared with €2,401.6 million at 31 December 2012.

3.3 – INFORMATION ON SUPPLIER PAYMENT TERMS

In accordance with articles L. 441-6-1 and D. 441-4 of the French Commercial Code, we inform you that at the end of the last two financial years, amounts owed to suppliers broke down as follows by due date (the payment times for trade payables at the end of the year were determined by comparing the date of each invoice with the effective date of payment):

	31-Dec-13	31-Dec-12
Trade payables	24,342,738	19,645,248
Less than 30 days	5,082,736	2,404,203
30-60 days	9,285,254	5,525,819
60-90 days	10,291,016	11,275,963
More than 90 days	1,917,502	439,263

3.4 – SUBSIDIARIES AND OTHER EQUITY INTERESTS

3.4.1 – Clinea: performance and results

Revenue

2013 revenue came to €428.6 million, up +13.3% on 2012.

Revenue for the operation of care facilities amounted to €416.6 million, up 13.8% compared with €366.2 million in 2012. This growth reflects the Group's expansion policy, as described above, combining organic growth and acquisitions.

Revenue from the sale of property assets came to €12.0 million, unchanged on 2012.

Operating profit

"Purchases and other external charges" rose by 14.1% to €137.9 million, versus €120.9 million in 2012.

Taxes other than on profit were up 10.7% to €32.0 million.

Staff costs remained under control, rising 10.0% to €204.1 million.

Operating profit came to €42.3 million, up by 31.3% over 2012.

Net finance cost

The net finance cost was €(14.6) million against €(16.7) million in 2012, comprising mainly an expense net of interest relating to the Company's net debt.

Exceptional items

Exceptional expenses amounted to €(5.3) million, compared with €(3.1) million in 2012, due to the impact of redevelopment and development costs.

Net profit

After a tax expense of €(7.7) million, net profit came to €14.7 million compared with €8.0 million in 2012, an increase of 83.8%.

Balance sheet:

Net non-current assets for CLINEA SAS totalled €544.5 million at 31 December 2013 compared with €515.3 million at 31 December 2012, illustrating the Company's brisk rate of expansion.

Net current assets totalled 214.0 million versus €143.3 million at 31 December 2012, primarily as a result of the increase in cash and cash equivalents.

Equity stood at €280.4 million at 31 December 2013, against €77.8 million at end-2012. The Company increased its share capital by €187.5 million by means of the capitalisation of current accounts owed to its parent company Orpea SA.

Borrowings and financial liabilities fell to €65.2 million at 31 December 2013, against €68.2 million at 31 December 2012.

Total assets amounted to €758.5 million at 31 December 2013 compared with €658.5 million at 31 December 2012.

3.4.2 – Performance and results of other main subsidiaries

NIORT 94, a property development subsidiary required for the Group's business, generated revenue of €164.4 million against €152.5 million in 2012. This derives from sales of property assets (€161.7 million), recognised on completion, and rental income received (€2.7 million). The subsidiary generated a net profit of €1.6 million.

Revenue of **Belgian subsidiaries** stood at €158.1 million versus €105.6 million in 2012, an increase of 49.7%, due in particular to the 100% consolidation of Medibelge in the first half of 2013 in Belgium. EBITDA came to €17.7 million, up 35.1% year-on-year (from €13.1 million)

Spanish subsidiaries generated revenue of €49.6 million in 2013 versus €48.7 million in 2012, up 1.8%. EBITDA was €8.1 million compared with €6.1 million in 2012, up 32.8% thanks to the ramp-up of the Arteviva entities acquired in early 2012.

Italian subsidiaries generated revenue of €38.5 million in 2013, up 19.6% (€32.2 million). EBITDA was €3.0 million compared with €1.7 million in 2012.

3.4.3 – Main equity interests

See Annexe 1: Main investments.

4. EVENTS OCCURRING SINCE 1 JANUARY 2014 – OUTLOOK

4.1 – EVENTS OCCURRING SINCE 1 JANUARY 2014

► Acquisition of Senevita in Switzerland – Press release dated 6 March 2014

On 6 March 2014, ORPEA announced the acquisition of a leading player in long-term care in Switzerland, Senevita, a subsidiary of Austrian group SeneCura.

A unique network with an excellent growth pipeline

Senevita is a leading Swiss provider of long-term care, with a network of 21 facilities at end-2013, breaking down as follows:

- *13 existing facilities with 1,182 beds, generating annual revenue of CHF83 million;*
- *8 facilities under construction with 1,111 beds, due to open in the next three years.*

This large, secured growth pipeline means that Senevita's operational network will double in the next three years to almost 2,300 beds, resulting in revenue of around CHF160 million in 2016.

With the ORPEA group's support and financial resources, Senevita's management and development team will naturally be able to gain new authorisations and make new acquisitions, starting in 2014 and continuing into the future. This will enable it to grow revenue beyond the figure of CHF160 million, which only takes into account the opening of the eight facilities currently under construction.

Senevita's concept successfully implemented in Switzerland consists of a mix of nursing homes and assisted-living facilities on each site.

Senevita's facilities are of a very high quality and are located in German-speaking Switzerland (cantons of Bern, Zurich, Basel, Aargau, Solothurn and Fribourg).

Its strategy is very similar to that of ORPEA, i.e. serving residents by combining development, quality and innovation in assisted-living and stationary care services. With the help of its highly committed staff, Senevita has won several awards for the quality of its care services.

Switzerland: major potential in the long-term care market

The Swiss long-term care sector is particularly attractive and meets all of ORPEA's criteria:

- *an ageing population, with the number of dependent older people set to rise 18% between 2010 and 2020;*
- *a private commercial sector that remains highly fragmented with a market share limited to 5% of the total number of beds ;*
- *a market where demand is regulated by canton's awards of local authorisations and permits ;*
- *high levels of solvency and strong demand for a diversified care offering covering all stages of dependency, including assisted-living facilities and nursing homes.*

A new growth platform for ORPEA

The acquisition gives ORPEA a solid position in German-speaking Switzerland, through a company that has excellent potential because of its secured growth pipeline and numerous other projects currently being assessed. Senevita's management team has unique real-estate expertise in Switzerland, particularly in regards to designing healthcare facilities. It also has excellent knowledge of regulatory mechanisms, giving ORPEA fresh potential for generating growth and setting up high-value-added facilities.

An earnings-enhancing deal for ORPEA

The acquisition will be paid for entirely in cash, in compliance with ORPEA's financial criteria. Senevita does not own any real estate, but has long-term leases with institutional investors. It is debt-free. This acquisition will have an earnings-enhancing effect on the EPS as soon as 2014.

Yves Le Masne, ORPEA's CEO, made the following comments: "This strategic acquisition in the first quarter of 2014 is fully in line with ORPEA's international development aims. Senevita has all the attributes that we are looking for:

- a high-quality network that will give us over 2,000 beds in German-speaking Switzerland, where demand for high-quality care is very high;*
- exceptional potential for profitable growth, with revenue already guaranteed to double in the next three years due to the existing growth pipeline already secured;*
- a management team that has a solid reputation and major capacity for development, resulting in particularly strong growth prospects.*

Senevita is a unique opportunity to obtain a platform for development in Switzerland, where growth in high-quality care facilities and sector consolidation are expected to accelerate in the next few years. This deal marks a new phase in ORPEA's international expansion strategy, which will continue in the next few months since the group has a large amount of financial flexibility."

Advisors

Acxit Capital Management, represented by Thomas Klack and his team, was the financial advisor of ORPEA, while Bredin Prat acted as the legal advisor.

► Acquisition of Silver Care Group in Germany – Press release dated 28 April 2014

On 28 April 2014, Orpea announced the acquisition of Silver Care Group in Germany from Private Equity Firm Chequers Capital

A high quality network of almost 6,000 beds in Germany

Founded in 2006, Silver Care has developed through targeted acquisitions of regional groups to create a homogeneous network of nursing care facilities with strong positions in all its areas of operation. At present, Silver Care has 61 retirement homes for the dependent elderly, with 5,963 beds including 290 beds under construction due to open in 2014. It will generate revenue of about €200 million in 2014.

Silver Care has developed a high-quality network of facilities in regional clusters:

- an excellent reputation: ranked N°1 large nursing home group in 2012, 2013 and 2014 on quality, according to the MDK national ranking system;*
- carefully selected locations in high-potential Federal States such as Lower Saxony, Baden Württemberg, North Rhine-Westphalia and others;*
- modern, recently built facilities with an average of 100 beds.*

A key factor setting Silver Care apart from its rivals is its ratio of single rooms, which is one of the highest in Germany at almost 80%. This feature is crucial for its long-term profitability, since it facilitates the care of increasingly dependent residents and keeps the business ahead of regulatory changes.

So far, Silver Care has not owned its properties but rented them on long-term double net lease contracts, pursuing an Asset Light Strategy.

Orpea gains a strong foothold in Germany, a high-potential country

Orpea has gained a strategic position in Europe's largest country in number of inhabitants, which is facing a demographic challenge, in a sector with robust fundamentals and high growth prospects:

- *an ageing population: the number of people over the age of 80 is expected to grow by 45% to 6.5 million by 2030 and to double by 2050;*
- *inadequate, unsuitable supply: the need for new beds is estimated at 125,000 by 2020, without counting the need to redevelop existing beds to take account of the increasing level of care required by residents;*
- *a highly fragmented private sector: there are still more than 4,000 independent private operators with about 275,000 beds, representing approximately 30% of the total market;*
- *a complex but favourable regionally fragmented regulatory environment and major barriers to entry: there are no restrictions on opening new facilities but standards are increasingly strict to meet the need for heavier care;*
- *a secure funding system in surplus, as Germany reformed its long-term care funding system some years ago. What's more, the German government is planning ahead for the time when the baby boom generation reaches the age of dependency by putting €1.2 billion into a dedicated fund every year until 2033;*
- *a stable tax and social security environment for businesses.*

A structured platform for expansion and a highly experienced management team

Silver Care gives Orpea an extremely solid base for further expansion in Germany. It not only has an excellent reputation but also a regional organisation structure capable to absorb future expansion, as well as a highly experienced management team. Silver Care's quality of services, regional expertise and a network of strong regional managers and management teams will enable Orpea to play an active role in the necessary on-going sector consolidation and the construction of new facilities in Germany.

Silver Care also provides a good fit with Orpea's culture and strategy; expansion focused on quality of care and accommodation, trained and motivated personnel, an entrepreneurial culture and the ability to seek out high value-creating projects.

Marc Hildebrand, Silver Care's Chief Executive, commented: "We are delighted to become part of the Orpea Group, a European leader in care facilities. Orpea's investment will enable us to pursue and accelerate our strategy of developing high quality offerings in carefully selected regions and locations throughout Germany and meet the strongly increasing demand. Being part of the Orpea Group will give our teams better visibility, additional know-how transfer and improved resources. In addition, Orpea shares the same strategic vision and culture as Silver Care."

Accretive as of 2014

The acquisition of Silver Care will be paid for entirely in cash and funded using Orpea's cash. Thanks to the flexibility of its financial structure, Orpea can afford to finance this acquisition, the purchase of Senevita and its future developments without any capital increase or any pressure on its financial equilibrium.

The acquisition will become effective on ¹ July 2014. So, Silver Care Group will be consolidated by Orpea as of 1 July 2014. It will be earnings accretive for the Orpea Group as of 2014 and the accretive impact will increase as of 2015.

For the second time of the year, ORPEA lifts again its 2014 revenue guidance for FY 2014 to €1,930 million from the previously announced figure of €1,830 million, representing growth of 20% over 2013 year.

Yves Le Masne, Orpea's Chief Executive, concluded: "After the acquisition of Senevita in Switzerland last March, the acquisition of Silver Care in Germany will further accelerate Orpea's international expansion strategy.

Silver Care is a unique development opportunity in Europe's largest country and offers all the features sought by Orpea:

- *a high-quality group, with a ratio of single rooms close to 80%, making it one of the highest among groups in Germany;*
- *strong growth capacity thanks to its experienced management teams and their recognised expertise;*
- *a solid basis to expand in a country where the need for new beds and sector consolidation is among the greatest in Europe;*
- *similar profitability criteria to those of Orpea.*

The acquisition gives the Group a European network of 521 care facilities with a total of 51,259 beds, including 38% outside France.

Orpea intends to pursue its international expansion by leveraging the expertise of its international managers and its skills in building and integrating first-class care facilities.

Expansion will take place in line with the Group's profitability and debt control criteria."

Advisers

Acxit Capital Management, represented by Thomas Klack and his team, acted as financial adviser to Orpea and Bredin Prat as legal counsel.

Rothschild acted as financial adviser to Chequers Capital and Clifford Chance as legal counsel.

► Upgrading of the network

Following the acquisition of Senevita in Switzerland and of Silver Care in Germany, the Orpea network has a total of 51,259 beds spread across 521 facilities, breaking down as follows:

	TOTAL	France	Allemagne	Espagne	Belgique	Italie	Suisse
Lits en exploitation	44,966	29,474	5,673	2,649	4,702	1,121	1,347
<i>Dont lits en restructuration</i>	<i>2,336</i>	<i>1,582</i>	<i>0</i>	<i>0</i>	<i>694</i>	<i>60</i>	<i>0</i>
Lits en construction	6,293	2,397	290	0	2,063	432	1,111
Nombre total de lits	51,259	31,871	5,963	2,649	6,765	1,553	2,458
Nombre de sites	521	345	61	19	58	15	23

► Other acquisitions

In France, the Group also acquired 367 beds across four facilities and two residences (one of which was previously 30% owned) as well as the outstanding shares (70%) in SARL DOMIDOM SERVICES, a home care service provider.

► Sales for Q1 2014 – Press release dated 30 April 2014

On 30 April 2014, ORPEA announced its sales for the first quarter to 31 March 2014.

<i>In €m</i>	Q1 2014	Q1 2013	Var.
France	359.8	320.3	+12.3%
<i>% of total sales</i>	<i>84%</i>	<i>83%</i>	
International	68.2	64.2	+6.3%
<i>% of total sales</i>	<i>16%</i>	<i>17%</i>	
Belgium	40.7	39.0	
Spain*	12.3	12.6	
Italy	9.7	9.0	
Switzerland	5.5	3.7	
Total sales	428.1	384.5	+11.3%
<i>Organic growth⁷</i>			+6.7%

* For remember, 3 facilities were closed in Spain

First-quarter sales did not include any contribution from Senevita in Switzerland, which will be consolidated from 1 April, or from Silver Care in Germany, which will be consolidated from 1 July.

Yves Le Masne, ORPEA's Chief Executive Officer, commented: "ORPEA posted another upbeat quarter with brisk sales growth of 11.3%, exceeding the level of full-year growth initially forecast ahead of the acquisitions (10%).

This performance was driven by selective acquisitions and strong organic growth running at 6.7%, generated by the appeal of ORPEA facilities, as demonstrated by the rapid ramp-up in facilities opened over the past 12 months. In line with its programme, ORPEA opened six new facilities during the first quarter alone, adding 614 high-quality beds.

In addition, since the beginning of the year, ORPEA also accelerated its growth momentum outside France, by making two strategically important acquisitions: Senevita in Switzerland and Silver Care in Germany representing a total of 8,250 additional beds. These deals will significantly enhance top-line growth in 2014 and also boost the Group's expansion potential outside France without any compromise on its profitability targets.

Thanks to this fresh impetus, ORPEA expects growth of 20% in its 2014 sales to €1,930 million, combined with healthy margins and a tightly controlled debt burden."

⁷ Organic growth reflects the following factors: 1. the growth 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 growth in revenue (in period n vs. period n-1) of restructured facilities or those with capacity increased during period n or n-1, and 3. revenue generated in period n by facilities set up in period n or n-1. Organic growth includes the improvement in sales recorded at recently-acquired facilities by comparison with the previous equivalent period.

4.2 – OUTLOOK

Following the acquisition of Senevita and of Silver Care, and in light of the growth pipeline of beds under construction and redevelopment, Orpea set itself a 2014 revenue target of €1,930 million, namely year-on-year secured growth of 20%. This robust growth will be accompanied by ongoing strong profitability and a controlled debt burden.

Orpea intends to continue with its strategy of accelerating its international expansion, focussed on value creation:

- in the countries in which it has long-standing operations, by setting up new facilities and making targeted acquisitions;
- in China, by setting up high quality facilities in the heart of major cities. Various planned openings should firm up shortly and the Group is building its operational organisation with a view to these upcoming openings;
- in new countries with strong demand but where supply is still rather unstructured, by means of external growth transactions.

The Group has in fact all the necessary qualities to achieve this goal:

- proven know-how in setting up and integrating high quality care facilities that are conducive to the well-being of residents and patients;
- recognised expertise in developing a medium and long-term care offering, tailored to the needs of elderly people and their relatives;
- a loyal and experienced management team;
- increased financial strength and flexibility.

5. RISK MANAGEMENT

5.1 – RISK IDENTIFICATION AND GENERAL MANAGEMENT POLICY

As a 24/7 service provider, the Group is aware that imperfections and the possibility of errors are inevitable.

However, Orpea and its staff continuously endeavour to seek means of optimising and improving the quality of service provided to residents and patients.

This is why Orpea has an active risk prevention and management policy aimed at ensuring that the risks related to its business are kept under control as much as possible.

The Quality Department and Medical Department have accordingly conducted risk mapping to define preventive actions to eliminate or mitigate risks, and to develop crisis management plans (Plan Blanc, Plan Bleu, Business Continuity Plan).

Promoted by Executive Management and implemented by the Quality and Medical Department, as well as by the Operational Departments, risk management translates daily into the attention paid by each facility, through its management team, to the management of its activities: actions to train staff and raise awareness, self-assessment and audits, and risk surveillance committee.

5.2 – RISKS RELATED TO THE GROUP'S BUSINESS SECTOR

5.2.1 – Regulatory risks related to operating licences

► For long-term care facilities

As stated in the previous section, long-term care facilities must have an operating licence, which is valid for 15 years, issued jointly by the local authority (Conseil Général) and the Regional Health Agency (Agence Régionale de Santé or ARS), under a new procedure introduced by the law on Hospitals, Patients, Health and Territories (HPST) of 21 July 2009, for which the enforcement decree no. 2010-870, dated 26 July 2010, was published in the Official Journal on 27 July 2010.

The competitive bidding procedure, which came into effect on 1 August 2010, covers applications to create new long-term care facilities and applications for significant extensions (increasing the authorised capacity by more than 30% or 15 beds or places) or conversions (change in resident category).

The terms of application for this new regulation were set out in the circular of 28 December 2010, and the first bidding procedures were published in the second half of 2011. In the last two years, they have mainly related to small-scale projects (Meuse: 41 beds; Drôme: 60 beds), or projects intended exclusively for the beneficiaries of legal social aid (facility fully authorised for social security support in Batignolles, in the 17th arrondissement of Paris). The ramp-up of this scheme is not yet complete. However, Orpea has already positioned itself on major projects. As such, it responded to a call for proposals for the creation of a 104-bed long-term care facility in the 15th arrondissement of Paris, with a positive outcome.

To make the procedure more efficient, the regulations governing calls for proposals should be simplified. Several avenues are being explored, including an increase in thresholds governing extensions to facilities, and the extension of deadlines for submitting proposals.

The Group has implemented a structure allowing it to respond more effectively to calls for proposals, thanks in large part to the experience of its teams.

As regards funding, the competitive bidding procedure enables quicker funding for authorised facilities, as Health Insurance credits must be available or planned upon starting the procedure.

Given the strain on some local authority budgets, local authorities could be forced to restrict spending on the Personal Autonomy Allowance paid to elderly people living in long-term care facilities and to focus more on home care. This risk is nonetheless mitigated by the fact that home care is not suitable for highly dependent elderly people or those with degenerative conditions such as Alzheimer's, who can be cared for in the Orpea Group's facilities.

Long-term care facility licences may be withdrawn under a specific procedure, but only for very serious reasons, mainly involving the care provided to residents and safety standards. This procedure is only implemented on a very exceptional basis.

Orpea has never been in this position, thanks to its internal control procedures and strict follow-up by its various support departments and services (Medical Department, Regional Divisions, Quality, Works and Procurement Departments, etc.).

When a licence is renewed after the 15-year term, the facility also undergoes an internal and external assessment of its compliance with best practice procedures, references and recommendations. The results of the external assessment carried out by an independent organisation dictate the terms and conditions of licence renewal. The external assessment mainly covers operations and the quality of services provided.

The Group protects against the risk of non-renewal following such assessments through its quality procedures, which are applicable at all stages of resident care, and the care provision traceability implemented by the Medical Department, combined with audits performed by the Quality and Works Departments.

In addition, the Orpea Group has embarked on a voluntary external assessment process for its long-term care homes, based on SGS Qualicert standards. This process began with 19 facilities in 2009, and has continued since then: in 2013, 83 of the Orpea Group's long-term care facilities underwent certification (results expected in early 2014) based on 21 criteria demonstrating their compliance with a set of tangible commitments to quality of service and consistency of care provision.

The Group's pro-active approach has borne fruit as, under the Decree of 30 January 2012, certification is now required for external assessments. This recognition scheme means facilities can considerably simplify their external assessment requirements, as both approaches are complementary. The order of 17 April 2013 clarified the degree of correspondence between the SGS Qualicert standards and external assessment specifications.

In the last quarter of 2012, Orpea selected the four companies accredited by the ANESM (National agency for the assessment of the quality of social and health/social facilities and services) to carry out external assessments, and established a schedule for these assessments for each of the Group's facilities.

► **For post-acute and psychiatric care facilities**

The creation, extension and operation of short-term care facilities is also governed by complex regulations designed to regulate hospital capacity with the dual aim of cost control and quality of care provision.

Under this regime, healthcare facilities must obtain authorisations, which last for five years, during specific time windows established by the General Managers of Regional Health Agencies. These windows are opened for a minimum of two months, twice yearly. Two weeks prior to the opening of these windows, an assessment of quantified on-site care targets is published to determine the admissibility of applications. These assessments are based on quantified on-site care targets as defined in regional health projects (PRS) and more specifically within regional medical care plans (SROS) which form part of the regional health project according to the needs of the local population.

On the basis of these quantified targets, Regional Health Agencies (ARS) issue operating licences to healthcare facilities for a given care activity, set out in the multi-year objectives and resources contract (CPOM)*, in the annex “operating licences and activity management”. This annex has a dual purpose:

- to set operational targets for the facility relating to the implementation conditions for authorised care activities;
- to set guidelines and targets in terms of activity volume for the facility's authorised care activities. However, activity volumes are now indicative rather than enforceable.

**Decree no. 2013-0126 of 7 February 2013 sets the maximum extension of multi-year contracts and resources to one year from the publication of regional health projects. All multi-year objectives and resources contracts (CPOM) for facilities will be renewed within 12 months of the publication of the regional health project. The publication of regional health projects will be take place between December 2011 and December 2012.*

Thus, under the regional medical care plan & health project (SROS-PRS), quantified care targets (OQOS) in terms of activity volume under SROS III, enforceable against the care facility, have been replaced by non-enforceable activity management guidelines (IPA), aimed at providing a structure for dialogue management between Regional Health Agencies and facilities on activity volumes. These indicators must be designed to be markers that can be used to monitor facility activity.

A licence will lapse if:

- works have not begun on the facility within three years of receiving the licence;
- the facility is not completed or opened within a period of four years;
- the facility ceases to operate (without the consent of the Director of the Regional Health Agency) for a period of more than six months.

To avoid the risk of lapse due to (i) and (ii) above, the Orpea Group has developed an active policy of acquiring land or properties concurrently with or ahead of obtaining the licence.

The licence may also be suspended or withdrawn in the event of:

- failure to comply with the legislation and regulations on public health protection (inter partes procedure, response within eight days, injunction, suspension, formal notice, withdrawal or amendment of licence after opinion from the Special Health Organisation Committee - CSOS);
- an emergency involving patient or staff safety (suspension, formal notice, opinion from CSOS, suspension, withdrawal or amendment of licence).

The decision to withdraw or suspend a licence can only be taken after a specific procedure during which the licence holder is issued with a formal cease and desist notice.

The Orpea Group is not especially vulnerable to these risks as it has implemented quality and risk prevention procedures in all its facilities, which aim to ensure compliance with all regulatory requirements and guarantee proper care standards for patients through internal procedures.

If the SROS-PRS contains provisions for cooperation, conversion, disposal, change of location, closure or merger of certain facilities, the Regional Health Agency may revise the term of a valid licence, or set a shorter term for the new licence than that set out in the regulations, to ensure continuity of care.

There is a risk that the facility may no longer meet healthcare needs upon renewal of a licence or upon a sale and purchase, due to incompatibility with the guidelines set out in the SROS-PRS. In this respect, the head office Legal Department responsible for relations with health authorities reviews the annexes to the SROS-PRS for each of the "Health Territories" in which the Group's facilities are located in order to identify any potential problems.

Failure to comply with the objectives set in the CPOM objectives and resources contract may also, after an inter partes procedure, lead to the amendment or withdrawal of a licence, or to disaffiliation from the state health insurance system.

The Orpea Group always endeavours not only to observe the objectives set in the CPOM contract but also to implement an effective continuous progress approach to quality through its Quality Department and, through its Works Department, to comply with all safety standards.

Lastly, renewal of a licence is subject to the results of an assessment report sent to the Agency 14 months before expiry. If the results are satisfactory, the licence will be renewed automatically without further formality. However, if the results are not satisfactory, the General Manager of the ARH (Regional Hospital Agency) can issue an injunction, stating the reasons. The holder of the licence then submits a renewal application following the usual procedure (submission within a time frame, opinion by the CSOS, decision by the Regional Health Agency's (ARS) GM).

Implementation procedure and application of the decrees of April 2008

Prior to 2008, the French Code of Public Health distinguished between two types of activities: post-acute care on the one hand, and rehabilitation on the other hand.

This distinction no longer corresponded to the realities and expectations in the area of medium-term care, resulting in the establishment of a single activity: post-acute and rehabilitation care.

This led to the decrees of 17 April 2008, which set the establishment conditions and technical operating conditions, ushering in the notion of post-acute and rehabilitation care and the breakdown of specialities. The circular of 3 October 2008 set out the rules recommending the application of specifications relating to these specialities.

In short, the two decrees and the circular of 3 October 2008 resulted in:

- 1- the unification of the discipline under a single name: post-acute and rehabilitation care;
- 2- the definition of specialities often linked to specific national and transposable rates under the future T2A;
- 3- the definition of a national regulatory framework.

The application of these new regulations saw all French facilities authorised to provide post-acute and/or rehabilitation care and physical therapy applying for authorisation in 2010 to confirm their post-acute and rehabilitation care activity in addition to general care provision through the specialities below:

- care of children/adolescents;
- nine types of recognised specialised care:
 - o *motor system,*
 - o *nervous system,*
 - o *cardiovascular system,*
 - o *respiratory system,*
 - o *disorders of the digestive, metabolic and endocrinological systems,*
 - o *onco-haematological disorders,*
 - o *burns,*
 - o *addictions,*
 - o *elderly people with multiple pathologies, dependent or at risk of dependency.*

Facilities have two years from the date of the new orders to bring their care facilities into line with the specifications resulting from the decrees of 17 April 2010. If they have not done so within the two years, the Regional Health Authorities can initiate the licence suspension procedure for failure to comply with legislation and regulations.

At the end of this process, the authorisations of all of the Orpea Group's post-acute and rehabilitation care clinics were renewed and confirmed by order.

60% of the Orpea Group's long-term care facilities are classified as "specialised", and therefore fall under one of the specialities above.

5.2.2 – Management of regulatory risks related to pricing for Group facilities

► For long-term care facilities

Article L. 313-12 of the French Code of Social Action and Families requires all long-term care facilities to sign an agreement with the local authority (Conseil Général) and the Regional Health Agency to obtain the status of "Etablissement pour Personnes Agées Dépendantes" (long-term care facility) and to continue accepting elderly people requiring long-term care.

These "tripartite agreements" set out how the care facility operates and the medium-term objectives in terms of improvements, particularly in respect of the quality of care provided. They have enabled long-term care facilities to become more professional and provide an increasing level of medical care.

They are valid for five years and must be renewed by negotiation with the health authorities. The Orpea Group has already renewed a significant proportion of its first- and some of its second-generation tripartite agreements. However, as part of the renewal process, additional quality, economic and/or financial requirements could be imposed on the Group, which could have an adverse impact on its results and financial position.

Furthermore, care and dependency budgets allocated to facilities by the tripartite agreement are linked to the level of dependency and the cost of care for residents. Long-term care home pricing is broken down into three components:

- accommodation fee;
- dependency allowance;
- medical care allowance.

Only the accommodation fee is paid by the resident (or the local authority if the facility has beds available for "social security support" cases). Accommodation fees are set freely when a resident first arrives and then increase annually on 1 January each year by the percentage set by the Ministry of the Economy and Finance (or the local authority for residents on social security support). During the accommodation contract, therefore, the Orpea Group, like other nursing home operators, does not have control over its pricing. For 2014, prices cannot go up by more than 1.0% compared with the previous year for residents already in situ at 1 January.

The medical care and dependency allowances are closely related to the health authorities' pricing policy.

The dependency allowance is funded by the Personal Autonomy Allowance (APA) paid by the local authority, which covers a part of the cost depending on the level of dependency and the resident's resources. In any case, the resident remains responsible for nominal user fees.

The medical care allowance is funded by Social Security. The amount paid has increased following the application of the pathology assessment grid ("PATHOS" grid) for calculating the medical care budget. This measure enables the home to take better account of residents' needs in terms of medical care and the increasing number of residents with multiple pathologies (not taken into account previously). The medical care budgets allocated to facilities have therefore been reassessed and the facilities have often been able to strengthen their paramedical teams.

Lastly, the tripartite agreements require long-term care facilities to implement a specific budget process. Budgets are negotiated with the health authorities on the basis of a set of objectives that the facility undertakes to meet.

Every year, the facilities draw up budget proposals for the following year. The proposals must be submitted to the Regional Health Agency and the local authority before 31 October. Should it fail to submit its budgets before said date, the facility runs the risk of seeing the previous year's budget renewed without change.

Within the Orpea Group, these budgets are drawn up jointly by the Finance Department, the facility's management team and the Regional Division.

The Orpea Group complies with the deadlines and provides budgets for all its homes in a timely fashion. It continuously upgrades its tools and systems to support expansion and to improve the budget process to guarantee continued timely submission of all budgets.

However, the submission of budgets at end-October does not presuppose that applications for revaluations will be taken into account as:

- the budgets granted may be limited by the allowance grids imposed by some local authorities or by "standards" in the département;
- the rate of revaluation of medical care allowances is set at national level by the national health service for all facilities;
- the local authority may set rate increases for dependency allowances for all homes in the département.

To monitor compliance with budgets, facilities must draw up an annual account justifying the use of the budgets allocated in the previous year and a statement of expenses actually incurred in accordance with the objectives set in the tripartite agreement. These accounts must be sent to the health authorities before 30 April each year.

Orpea has the expertise required to meet these requirements through its dedicated Pricing Department, which assists the Group's homes in carrying out their budget procedure.

A change in the regulations is expected with the aim of simplifying the budget procedure. The forthcoming decree will introduce a new presentation in the form of an income and expense forecast. However, the proposed simplification has been deferred due to the debate on ageing care currently underway.

The Government has confirmed that it will table a bill on ageing care by the end of 2014. Several preliminary reports were submitted to the Prime Minister in March 2013, regarding:

- Ways to prevent ageing;
- Measures to adapt housing and cities to ageing.

In a speech on 25 January 2013, the French President made the following comments on how the reform will be funded: "The burden will be shared between the solidarity required because we are a country of social cohesion, and the indispensable individual, personal responsibility."

He added that these additional funds will be spread out over his five-year presidential term.

The first part of the framework law governing the adaptation of society to ageing focuses chiefly on home care. However, some measures will concern long-term care facilities. It was in this context that the Autonomy Bill was made public on 12 February 2014, after two months of consultation, implying the adoption of the law this year and the application of its provisions in 2015.

► For post-acute and psychiatric care facilities

The day rate for a post-acute and rehabilitation or psychiatric care facility comprises:

- the care and accommodation component: the day rate, which accounts for about 80% of revenue and is paid for by the national health service;
- a residential supplement, which accounts for about 20% of revenue and is paid for by the patient (or the patient's private insurance).

For the Orpea Group's short-term care facilities, like other operators, rate changes are therefore partly contingent upon public policy. For 2011, the average national increase in rates for short-term care facilities was set at 0.5%. The 2012 increase was similar.

In the future, there is a risk that public funding for this type of care could be reduced for cost-cutting reasons. A general decrease in rates could have a negative impact on the Group, its results and financial position.

In 2013, prices for post-acute and psychiatric care facilities fell by 0.55% on average.

Furthermore, all short-term care facilities must enter into an objectives and resources contract (CPOM) for a period covering at least five years, setting out the facility's strategic guidelines, the indicative authorised volume of business and the related pricing.

When negotiating its contracts with the health authorities, new obligations could be imposed on an Orpea Group facility (in terms of staffing, equipment, fittings, etc.) with no additional funding (such as a revaluation of the per diem rate), which could then have an adverse impact on the facility's financial position and results.

Lastly, in the next few years, short-term care facilities will be subject to a new pricing system more in line with the activities carried out. In the longer term, this will provide greater transparency between the private and public sector by imposing an identical pricing method on everyone, even if this price convergence currently seems to have been called into question.

This reform could have negative repercussions on the Group, if its business is not correctly valued from a pricing viewpoint.

To counter this potential risk, the Group has embarked on a policy of strengthening the level of medical care provided and specialising its activities. Consequently, today it has 60% of specialised beds in post-acute care facilities. The Group's facilities provide a wide range of care services, both in full-time hospitalisation and outpatient care:

- general or specialised post-acute and rehabilitation care provision for disorders of the musculoskeletal system, the nervous system, the cardiovascular system, the respiratory system, for addictions, for elderly people with multiple pathologies, dependent or at risk of dependency and for units specialising in caring for patients in a chronic vegetative state and for cognitive-behavioural units;
- general, geriatric or cardio-vascular medicine;
- general psychiatry for adults and for children and young people, obsessive compulsive disorders, eating disorders, etc.

5.2.3 – Management of risks related to a change of public policy in France

► Risk related to the future management of care provision by the Regional Health Agencies (ARS)

The key innovation of the law on "Hospitals, Patients, Health and Territories", which came into effect on 21 July 2009, was the creation of the Regional Health Agencies, new bodies that combine the various organisations responsible for regional health policies and long-term care into a single entity (*previously split between the government departments via the DRASS and DDASS, the national health system and the Regional Hospitalisation Agencies*).

Each Regional Health Agency will be responsible for transposing the national policies on public health and long-term care into their own regional objectives, set out in the regional health projects.

For example, they will be required to implement prevention and therapeutic education programmes in line with national objectives, in particular by developing and specialising the activities carried out in post-acute and rehabilitation care facilities. This could provide opportunities for the Orpea Group to create or extend facilities in the future.

However, as the Agencies have only recently been created, it is not possible at this stage to determine the timetable for implementing these objectives.

In addition, in order to better ensure the health and safety of patients in acute care or in medical, surgical or obstetrics care, the national authorities appear to be defining minimum activity thresholds below which beds will be closed or converted into post-acute or long-term care beds. This redeployment of under-occupied short-stay beds could provide opportunities for the Orpea Group to create new facilities.

However, these objectives require a prior consultation process with the local political and administrative authorities, which may wish to focus on maintaining local public hospital facilities, whilst accepting the conversion of beds. This could therefore limit their propensity to outsource the management of these beds to private operators such as Orpea. On the other hand, the local authorities are keen to implement the planned conversions swiftly, which could benefit private groups that are not subject to public contracts – which are more difficult to implement – and that have solid financial capacity.

► Risks related to changes in public policy for care of the elderly

The public authorities have decided to promote home care for the dependent elderly and, consequently, to devote more funding to the provision of home care than to nursing homes. This could put a brake on the Group's development.

However, the Court of Audit (Cour des Comptes) has found that an "all home-care" scenario was unworkable. A central scenario, aimed at a balanced mix between the development and heightened professionalism of home care services and the development and improvement of nursing home quality was preferred. The same conclusion was reached in the latest plans announced by the government (Solidarity with the Aged Plan and Alzheimer's Plan).

The Orpea Group does not consider home care to be a direct competitor to its business but rather an additional capability, as the Group cares for people whose level of dependency would in any event not allow them to stay at home.

In addition, the government's stated objectives in terms of care for the dependent elderly seem to offer positive prospects, both through the Solidarity with the Aged Plan and the Alzheimer's Plan. Various measures have already been budgeted in the Social Security Financing bill.

► Changes in the method of allocating social benefits in France

Foreshadowed by the Minister responsible for the Elderly, the reform of dependency was to have been ready by the end of 2013.

In the end, the government decided to go ahead with the law on autonomy in two stages:

- in February 2014, the government unveiled the main measures of a bill "for the adaptation of society to ageing", which was to be presented to the Council of Ministers on 9 April 2014 and voted on in Parliament before the end of the year. The proposed measures are focused primarily on the development of home care: revaluation of the personal autonomy allowance (APA) for people remaining at home, €140 million to improve the funding of technical assistance to allow people to remain at home (remote assistance, fitting of small equipment in homes, prevention), government funding for renovation, etc.;
- another series of measures for the retirement home sector could be presented in the second half of the five-year Parliament, after extensive consultation.

It should be noted that several reports during the last few years have put forward various reform possibilities, which could include:

- change the rules governing the granting of the personal autonomy allowance (APA): establishment of a claim on the estate of high earners, with no benefits paid to people in GIR group 4;
- overhaul of accommodation support: combination of the legal social aid and housing aid mechanisms;
- abolition of tax relief on accommodation expenses.

This could lead to an increase in the accommodation fees payable by residents and patients and therefore have an adverse impact on the Group's operations.

However, this risk is attenuated as the average income of the elderly has increased. People over the age of 85 will enjoy a 20% increase in their annual income from 2005 to 2015 and a 42% increase between 2005 and 2020.

Lastly, another possibility being considered is the introduction of an optional "long-term care insurance" contribution from an as yet unspecified age (40 has been mentioned), to enable elderly people faced with loss of autonomy to finance their own accommodation costs.

In any event, it should be remembered that the private sector only accounts for about 20% of total beds for the elderly, hence posing less of a solvency problem in relation to the statistical distribution of wealth among the very elderly.

5.2.4 – Management of social risks

► Risk identification

Difficulties in recruiting qualified care staff (and in particular state-registered nurses and qualified care assistants) can affect planning and management and therefore the organisation and smooth running of the Group's facilities. Persistent difficulties could have an adverse impact on the quality of care provision.

In addition, a prolonged shortage of qualified care staff, if left unmanaged, could jeopardise the number of beds authorised or even the operating licence itself.

All facilities must be able to provide residents and patients with continuity of care and medical treatment by an adequately staffed, qualified care team.

A lack of qualified staff could also put a brake on the Group's development.

► Risk management

To mitigate this risk, the Orpea Group has implemented an appropriate human resources management policy.

The training and career management policy (as described in the chapter 6 of this report) is an effective means of attracting and retaining motivated employees who share the Group's values and ambitions.

Added to which, the Group's compensation policy offers many benefits (company agreements negotiated with the social partners in addition to individual compensation, incentive plans, death and disability insurance, social welfare budget for the works council, etc.).

Furthermore, the establishment of DOMEA, the dedicated training institute for care assistants, approved by prefectural order, provides the group with a pool of future qualified professionals.

Likewise, the Orpea Group has established a number of partnerships with major schools and universities (ESCP, Institut Paul Bocuse, Université Sophia Antipolis, Université Paris VI Pierre et Marie Curie, Ecole des Mines de Paris, Institut supérieur de rééducation et psychomotricité, among others) ensuring a pool of applications for intermediate management positions such as facility director, head chef, general supervisor/coordinating nurse, re-educator, etc.

5.2.5 – Management of climate risks

► Risk identification

Nursing homes and short-term care facilities must be prepared to cope with abnormal weather conditions. They could be held liable if they fail to do so, which could affect their reputation.

Such events are unpredictable by nature. However, facilities must have the internal procedures in place to guarantee the safety, comfort and well-being of their residents and patients and be able to act swiftly and appropriately when necessary.

► Risk management

The Orpea Group's facilities are equipped to cope with heat or cold fronts that could endanger the health of residents and patients.

The Medical Department has drawn up procedures and protocols (staff mobilisation, hydrating residents, adapting diets, etc.) to be applied in all the Group's facilities and staff training has been organised to guarantee the continued care and well-being of residents.

Agreements have been signed with a nearby health facility in order to set out terms of cooperation and in particular how to care for residents weakened by a heatwave.

Cooled rooms are available in all facilities and some facilities in the south of France are fully air-conditioned.

The Group's internal procedures and protocols comply with the regulatory requirements set out in the government's Plan Bleu (nursing homes) and Plan Blanc (post-acute and rehabilitation facilities), which must be triggered in all the Group's facilities once a certain heat alert level has been reached.

In accordance with decree 2009-597 of 26 May 2009 issued for the application of Article 7 of Law No. 2004-811 of 13 August 2004 on the modernisation of civil security and relating to the ministerial approval of conventions and agreements in social and socio-medical institutions and circular DGAS/2009/170 of 18 June 2009 on the safety of residents in nursing homes in the event of energy failure.

The Electrical Failure Risk Analysis Document (DARDE) has been implemented in all Group facilities. This document sets out what to do in terms of the risks affecting each facility should the power supply be interrupted. Preventive risk management measures have thus been defined, as well as measures to be adopted when risks arise.

Electricity generators have been installed in most facilities to tackle this risk. Where technical and/or architectural constraints did not allow the installation of such equipment in the home, a national master lease agreement has been signed with 2 AST (response 24/7 within four hours on weekdays and six hours on weekends), and a source inverter has been installed to allow the temporary use of a generator.

5.2.6 – Management of risk of pandemic

► Risk identification

An epidemic on a local or national scale could disrupt the smooth running of the Group's facilities and have an impact on its financial position due to the potential loss of business caused by confinement measures and the additional costs involved in implementing exceptional health and safety measures.

► Risk management

The Orpea Group took all appropriate preventive measures when faced with the potential risk of an external epidemic (such as the H1N1 flu epidemic in the second half of 2009):

- preparation and circulation of the Plan Bleu (for long-term care facilities) and Plan Blanc (for clinics) annexes on flu pandemics;
- staff information and training, including a reminder of best hygiene practices and isolation protocols in case of patient or resident infection;
- identifying and ordering the necessary equipment (masks, protective eyewear, antiseptic solution, etc.) to cope with an epidemic and avoid spreading the virus, whilst protecting residents, patients and staff;
- informing visitors through posted notices, limiting visits and giving recommendations in terms of good hygiene practices;
- creation of a national crisis unit (comprising members of the Group Operations Department, Medical Department and Quality Department), which is responsible for coordinating actions across the entire Group and centralising information issued by each facility's crisis unit.

In addition, in accordance with government recommendations, all Group facilities have drawn up a business continuity plan (BCP) for their operations designed to cope with a pandemic (alert Level 6) or localised infection, whilst ensuring continuity of care and offering support to residents.

Finally, every year the Group's facilities ensure improved communication with patients, residents and staff in order to raise awareness and encourage them to get immunised.

5.2.7 – Management of competitive risks

► Risk identification

The dependency care sector's offering is highly diversified in terms of both the type of facilities and the modalities of care: home care, sheltered housing, serviced residences and long-term care facilities. Industry players come from very different backgrounds and are part of the public, associative or private sector, offering different services and prices. Consequently, residents and their families and patients must choose a facility based on several criteria (location, quality, cost, etc.). In this context, Orpea Group facilities must remain competitive and highly attractive.

► Risk management

Residents and patients mostly come from hospitals, in the case of healthcare facilities, and from families, referring physicians or social services in the case of long-term care facilities. They advise future patients and residents on choosing a facility based on a number of criteria, in particular its location, expected quality of care, team expertise and bed availability. This is why Orpea is always striving to make its facilities more attractive: investment and redevelopment of buildings, locations in city centres and quality optimisation and audit. Each facility manager cultivates local relationships with prescribing medical specialists, often inviting them to visit their facility.

A satisfaction survey is conducted annually among prescribing medical specialists in order to gauge their expectations and their level of satisfaction.

In 2013, over 92.4% of people responding to the survey said they would recommend an Orpea or Clinea facility.

The Orpea Group must continue to expand its care offering and develop innovative concepts if it wishes to maintain its position as a leading player in dependency care in the future.

The risk of new operators entering the market or of a substantial increase in competing care facilities is limited. Opening new medical and long-term care facilities is regulated and subject to obtaining an operating licence.

In addition, due to the ageing of the population, the supply of beds in long-term care facilities is well below the needs identified in France, despite the creation of several thousand beds between 2004 and 2010 as a result of successive government policies. And while the national planning body (Commissariat au Plan) estimates the need at 50,000 to 60,000 additional beds, sector specialists recommend the creation of more than 100,000 new beds. Moreover, virtually no new beds have been opened in more than three years.

5.3 – RISKS SPECIFIC TO THE ORPEA GROUP OR RELATED TO ITS STRATEGY

5.3.1 – Management of risk of maltreatment

► Risk identification

Despite the utmost care and professional approach taken by staff, there can be no assurance that residents or patients will not take a liability action against one of the Group's facilities. This could harm the facility's image and have an adverse impact on its commercial appeal or more generally damage the Orpea Group's reputation.

Taking into account the Group's business, said liability action could mainly relate to the risk of maltreatment as the Group's facilities care for dependant and/or disoriented elderly people.

► **Risk management**

With this in mind, the Group has drawn up a preventive and remedial protocol for maltreatment, which is not only designed to help prevent abuse (method of recruitment, staff integration, support and training), but also allows any person suspected of maltreatment or abuse to be suspended for as long as it takes to carry out an internal investigation.

An entire set of best practices has been drawn up to prevent and manage this risk. Procedures are available to control and secure each stage of resident or patient care. A special focus is placed on the traceability of medical care provided in order to guarantee the quality of care and provide a personalised care programme.

Consistent quality standards geared to all facilities have been drawn up under the responsibility of the Group Quality Department assisted by the Medical Department.

In addition, throughout the year, employees receive training on how to detect and prevent abuse. The training includes exchanging experiences, role-playing and individual and collective action plans. Mini-refresher courses are also provided regularly in each facility.

In addition to these preventative measures, each Orpea Group facility is committed to providing good treatment.

The concept of good treatment was introduced in industry regulations by the Act of 2 January 2002 and reaffirmed in 2007 and 2008 by ministerial plans and ANESM recommendations.

Good treatment is founded on respect for the person, their dignity and their individuality.

Originating in a shared culture, a professional attitude geared towards good treatment is a way of being, acting and talking whilst respecting the other person, meeting their needs and requests and accepting their choices and refusals.

Good treatment requires at the same time a collective reflection on practices, ensuring regular objective assessment by professionals, and the rigorous application of the measures generated and recommended by this collective reflection to improve practices.

In this sense, it is a culture that involves continuous self-reflection, including in terms of changes in skills and discoveries in human, social and medical sciences.

Striving to provide good treatment entails continuous reflection by and cooperation among professionals, users and close relatives, as well as other stakeholders in the initiative, with a view to best meeting needs identified at any given time.

It is to this end that the Orpea Group has decided to appoint two good treatment advisers in each facility.

These advisers will be trained beforehand by the Medical Department.

Their role will be to support all teams on a daily basis by:

- contributing to a cooperative environment in the team and ensuring new employees are well received;
- anticipating residents' needs, by listening to them and making themselves available in an attentive and kind manner;
- leading the team in an ethical reflection on its daily practices and conducting mini training sessions if required;
- taking part in the drafting of a facility plan ensuring objectives are complied with;

- warmly welcoming residents and their relatives and supporting them at difficult times.

A good treatment register is available for staff, residents and their relatives to acquire information on the actions carried out to develop and monitor the facility's good-treatment approach.

Good treatment is really a task and a reflection that must be shared by everyone to ensure respect of people and their dignity and well-being. The appointment of advisers will ensure the long-term development of this team culture.

The Orpea Group therefore endeavours to continually raise staff awareness of the values and best practices that are essential to ensure respect for the dignity and individuality of its residents and patients. These values are set out in the Orpea Quality Charter with a customised version included in each facility's "Staff Commitments".

Difficulties identified whilst caring for a resident/patient are discussed at the weekly briefing meetings held in each facility. Equally, the best solutions to respect the patient's freedom and rights, their individuality and dignity, are identified by participants working as a team.

Lastly, the Group's operating structure allows for closer monitoring of the quality of care provided, as well as closer management of staff in relation to everyday problems, as facility directors are relieved of the majority of support functions.

5.3.2 – Risk related to safety of premises

Ensuring the physical safety of the people to whom it provides accommodation is vital for any medical or socio-medical facility. In this area, regulations are growing in number and becoming increasingly complex and restrictive.

Compliance requires significant financial and human resources for a group like Orpea, which operates more than 400 facilities and accordingly has many premises to maintain and keep compliant with the applicable standards at all times.

► Risk identification

Like all premises open to the public, the Group's facilities are subject to strict regulations in terms of safety.

Failure by the Group's facilities to comply with these rules could result in civil and/or criminal action against the Orpea Group, have a negative impact on its business and financial position and/or damage its reputation.

Orpea has risen to this challenge by opting to invest heavily each year to ensure that its facilities comply with the government health, safety and fire directives.

► Risk management

To prevent this risk, the Orpea Group pays close attention to compliance with safety standards in its facilities.

Its key priority is to make all facilities high-quality, secure and comfortable places. Orpea's facilities were built or redeveloped recently and therefore form a consistent, homogeneous portfolio of assets that meet the most stringent regulatory standards and provide a level of comfort rivalled by few in the sector.

Without listing all work carried out recently, it is possible to mention the main points in respect of which upgrades have been carried out, in response to change in the regulatory environment:

- smoke and fire safety systems;
- modernisation of lifts;
- improvement of water systems as part of the fight against legionella;
- asbestos;
- access for persons with reduced mobility.

- *Maintenance and safety policy*

In addition, the Group has adopted an investment policy to ensure regular maintenance and repair of all its facilities.

A preventive and remedial maintenance book has been developed and circulated in all of the Group's facilities.

Checked daily, this book keeps track of all preventive maintenance operations to be executed to ensure our buildings are safe and their quality optimised.

All remedial operations (repairs, etc.) are also systematically tracked so that a given problem, the corrective measure, the interlocutor and the execution date can be identified.

In parallel, the Orpea Group has hired specialised independent companies to verify the safety of installations and premises:

- safety inspection company APAVE periodically checks compliance with regulations in relation to safety (fire, lifts, power, gas, etc.), and after its inspection sends a report to the Works Department and facility managers so that they can take the necessary measures based on the safety recommendations made,
- national “master” contracts have been signed for the provision of various services:
 - Protec Lea (Cofrac), a laboratory, for legionella searches, tests of the potability of drinking water and checks on the water in spa pools;
 - Elis for the treatment and disposal of infectious clinical waste in accordance with regulations;
 - 2 AST for the provision of generators in case of power failure, and the maintenance of existing generators;
 - Air Liquide Santé for the supply and maintenance of oxygen and vacuum equipment;
 - Blick for the installation of patient calls.

- *Fire risk*

In terms of fire safety, the Group's facilities all strictly apply the standards currently in force.

- *Order of 19 November 2001 approving provisions supplementing and amending security regulations concerning the risks of fire and panic in establishments open to the public (type J under the ERP rules)*
- *Order of 13 January 2004 approving provisions supplementing and amending security regulations concerning the risks of fire and panic in establishments open to the public*
- *Order of 10 December 2004 approving various provisions supplementing and amending security regulations concerning the risks of fire and panic in establishments open to the public (type U under the ERP rules)*

A prevention policy has been implemented through training provided to all of the Group's employees (two modules per year: Cofimobile and RPTU/PEPS) by Chubb Consulting and Training. A safety committee is also tasked with conducting three-yearly reviews of compliance with recommended fire safety measures (U and J type establishments, 3rd and 4th grade, under the ERP rules).

- *Decree 95-260 of 8 March 1995 on the departmental advisory committee on safety and accessibility.*

In compliance with the prevailing regulations and AFNOR NFS 61-933, biannual maintenance operations are carried out (fire safety, smoke, fire doors, etc.).

Each of the Group's facilities has a fire safety register which can be accessed 24/7 by emergency services.

Safety instructions and evacuation plans are displayed in each facility, showing the exact route to follow and the meeting point.

Tests are regularly carried out in our facilities to verify staff's reaction times in the event of a fire alarm.

- *Risks linked to hot water*

Risk identification:

Legionellosis is a serious lung disease caused by inhalation of water aerosols contaminated with legionella bacteria. Legionellosis is subject to epidemiological surveillance based on a mandatory reporting system pursuant to Article L. 1331-1 of the French Code of Public Health.

Legionella bacteria ubiquitously colonise natural freshwater and damp soils, as well as many artificial environments. Water temperature is a critical factor affecting the survival and proliferation of legionella. Legionella bacteria proliferate in water at temperatures of between 25°C and 45°C, when water stagnates in the presence of limescale deposits, but their viability decreases at a water temperature of 50°C and higher.

The disease has two forms:

- a mild form known as Pontiac fever, a flu-like syndrome. It cures itself spontaneously within two to five days. It accounts for 95% of cases, and is probably under-diagnosed;
- a severe form, known as legionellosis, that occurs in vulnerable hosts. Risk factors identified at present are advanced age, immunosuppression and smoking.

It is characterised by severe acute lung infection causing death in 11% of cases.

Risk Management:

Orpea's facilities comply with the recommendations on the prevention of legionella risk set out in DGS/SD7A/SD5C-DHOS-E4 no. 243 of 22 April 2002 for post-acute and rehabilitation care facilities and DGS/SD7A/DHOS-E4/DGAS/SD2/2005/493 of 28 October 2005 and the order of 1 February 2010 for long-term care facilities.

Orpea has implemented a policy to prevent and control legionella risk, based primarily on best practices in water system maintenance (hot water systems in particular) and installations at risk.

The Works Department ensures that the hot water installations of all facilities are compliant and present no risk. It also checks that water systems are maintained regularly and properly by the maintenance officer in each facility.

Network diagnostics have been performed in all of the Group's facilities by registered companies (ART Europe and Audit Process).

In accordance with the prevailing recommendations and regulations, all of the Orpea Group's facilities keep records containing all information concerning the management of water in the facility and, in particular:

- plans and synoptic charts of the domestic hot water and cold water networks;
- network diagnosis;
- maintenance operations performed;
- preventive treatments performed to combat limescale and corrosion;

- preventive disinfection treatments;
- curative treatments performed (chemical or thermal shock);
- temperature-monitoring sheets;
- results of legionella searches and water potability tests;
- volume of water consumed.

Accordingly, all of the Group's facilities perform daily temperature measurements at the point of departure of DHW, the plate heat exchanger and hot water returns, and weekly measurements at representative and disadvantaged points (the point farthest from the production of DHW) before and after mixing.

In addition, in accordance with a schedule set annually, legionella searches are conducted pursuant to the decree of 1 February 2010 by COFRAC, an approved laboratory.

A technical protocol of preventive measures against legionella risk has also been put in place in all of the Group's facilities by the Quality Department and the Works Department, listing all maintenance and upkeep operations.

Taps, flexible hoses and shower heads are cleaned, descaled and disinfected every six months to prevent any legionella risk.

A protocol of actions to be taken in the event of unsatisfactory results has also been drawn up. It sets out the various stages of remedial treatment to be taken by the facility to ensure resident, patient and staff safety.

In this context, disposable anti-microbial filters can be fitted to ensure the non-presence of pathogens in water.

- *Risks linked to cold water*

Type D1 potability analyses are performed (bacteriological and physico-chemical analysis) to ensure the quality of drinking water.

In 2013, Orpea equipped all of its facilities with new water dispensers. They are fitted with a UV treatment system ensuring that water is devoid of bacterial contamination.

Water dispensers are maintained daily, and undergo biannual preventive maintenance based on a specific protocol.

- *Risk linked to scalding*

Independently of legionella risk, Orpea attaches great importance to preventing the risk of scalding due to DHW. To comply with the regulations (circular DGS/SD7A/SD5C-DHOS-E4 No. 243 of 22 April 2002 and decree of 30 November 2005) and prevent this risk, the of showers residents/patients are routinely fitted with mixers.

Each week, the maintenance officer of each facility is required to check water temperature at three points, before and after mixing.

All mixers are also subject to a biannual check of the temperature delivered (January and June: traceability in the facility's records).

- *Risk linked to asbestos*

Every year the Orpea Group invests the amounts required to allow its facilities to comply with the orders given by public authorities in terms of health protection measures.

In this context, the Orpea Group has focused especially on the risk linked to asbestos and compliance with the applicable regulations (articles R. 1334-14 to R. 1334-29-9, R. 1337-2 to R. 1337-5 and annexe 13-9 of the French Code of Public Health), order of 12 December 2012 on the assessment criteria of the state of conservation of List A materials and products containing asbestos and content of the tracking report, and order of 12 December 2012 on the assessment criteria of the state of conservation of List B materials and products containing asbestos and the risk of deterioration associated with environmental criteria and the contents of the tracking report).

Thus, all facilities built before 1 July 1997 were checked for asbestos in accordance with decree 96-97 of 7 February 1997 (search for asbestos in thermal insulation, sprayed coatings and false ceilings).

Upon publication of decree 2001-840 of 13 September 2001, these facilities were checked again, including for other materials that could contain asbestos and a Technical Asbestos File was drawn up (the DTA, making it possible to check the state of conservation of elements containing asbestos but also the risk of deterioration: order of 21 December 2012 on general safety recommendations and content of the summary sheet of the "technical asbestos file").

In 2012, a filing cabinet containing the complete documentation (the DTA, updated summary sheets, elimination statements, applicable legislation) was installed in all of these facilities. The filing cabinet can be accessed by supervisory authorities and companies carrying out works or maintenance tasks.

- *Risk lined to radon*

Risk identification:

Radon is a radioactive gas derived from the breakdown of uranium and radium in the earth's crust. Rising up from soil and water, radon diffuses into the air; through the effect of confinement, concentrations are higher inside than outside buildings. Solid radon progeny are then inhaled with the air we breathe and deposited in the lungs. Radon is the biggest source of natural radiation exposure to which humans are subject.

The health risks associated with exposure to radon have been established through numerous studies in humans (particularly among miners) and animals, showing a link with lung cancer. The annual number of deaths from lung cancer attributable to indoor radon exposure in France varies from about 1,200 to 2,900 based on the exposure-response relationships used. These figures show that residential radon exposure is a major public health issue in France.

Risk Management:

In 31 départements, the French Code of Public Health currently requires radon to be measured, and work to be carried out in places open to the public where the length of stay is significant.

The law requires every owner of a medical or socio-medical facility to conduct radon measurements in facilities referred to in the decree of 22 July 2004. These measurements are then repeated every 10 years or whenever work is carried out to modify the ventilation of the building or to seal it against radon.

When results exceed 400 Bq/m³, the owner must first make *simple modifications* to the building to reduce human exposure to radon (e.g. restoration of natural ventilation channels, aeration by opening windows). If these modifications are not sufficient, the owner must then carry out more substantial work on the basis of a diagnosis of the building (methodical inspection to determine the causes of the presence of radon in the building).

In compliance with this regulation, Orpea has commissioned Apave, a provider of inspection services, to carry out radon diagnostics on all of its facilities located in départements covered by the order of 22

July 2004. Pursuant to Article 15 of this order, a register has been established in these institutions (diagnosis, measurement of results and actions undertaken). It can be consulted by health authorities.

5.3.3 – Management of risks linked to provision of care and good practices

- *Risk of infection*

The Group could be held liable in the event of infections in its facilities.

All nursing facilities have a committee for the prevention of nosocomial infections, which is responsible for supervision and prevention plans (protocol, training, audit, etc.) designed to control the risk of infection.

Within the framework of the 2011–2013 National infection prevention programme for the socio-medical sector, long-term care facilities are asked to establish procedures that ensure that each site can assess the risk of infections and determine its level of control over them, through a self-assessment tool developed by the Hospital Hygiene Practices Assessment Group (GREPHH), combining the five committees for the prevention of nosocomial infections. This approach is conducted as part of the process of internal assessment of long-term care facilities.

Once the review was completed, each facility drew up an action plan formalised in an Infection Risk Review Document (DARI).

In order to prevent the risk of exposure to infection of its residents/patients, the Orpea Group has implemented procedures in terms of both compliance with hygiene rules (washing hands, standard precautions) and specific measures to limit the risk of contamination of other residents/patients (isolation measures).

The Group's public health specialists have been trained in the prevention and management of the risk of infection for the teams in each facility.

In parallel, awareness campaigns have been executed with staff, notably through yearly Days on hand hygiene and/or resident/patient safety.

The generalised use of hydro-alcoholic solution in our facilities allows a reduction of the risk of infection through hand contact.

Lastly, audits are carried out regularly by the Quality and Medical Departments to ensure hygiene rules are complied with, systems are under control (laundry, waste, etc.) and to ensure awareness-raising among staff, residents/patients and visitors.

- *Management of potentially infectious healthcare waste (DASRI)*

Risk identification:

As they handle certain healthcare waste, staff are exposed to risks of infection.

Healthcare and similar potentially infectious waste contain viable micro-organisms or their toxins, which we know or we have good reasons to believe cause disease in humans or other live organisms due to their nature, quantity or metabolism (article R. 1335-1 of the French Code of Public Health).

Risk Management:

In order to prevent contamination risks, the Group's facilities must comply with rigorous logistical and organisational procedures in accordance with the regulations in force with regard to the management of waste from potentially infectious healthcare activities (DASRI).

All facilities are equipped with special receptacles for collecting this type of waste: containers for sharp objects and "Cliniboxes" for other waste.

Waste is removed by an authorised company under a service agreement.

As required by law, each facility keeps waste destruction records for three years for traceability purposes (Cerfa slip No. 11352*01).

These agreements and traceability records are made available to the various inspection organisations, mainly the Regional Health Agency.

The Orpea Group has developed a management protocol to identify good practices to follow. It has been circulated in all facilities.

Each facility has an up-to-date cabinet file for managing potentially infectious healthcare waste, ensuring traceability.

A training DVD has been created in partnership with our supplier, to raise staff awareness in all our facilities about the proper management of this waste: compliance with hygiene rules, compliance with procedures, compliance with sorting, storage and removal rules for this waste.

- *Medical equipment and devices*

Risk identification:

The use of medical devices may give rise to a risk. This risk can be due to their operation, caused by their use or by a series of other causes. This risk may affect the patient, the user or third parties.

It can arise from all medical devices of the same type, model or supplier.

Risk Management:

Incidents generated by this risk can be prevented by ensuring comprehensive supervision on all medical devices.

Within the Orpea Group, medical devices are checked and an annual maintenance plan has been drawn up, as well as maintenance protocols for these medical devices.

In parallel, a materials vigilance officer has been appointed in clinics where medical devices are used more commonly, and is in charge of supervising medical devices: reporting incidents, approval of measures to be implemented, etc.

The implementation of a materials vigilance system is an integral part of risk management and safety and quality improvement in each facility.

- *Medical error or negligence*

Risk identification:

Residents or patients could make claims or complaints about the quality of accommodation and the medical and paramedical care provided by an Orpea facility or take action for professional errors or negligence.

The facility could be held liable for professional errors or negligence committed by one of its employees, even though its doctors are also personally liable in this respect.

Apart from the image risk for the facility and the resulting reputational risk for the Group as a whole, Orpea could also be forced to pay compensation to the plaintiffs.

However, its facilities do not provide surgical care and, as the medical activity is marginal, the risk of medical negligence is limited.

Risk Management:

As regards negligence or failings in care provision, this risk is managed in the same way as the risk of abuse; care protocols and traceability of treatment provided are the main measures taken to prevent shortcomings and to control the effectiveness of care provision.

- *Drug-related iatrogeny*

Risk identification:

Drug-related iatrogeny refers to adverse effects on the health of a patient from any act or procedure performed or prescribed by a qualified professional aimed at protecting or curing an individual.

Drug-related iatrogeny is graded in accordance with the adverse effect:

- if the patient is hospitalised or an existing hospitalisation is extended, if his/her life is threatened or if he/she dies, the event is considered seriously adverse;
- if the problems are without consequences for the patient, the event is considered minor.

Undesirable effects can result from:

- an act by a professional with or without medical error; or
- the use of a drug, whether or not its use corresponds to its standard indication.

If iatrogenesis results solely from use of a drug in accordance with its marketing authorisation, the facility has a duty to alert the relevant authorities. If iatrogenesis results from a “medication” error, the facility could be held liable.

According to the National Medicine and Health Product Safety Agency (ANSM), a medication error is an omission or non-intentional action during the provision of care involving medication, which may cause a risk or an undesirable event for the patient.

The error may be due either to poor design of the medication and its information (name confusion, inappropriate packaging, labelling or information, leaflet problems, etc.) or to the systemic organisation of the patient's treatment process (medication management procedure, human factors, environmental factors, professional practices, etc.).

A medication error is considered proven if it leads to the administration of the wrong drug to a patient, an incorrect dose, an erroneous delivery, according to an incorrect treatment plan, etc. It is considered potential if the error is identified before the product is administered to the patient, or latent if it is an observation of a potential risk for the patient.

Risk Management:

Orpea is closely involved in controlling this risk with many departments (operations, medical, quality, purchasing, IT, training, legal, etc.), which are actors in the rollout of tools and aids in securing the medication of patients/residents.

In socio-medical facilities, the medication management procedure is set out by an agreement signed with the dispensing pharmacy as well as by an agreement signed with the prescribing physicians working as independent contractors with the facilities.

Good practice procedures complete the safety measures for medication management: receipt of medications, storage conditions, preparation, administration, management of expired products, withdrawal of batches, etc.

In healthcare facilities, drug management is governed by strict regulations and controlled by the National Health Authority (HAS) in the certification process of the facility and the Regional Health Agency (ARS) during pharmacy inspections.

Pursuant to the prevailing regulations, each institution has declared to the National Medicine and Health Product Safety Agency (ANSM) a health professional who provides immediate reporting of adverse reactions potentially caused by a drug (pharmacovigilant) or a component by-product (haemovigilant).

To disseminate the national medical guidelines in case of an alert, all facilities are linked to health authorities 24/7 (MSNA, HAS, CRPV, etc.). Alerts are dealt with immediately to ensure the safety of all.

In accordance with the order of 6 April 2011, health facilities undertake to manage drug prescriptions with a strong commitment by management to achieving synergies in terms of medical procedures, use of normative and operational leverage, and the sharing of a safety culture with a view to improving the quality of patient care. The provision of drug prescriptions is a complex process with many steps (prescription, dispensing, administration, patient information, etc.) and involving many actors. Prescription is the responsibility of the physician, dispensing is the responsibility of the pharmacist and administration is the responsibility of the nurse.

Each of these steps involves risks that may result in errors. These risks are reviewed in each facility in order to perform mapping. This allows priorities to be set and achieved by specific working groups (CREX, REMED, COMEDIMS, etc.).

The Facility Medical Commission (CME) validates and undertakes to deploy action plans drawn up by working groups or subcommittees. They manage projects and facilitate communication between all departments and stakeholders.

For all of the Group's facilities, and once again in the aim of securing the drug supply chain, Orpea has rolled out computerised prescription, dispensing and administration tools adapted to each sector of activity. These elaborate and scalable technological means enable our Group to deploy additional security and new drug security processes swiftly in response to individual experience.

The prescribing physician and internal pharmacist have detailed, updated information for each chosen medication, in relation to:

- a detailed list of medications included in the facility's treatment plan;
- indications, precautions and counter-indications through a link to the database in force (Claude Bernard);
- potential drug interactions;
- recommended administration and preparation conditions;
- access to the patient's biological parameters (if applicable).

As a result, caregivers have a computerised medication administration plan containing useful information to ensure correct use, removing the need for recopying, in accordance with regulations.

To ensure the sustainability of this security, the Quality Department has deployed tools for making declarations relative to specific drug incidents, allowing all stakeholders to report incidents, accidents or near accidents related to these issues in a timely manner.

At the end of each month, incidents are reviewed by the team to identify the causes and prevent their re-occurrence.

To complete this medication management process, every quarter each facility self-assesses its procedure to identify potential risks and adopt the required corrective measures. Audits outside the facility are also performed by the support services.

In view of the type of patients cared for in our facilities, particular attention is paid to polypharmacy in elderly patients, with nationwide action on selected issues such as the use of benzodiazepines or the prescription of anticoagulants.

In addition, Orpea conducts training on the tools available for securing the drug supply chain, and, for the healthcare sector in particular, training on management of drug prescription available to all “medical” or “administrative” employees in a facility.

- *Runaways*

Risk identification:

Population ageing and the increase in Alzheimer patients have led to a rise in the risk of patients running away from health and long-term care facilities today.

Running away (or rather wandering) by senile patients or patients with psychiatric conditions may lead to significant harm and the facility may be held responsible.

Risk Management:

Prevention of the risk of residents/patients wandering is an integral part of the good practices applied by the Orpea Group.

From admission and in light of the assessment by the facility's doctor, residents/patients who are potentially at risk are identified and sent to appropriate and protected units. Otherwise, appropriate surveillance measures are taken (anti-wandering bracelets, etc.). These different measures are always discussed with the doctor, staff and the resident's legal representative, safeguarding the resident's/patient's well-being, rights and freedoms.

Staff have been trained to identify any behaviour which could lead to a wandering risk. All incidents are immediately reported to Management and to staff in order to take the best possible measures and adjust the resident's life and care plan.

Should a resident/patient run away, the Orpea Group has drawn up a very strict protocol for all its facilities to enable all search resources to be accessed very rapidly based on a detailed alert sheet (description of patient/resident, clothes, photograph, previous address, etc.).

- *Falls*

Risk identification:

Repeated falls are frequent, with the prevalence amongst elderly people over 65 calculated at between 10 and 25%. They mostly occur during simple daily activities such as walking, standing up from a seated position or sitting down.

Repeated falls are associated with high morbidity/mortality, accelerating loss of independence and self-sufficiency, and with a high hospital admission rate.

5% of falls lead to fractures; 10% to the need for care.

Risk Management:

Prevention of the risk of falls is an integral part of the good practice procedures drawn up by the Orpea Group, in terms of both fall prevention and risk management.

The doctor assesses the resident's risk of falls starting from admission. The physical examination is confirmed by simple tests carried out by the paramedical teams (occupation therapists, psychomotricians, physiotherapists, etc.).

Training activities are conducted to raise staff awareness about all the risks relating to falls: removal of obstacles in corridors, room layout, assistance for patient transfers, etc.

In parallel, all facilities are equipped with significant resources that also contribute to reducing this risk (Alzheimer beds, bed barriers, handrails, ramps, etc.).

All falls are immediately reported and identified for traceability (resident's name, time of fall, cause, consequence, measures immediately implemented and in particular care provided).

Preventive measures adapted to the patient are taken based on a review by a multi-disciplinary team, in particular the adjustment of their personal plan.

The family and treating physician are informed of the resident's fall and actions are taken.

A subsequent analysis will identify the collective measures required, in particular in the case of repeated falls due to the same cause.

- *Suicide*

Risk identification:

2009 data put the number of deaths in France at 540,000, of which 10,499 were suicides (source: Inserm).

Suicide and suicidal crisis are a public health issue and a real concern for the population in our facilities, most and foremost in our psychiatric clinics, but also in nursing homes, considering that even though suicide rates decrease with age, mortality rates remain higher amongst elderly people who decide to take their lives.

Risk Management:

The healthcare team assesses the potential suicide risk from admission, taking into account the resident/patient's background and/or current situation, signs of vulnerability and impulsiveness, the individual, family and psychosocial factors.

In the case of a person at risk, in addition to the required close surveillance, the treating team (doctor, nurses, care workers, psychologist) also establish protective measures such as the strengthening of family and social connections or projects allowing the resident/patient to build a future and/or find alternative life options.

In any case, the patient/resident is cared for in a protected environment: limited opening of windows, no access to areas identified as "dangerous" for residents/patients, removal of hazardous objects.

In parallel, a care plan is adjusted to take into account the resident/patient's suicidal risk.

The training module "Preventing suicide risks" has been developed and is currently being rolled out throughout the Group to improve prevention in our facilities and train all staff members.

In the case of suicide, a procedure describes the good practices to follow to manage the event.

Care is immediately provided to the family and close relatives and the facility's teams are debriefed.

An internal unit, comprising a doctor, the facility's Manager and a psychologist, coordinate the actions to be taken.

For more delicate cases, the Group established an Orpea/Clinea institutional emergency psychological unit in 2009, comprising 20 psychologists especially trained to provide care for post-traumatic syndromes, who can lead group or one-to-one therapy sessions in the 24 hours following the incident.

5.3.4 – Management of risks related to food products

► Risk identification

A failure in the food chain may lead to the risk of collective food poisoning, which can negatively impact the residents'/patients' and employees' health as well as the facility's reputation. The facility may be liable in the case of such an infection.

► Risk management

Food hygiene and safety are integral parts of producing good, tasty and nutritionally appropriate meals. The Health Master Plan is a documentary framework that allows Orpea to ensure the establishment and effective implementation by its operational teams of the following:

- Procedures describing methods to be adopted for each stage in preparation (receipt of goods, preparation of fruit and vegetables, cooking, etc.);
- Instructions and displays setting out procedures and specifications that must be followed daily (prescribed uniform, decontamination of fruit and vegetables, cleaning the slicer, burns);
- Records, real proof of the performance of self-assessments (verification notebook for the receipt of goods, statement of placement in a cooling unit, monitoring of the cleaning and sanitising plan, etc.).

Orpea's health control plan is an internal repository that includes all procedures comprising good hygiene practices, implementing HACCP plan measures and the traceability system. Its content is supplemented and adapted by the chef (or manager) and the food representative.

The health control plan covers all items necessary for its implementation:

- good hygiene practice formalised by protocols available in the quality portal;
- HACCP method;
- analysis of risks (in respect of biological, physical and chemical dangers) and critical points;
- traceability system and control;
- management of corrective actions.

Food safety is guaranteed by monitoring sanitary quality. This monitoring is carried out within the framework of collective catering in facilities. Monitoring the sanitary quality of manufactured products is outsourced to an external laboratory (Silliker).

The frequency of monitoring is defined in the contract.

The purpose is to verify and monitor the sanitary quality of food served to consumers and to ensure compliance with the rules of hygiene and those governing temperatures of storage rooms of meals.

Sampling is performed on a random basis by a technician mandated by the laboratory in a time slot that does not interfere with preparation (outside meal service times for instance). The technician is required to report to the team upon arrival. The products collected are sent to the laboratory for analysis one, three and five days later (for central kitchens).

The analysis method is regulated, and the laboratory complies with procedures issued by AFNOR. Different bacteria are searched for in each different product analysed: cheese with (naturally occurring) mould will not be analysed in the same way as raw fruit and vegetables.

Examples of analysis and frequency of testing:

- Bacteriological analysis: three per month, with a minimum of one starter, one main dish and one dessert per quarter;
- Surface sampling of material twice a month;
- Listeria: one test every quarter;
- Local audits: one every year;
- Hygiene audits: one every year;

- Microbiological analysis of the water network: one every year.

5.3.5 – Management of risks related to the Group's development

► Competitive risk in acquisitions

For many years now, Orpea has carried out an active development policy, in particular through the acquisition of existing facilities or small groups of facilities.

More significant competition is emerging in light of the concentration push observed in the dependency care sector in the last few years. As a matter of fact, the emergence of national groups in the long-term care and post-acute and rehabilitation care sectors could cause a risk of overheating in the prices paid for independent facilities.

This risk could potentially put a brake on the Group's expansion policy given the difficulty in identifying facilities that meet its selective acquisition policy and its business and financial criteria.

However, for the moment, the number of possible targets remains high as, with the exception of a few Groups (Korian-Medica, DVD, etc.), the industry remains fragmented: with 83,231 beds at the end of 2013, the 15 largest private French groups accounted for only 15% of the total number of beds in French long-term care facilities (*Mensuel des Maisons de Retraite – January 2013*). There are another 30,000 beds approximately (i.e. about 700 facilities) held by independent facilities, typically family-run. Generally, these facilities no longer have the means to comply with regulatory standards or wish to hand over the reins, often because the founder has reached retirement age. Thus, opportunities continue to abound in the private commercial sector. On the other hand, following the funding difficulties faced by local authorities, certain association facilities are struggling and therefore represent a source of development for the Group.

Moreover, the merger announced between Medica and Korian reduces the number of national groups, and as such the number of potential buyers.

Finally, Orpea is also active abroad, where the industry is fragmented or the need for facilities for elderly dependant people is significant.

► Risks related to the integration of facilities recently acquired by the Group

The number of Orpea Group facilities has increased sharply in the last few years, through internal and external growth: the Orpea network has grown by an average of 3,400 beds per year since 2002, equal to +17% a year.

The Group has solid experience in acquiring facilities and proven expertise in bringing them up to its own quality standards.

There is a formal acquisition and integration procedure which has been circulated to all regional and divisional directors, setting out:

- actions to be implemented on a regulatory, legal and social level;
- reverse planning for deploying Orpea processes and internal audits to be carried out on administration, accommodation, care, catering and construction works.

This model, which has proven its worth across the Orpea network both in France and abroad, allows for a facility to be integrated into the Group in six to nine months. However, like all procedures, it has its limitations and cannot guarantee the systematic success of all integrations the Group may make in the future. Orpea could encounter difficulties in integrating some facilities, whose long-term profitability may not be as good as expected.

► **Risk related to obtaining new financing:**

Orpea can provide no assurance that it will be able to obtain the financing it needs for its expansion, and particularly that market conditions will be conducive to raising funds, whether in shareholders' equity or debt.

However, Orpea's banking partners are confident in the Group due to the excellent visibility over future cash flows, which are not particularly affected by the current economic crisis.

Furthermore, Orpea can rely on a flexible financial structure, with covenants that are significantly lower than the authorised limits. Since the second half of 2012, Orpea has greatly diversified its funding sources by carrying out various programmes:

- private bond placements with major French institutional investors (insurance companies and mutual insurance groups) in the amount of €428 million between mid-2012 and end-2013;
- €198 million ORNANE bond issue in July 2013;
- €100 million capital increase at end-2013.

This left the Group with cash of €468 million at 31 December 2013, giving it considerable financial flexibility to pursue further growth.

5.3.6 – Management of property risks

► **Risk related to operating properties**

As is the case for all facilities open to the public, the Group's French facilities are subject to the standards applicable as regards fire safety and disabled access.

The risk related to safety in the Group's facilities is dealt with in point 5.3.2 – Management of the risk related to safety of premises.

The Group complies with all standards and is subject to the usual periodical visits from the Fire Safety Commission (external inspection agency). The Group's Works Department is responsible for regular maintenance and monitors recommendations made by the Fire Safety Commission.

Furthermore, in order to keep the facilities appealing, the Group has adopted a policy of investing in renovation and maintenance so that it can provide a quality offering to its residents and patients.

► **Construction risk**

As indicated in the previous section, the Group builds a large number of its own facilities.

It is therefore vulnerable to all risks involved in construction, including:

- third party objections to planning permission, which may lead to delays in starting building work;
- delays in completing a project, due mainly to failure on the part of sub-contractors or bad weather conditions;
- temporary unfavourable opinion from the Safety and Disabled Access Committees, which may delay putting the facility into operation;
- emergence of defects.

To limit these risks, the Group has an in-house Property Development Department. This Department is responsible, in conjunction with external architects, for drawing up applications for planning permission in close cooperation with:

- operational staff (Regional Directors, Medical Department and Pricing Department) to draw up a functional project that will ensure smooth running of the facility and proper organisation of care provision;

- the administrative departments of the local authorities responsible for granting planning permission, which facilitates preparation of the application and obtaining permission.

As regards control over constructions operations, the Property Development Department regularly monitors works, costs and deadlines. In this respect, contingency provisions are applied through Special Administrative Terms and Conditions, which set the administrative terms and conditions specific to each contract (for example, late penalties).

In addition, all works are insured under comprehensive construction work policies.

► **Risks related to property ownership**

The main risk related to property ownership is the risk of vacancy and non-utilisation of the asset and therefore a lack of associated revenue and cash flows.

This risk is very limited for the Group as:

- properties are operated or intended to be operated by the Group itself in carefully selected geographical areas, and are therefore not exposed to the risk of voluntary departure of a tenant;
- the risk of vacancy is virtually nil in a sector where strong structural demand outstrips current supply.

Consequently, the properties owned by Orpea stand out from office and residential real estate due to their visibility and ability to maintain high occupancy rates.

► **Risks related to property disposal**

The Group regularly sells operating properties in a block or by lots to third-party investors. Where these disposals are off-plan, the Group may face construction uncertainties that may significantly increase the cost of the building and result in losses.

To limit these risks, the Group has an in-house Property Development Department, which oversees all construction projects and a Financial Control Department in charge of monitoring construction budgets.

► **Risks related to property leases**

Orpea sells a part of the properties it operates and leases them back for a given period of time. There is a risk of rent increase based on rent indexation and of increase upon renewal of the lease.

To keep rental costs under control, most leases are indexed yearly, at a fixed or capped rate, so as to protect the Group against the risk of inflation.

Upon renewal, Orpea has some flexibility because the Group holds the operating licence for the facility.

5.3.7 – Management of information systems risk

The Orpea Group uses information tools and systems to manage resident, patient and staff files. Failure of a software supplier used by the Group or the malfunction of one of its tools could temporarily disrupt the smooth running of the business.

The Orpea Group has therefore opted to develop a substantial part of its applications in-house, which also provides it with a system and applications geared specifically to its needs in terms of size, business and strategy.

In addition, the Orpea Group has implemented the resources required to secure its network and information systems and to avoid the risk of data loss, including daily data backup and centralisation of applications on a single platform.

Lastly, the Orpea Group sets aside an annual budget for developing its information systems.

5.3.8 – Management of risk related to subcontractors and suppliers

► Risk identification

Although the Orpea Group does not consider itself to be dependent on one or more subcontractors or suppliers, discontinuance of service or failure to pay by one or more of them or low-quality services or products could affect the Group, in particular by lowering the quality of its services as well as increasing the associated costs, notably because of the replacement of non-performing subcontractors with more expensive service providers.

► Risk management

This risk is reduced primarily by the Group's drive to keep most functions in-house: food catering, works, cleaning, etc.

Orpea has a central Purchasing Department that has been managing the Group's purchase policy for over 10 years. Its mission goes well beyond the mere selection of suppliers or subcontractors. This department monitors the quality of suppliers, cost rationalisation and implementation of purchasing procedures at Group level, and contributes to the successful integration of new facilities.

Not only does this Purchase Policy allow cost optimisation, but it also ensures traceability and, more generally, the quality of purchased products and services (purchased food, outsourcing of laundry services, medications, medical devices, etc.).

The Group is careful not to rely on a single provider for its supplies or services.

5.3.9 – Management of risk related to the departure of key employees

The Orpea Group's reputation is based on the experience and knowledge of its management team in creating, managing and integrating specialised dependency care facilities.

Its continued development depends largely on the involvement of its key managers in future years.

To limit the disruption that could be caused by the departure of a key employee, Orpea has endeavoured, since its very creation 25 years ago, to build up and retain high quality, experienced teams.

With this in mind, the continuous training policy, and in particular the Cadrélan programme established in 2008 in partnership with ESSEC and subsequently with ESCP, helps Orpea to develop the skills of employees who may, in time, be transferred to new positions within the Group.

5.3.10 – Risks linked to Orpea's international operations

Orpea derived approximately 16.5% of consolidated revenue from international operations in 2013: Belgium accounted for 9.8% of consolidated revenue, Spain 3.1%, Italy 2.4% and Switzerland 1.2%.

The operation of dependency care facilities in these countries is subject to regulations that are relatively close to the French model. The main risks for this business sector and the risks inherent to the Orpea Group, in particular the risks described above, are applicable in the context of international operations.

Changes in the regulatory framework and requirements applicable to international operations could have a negative impact on the Orpea Group's strategy, financial position, income and expansion outlook in these countries.

However, Orpea has a head office and a dedicated local team in each country, maintaining trustworthy relationships with Supervisory Authorities and continuously monitoring any changes in regulations.

In 2013, the Group also decided to initiate expansion in China. This new country offers compelling opportunities for Orpea (ageing population, limited supply, lack of know-how), but also risks: geographical distance, cultural differences, regulatory differences, absence of structure in the sector to date, barriers related to the political environment, etc. To mitigate these risks, the Group has embarked on a prudent policy of limiting the amount of its investments and by mandating financial, legal and medical advisors recognised in China for their expertise.

5.3.11 – Management of environmental risk and environmental impacts of the Group's business

For many years now, the Orpea Group has pursued a policy of continuous progress in the quality and safety of care provided to residents and patients. In parallel, as the property developer for its facilities, Orpea has also endeavoured to develop a quality approach to the construction process. In this respect, its new construction projects use renewable energies and meet the main HQE quality standards to limit their impacts on the environment, whilst providing healthy, comfortable living conditions.

The Property Development Department has reviewed the 14 targets set in the HQE quality approach, defined a level to be met for each one and drilled them down into actions geared to the needs of each new project.

Consequently, the technical and design choices for new facilities are taken within a **policy of sustainable construction**.

To ensure that the building blends in well with its immediate environment, other issues are also reviewed, including:

- Taking advantage of opportunities offered by the environment: designing a project that blends in with the local surroundings (number of storeys, green roofs, tree-covered areas, etc.);
- Positioning the building on the land in accordance with the course of the sun: North-South exposure of the building facilitates the use of solar panels;
- Accessibility of facility for persons with reduced mobility: this criterion is crucial as the Group's facilities care for dependent people.

In addition, Orpea endeavours to use natural materials, where possible found close to the site (e.g. cellulose or hemp wool insulation).

Lastly, Orpea also focuses on reducing energy consumption in its new buildings and wherever possible uses renewable energies (depending on the facility, wood-fired heating, solar thermal systems for hot water production, solar photovoltaic systems for electricity production, thermal insulation, rainwater recovery systems for watering gardens, etc.).

5.4 – MANAGEMENT OF FINANCIAL RISKS

5.4.1 – Management of customer risk

Orpea is not exposed to any major customer risk as its pricing is regulated.

In nursing homes, about three-quarters of revenue is paid in advance by residents and/or their families. The risk is therefore spread across all residents in Orpea's facilities, and no individual resident is a significant customer for the Group. In addition, the dependency allowance is broadly covered by the Personal Autonomy Allowance paid by the local authorities.

To protect against the risk of non-payment, the Group's nursing homes require all new residents to provide a security deposit plus a guarantee from a third party if necessary.

For post-acute and psychiatric care facilities, the per diem rates are paid directly to facilities by Social Security.

To prevent the risk of default over the remaining portion to be paid by the patient and/or his/her private health insurance, pre-admission and admission procedures have been implemented within facilities.

Thus, during pre-admission, conditions of cover by private health insurers are systematically requested and the patient is informed of the balance to be paid in connection with his/her hospitalisation.

On admission to the facility, the patient must provide the following paperwork: signed document providing financial information, payment of a deposit, etc.

An invoice is given to patients every fortnight so that they can pay the amounts due, and careful monitoring is performed weekly so as to issue reminders to patients who have not paid their bills.

Billing statements are sent to private health insurers weekly, and monitoring is performed every fortnight.

Permanent controls are performed by the head office Billing Department, which is in charge of customer disputes, for nursing homes and care facilities alike.

5.4.2 – Credit, liquidity and treasury risk

► Liquidity risk associated with the Orpea Group's debt

Until 2008, the Orpea Group financed its expansion primarily through borrowings from banks or financial institutions.

Since 2009, Orpea has diversified its portfolio of borrowings by issuing bonds or carrying out capital increases (reserved or not). This policy of diversification and optimisation of the financial structure was intensified in 2013, resulting in a significant change in the debt profile:

- net non-bank debt represented 45% of net debt at the end of 2013, compared with 11% at the end of 2011;
- the average maturity of net debt has been extended, and was 5.8 years at the end of 2013, compared with 4.1 years at the end of 2011.

The Orpea Group's gross debt was €2,420 million at 31 December 2013.

Thanks to the growth of the bond market in Europe, the Group's financing can be broken down into four categories:

- financing operating properties through finance leases or bank loans repayable over a typical period of 12 years;
- financing properties or business acquisitions through private bond issuances with maturity ranging from 5 to 14 years;
- financing the acquisition of facilities, operating licences, etc., mainly through bank loans repayable over a period of seven 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.

Property debt accounts for 86% of the Group's total net debt.

The Orpea Group only signs bilateral loan agreements with banks, i.e. without syndication, which ensures fluidity in repaying its borrowings by avoiding major repayments at the end date.

The nominal amount of loans taken out by the Group cannot be more than €50 million excluding bonds.

The repayment schedule is provided in Note 3.12 of the notes to the 2013 consolidated financial statements.

At 31 December 2013, the Group had net cash of €468 million, notably thanks to the proceeds from the capital increase carried out at end-2013.

The majority of depreciable loans taken out by the Group, other than property finance leases, are subject to commitments set out on the basis of banking covenants calculated twice a year, which the Group continued to observe and which were well below the contractual limit at 31 December 2013.

► Interest rate risk associated with the Orpea Group's debt

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 is to hedge its interest rate risk on around 95% of its consolidated net debt. To do this, the Group uses a portfolio of financial instruments in 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.

Interest rate derivatives portfolio :

At 31 December 2012, the average notional amount of the derivatives portfolio with maturity at 1 year was €1,410 million.

At 31 December 2013, the average notional amount of the derivatives portfolio with maturity at 1 year was €1,366 million. As at 31 December 2012, the portfolio comprised 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.

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 its hedging instruments is sensitive to changes in interest rates and in volatility, which is assumed to be constant in this analysis.

At 31 December 2013, net debt amounted to €1,952 million, of which around 45% 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 €2.4 million (before tax and capitalisation of financial expenses);
- the impact of a 0.2% drop (20 basis points at current interest rate levels) would reduce financial expense by €0.5 million.

Details of the Group's hedging positions are provided in Note 3.13.1 of the notes to the 2013 consolidated financial statements.

► **Exchange rate risk**

Orpea is not exposed to exchange rate risk as virtually all its operations are in the euro zone. Two facilities are located outside this area: Clinique La Métaire and Clinique Bois Bougy, in Switzerland. However, with revenue of €19.5 million, these facilities account for just 1% of the Group's total consolidated revenue.

Consequently, exchange rate risk cannot have a material impact on the Group's operations, results and financial position.

5.4.3 – Legal risks: legal and arbitration proceedings

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

To the best of the Group's knowledge, there are no governmental, legal or arbitration proceedings that may have or have had in the recent past significant effects on the Group's financial position or profitability.

5.5 – ORPEA GROUP INSURANCE AND QUALITY POLICY

Main insurance contracts

Under its insurance programme, the Orpea Group has taken out policies with first-class insurance companies to cover property damage and business interruption, as well as consequential losses arising from liability claims against Group companies due to their operations in France.

Orpea's policy is to insure its assets at their replacement value and, for liability insurance, to estimate its own specific risks and the risks that might reasonably be expected to occur in its business sector.

The Group has no surgery or obstetrics activities, which is where the main risk factors lie for insurers and which have a substantial impact on insurance premiums.

The Orpea Group also has a directors' liability policy, covering any financial loss suffered by the Group arising from the failure of its de facto or de jure executive officers to comply with their legal, regulatory or statutory obligations in the course of their duties.

The policy also covers legal defence costs for civil and/or criminal actions.

It extends to "crisis management expenses" to cover the cost of employing the services of a crisis management company.

The policy covers claims made against the insured worldwide (excluding negligence claims in subsidiaries located in common law countries).

An additional liability insurance tops up the main policies once they have been exhausted.

A specific organisation manages all risks, which are subject to mandatory regulatory controls by specialised companies to ensure compliance with safety and prevention regulations.

For construction projects, the Group has a property developer's liability policy covering its liability arising from construction work.

6. CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT

6.1 – EMPLOYEE INFORMATION

6.1.1 – Employment: a very active recruitment policy

The Group employed a total of 25,501 employees in its care facilities and clinics in France and internationally at the end of 2013, compared with 23,057 at the end of 2012, an increase of 9.3% year on year.

► Breakdown of employees and job stability

	Group	France	International	Belgium	Spain	Italy	Switzerland
Employees ¹	25,201	20,424	4,777	2,669	1,263	726	119
Recruitment ²	4,641	4,569	N/A	N/A	72	N/A	N/A
Departures ³	3,186	3,186	N/A	N/A	N/A	N/A	N/A
% average permanent contract	84%	84%	84%	84%	82%	90%	81%
% average temporary contract	16%	16%	16%	16%	18%	10%	19%
% average full-time	78%	81%	66%	50%	90%	86%	63%
% average part-time	22%	19%	34%	50%	10%	14%	37%
% average male	18%	18%	19%	20%	13%	21%	30%
% average female	82%	82%	81%	80%	87%	79%	70%
% average managers ⁴	11%	11%	N/A	N/A	N/A	N/A	N/A
% average non-managers	89%	89%					

¹ In physical persons present on all types of contracts at 31 December 2013

² Recruitment on permanent contracts (on the France scope, all facilities combined)

³ Includes 701 dismissals (on the France scope, all facilities combined)

⁴ The concept of "cadre" (manager) is specifically French

At 31 December 2013, almost 81% of the workforce (20,424 staff) were located in France; the rest were located in the other countries where the Group is active (Belgium, Spain, Italy and Switzerland).

These figures reflect the Orpea Group's policy of consistency, particularly in terms of staff distribution by length of employment, across all European countries.

To achieve this, Orpea has maintained a coherent employment policy that aims to give all its staff job stability and security.

This policy focuses primarily on permanent, full-time contracts. The breakdown by type of employment contract and working hours provided above reflects this policy, the breakdown being extremely stable over time:

- 84% of the Group's employees in Europe have a permanent contract;
- 78% were employed full time in 2013, and 81% in France.

In addition, this policy helps the Orpea Group to avoid creating job insecurity when developing the network by restricting fixed-term contracts to cases required by law and by promoting full-time employment for the largest possible number of people.

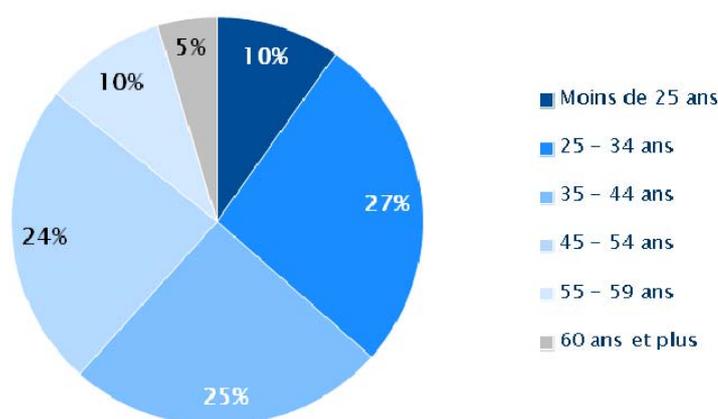
When a full-time job is created or becomes available in the Group, it is offered in priority to employees initially recruited on a part-time basis. Consequently, most employees are working part-time by choice, particularly those on permanent contracts. This is partly due to the nature of the roles filled by part-time employees. They tend to involve highly specific activities, and the employees concerned have diplomas or recognised expertise enabling them to find additional work in the market (doctor, psychologist, activity organiser, catering staff, etc.).

In addition, although our IT system does not currently allow us to determine the exact number of hours, use of temporary employees is marginal and is restricted to exceptional one-off needs resulting notably from emergencies to ensure continuity of care with nursing staff, for instance. The Group outsources its laundry requirements.

To ensure a diverse workforce and improve the sharing of experience, all age groups are represented in the workforce, with a certain uniformity in the various countries where the Group is active. In France, people aged over 55 account for 15% of the workforce, reflecting the positive effect of the company agreement on older employees.

	Group	France	International	Belgium	Spain	Italy	Switzerland
Under 25	10%	10%	9%	11%	6%	5%	NC
25 to 34	27%	27%	26%	28%	26%	16%	NC
35 to 44	25%	24%	30%	30%	27%	33%	NC
45 to 54	24%	24%	25%	22%	28%	28%	NC
55 to 59	10%	10%	8%	6%	9%	12%	NC
60 and over	5%	5%	3%	2%	4%	6%	NC

Breakdown of Group workforce by age group:



► **Job creation and recruitment policy**

Thanks to its expansion and new facility creation policy, Orpea is a committed player in the local economy and creates many new jobs every year. Over the last five years, the Group has created over 6,000 long-term, fixed-location jobs throughout France (new jobs not replacing departures). In 2013, with the opening of 1,800 beds, Orpea created 1,200 jobs on permanent contracts, mostly in France. These job creations and renewals associated with attrition enabled the Group to recruit a total of 4,569 people in France in 2013.

With capacity of close to 8,000 beds under construction or being redeveloped, Orpea is also helping to keep thousands of construction workers in employment.

The vast majority of vacant positions in the Orpea Group are under permanent contracts, in the fields of medicine, care, hospitality-catering and administrative services.

Staff recruitment is based on experience as well as human qualities. In a business based on personal service such as Orpea's, it is essential that staff share a number of values in addition to their professional qualifications:

- kindness, the first pillar of good treatment, represented by listening, availability, respect and trust;
- hospitality, friendliness and good humour, turning facilities into real living spaces, open to the outside, conducive to the development of social ties.

Orpea also attaches great importance to the diversity of its teams to ensure quality care for its residents and patients and ensure the transmission of knowledge between employees.

Orpea uses many tools to successfully implement its recruitment policy at the facility level and at the nationwide level.

For administrative and accommodation staff, the Group also uses job centres and advertisements on its website, in its dedicated career management section.

The Group also attends general (Paris pour l'emploi) and specialist job fairs (Nursing Career Fair), where it promotes careers in elderly care.

For care and medical staff, Orpea benefits from reputation of its network and its participation in national scientific conferences and conventions, and is also developing local partnerships with nearby schools (with nursing training institutes for nursing positions, auxiliary nurses, occupational therapists, etc.).

The Group also advertises in specialist journals, such as the Mensuel des Maisons de Retraite, Géroscopie and the Quotidien du Médecin.

Lastly, in 2013, Orpea took new initiatives to attract young talent to its facilities.

Seven of the Group's clinics obtained an authorisation allowing them to receive and train medical interns (hitherto reserved to hospitals). For Orpea, this is a tremendous opportunity in the management of long-term human resources: hosting interns will help to create vocations for our work among future doctors.

At the same time, to identify motivated managers, Orpea has expanded its partnership with ESCP Europe beyond the training provided to the Group's managers. Orpea has raised its profile among final year undergraduates or students preparing professional master's degrees through conferences, business forums and recruitment meetings to present its business and career prospects in France and internationally. It is essential for a growing group such as Orpea to create a pool of young professionals willing to make a commitment and ensure the management of its personnel.

Lastly, to encourage vocations and attract young people to health and socio-medical careers, some facilities have organised career forums to present elderly care jobs to secondary students at all levels and students in paramedical schools. Initial contacts with schools and parents' associations have received a very enthusiastic response.

Due to the visibility of its sector and its expansion policy, the number of dismissals is insignificant in relation to the total workforce.

In France, the number of dismissals for all causes combined was 701.

Dismissals are essentially of an individual nature, and stem from professional misconduct, notably suspicion of mistreatment.

► **Wage policy**

Orpea has always had a fair and attractive wage policy. The Group's wage policy offers many benefits: company agreements negotiated with the trade unions in addition to individual compensation – incentive plans and death and disability insurance – social welfare budget for the works council, profit-sharing bonuses, etc.

The average gross monthly salary in Orpea's French facilities and excluding head office staff was €2,005 in 2013. This corresponds to the sum of gross compensation weighted by the sum of FTEs by hours on contract. However, this average is not representative in view of the wide range of positions and qualifications within the Group: specialist doctors, nurses, auxiliary nurses, care assistants, administrative staff, etc.

The gross average monthly salary is €1,317 in Spain, €1,667 in Italy and CHF5,546 in Switzerland.

At the time of publication, it had not been possible for us to get this information for Belgium from the outsourced payroll service.

► **Career management: cornerstone of the Group's social policy**

Identifying talented people, retaining them and offering them training leading to qualifications are the cornerstones of the pro-active policy introduced very early on by the Orpea Group to capitalise on and promote professional expertise and human qualities.

Orpea has always placed great importance on the real values and skills of its staff, rather than on qualifications. Several of our directors were promoted from within the Company: people who first trained as auxiliary nurses, nurses, health supervisors and secretaries have reached positions of responsibility, thanks to their motivation, commitment and potential.

Orpea is committed to bringing out individual strengths and energising the careers of each employee to improve the quality of patient care and boost staff motivation and qualifications.

The Group's motto, "Build your career with us", meets the standards the Group has set itself. Above and beyond the primary, fundamental work tasks any group should offer its employees, Orpea supports its valued people in their career plans by focusing on internal recruitment for vacant management positions.

The Group therefore encourages internal promotion and geographical mobility.

Each year, the annual appraisal gives employees an opportunity to express their expectations and ambitions in terms of training, development or geographical relocation.

There are also opportunities to transfer between Orpea and Clinea for employees wishing to gain experience in or move more permanently to a specialised geriatric, post-acute and rehabilitation or psychiatric care facility.

6.1.2 – Organisation of working time

The specific nature of the Orpea Group's work requires several factors to be taken into account when organising working time:

- adherence to applicable rules on working times;
- the service provided to people taken in, both in terms of care and reception;
- responding to staff aspirations.

In France, all staff benefit from working time equivalent to an average of 35 hours per week (full-time basis), for which the weekly hours may vary depending on organisational or operational needs, according to the cyclical shift patterns of the teams.

For the Group as a whole, the absenteeism rate was 9.0% in 2013.

For France, the absenteeism rate is calculated by comparing the actual hours of absence with the number of hours that should have been worked (Total hours of absence/Total hours that should have been worked). It was 8.8%.

For Switzerland and Italy, the absenteeism rate is calculated by dividing the number of hours that should have been worked with the number of hours actually worked. The rates were 3.7% in Switzerland and 11.3% in Italy.

Belgium has an absenteeism rate of 10.1%, reflecting the ratio of FTEs on paid sick leave and unpaid leave to the total number of FTEs.

Orpea strives constantly to improve working conditions for its teams, by signing company agreements with its trade unions.

6.1.3 – Regular and constructive social dialogue to prepare for the future

► The framework: employee representative institutions

In addition to the obligatory consultations, Orpea maintains constant social dialogue throughout the year, both with trade unions and with all staff in the field.

Social dialogue takes place within the Group mainly through the following employee representative bodies in France:

- **Staff delegates:** present in the Group's facilities, staff delegates meet monthly with management representative to review matters raised by employees about the facility's operations. Answers are provided by management in the Staff Delegates register, after approval by Group Human Resources to ensure that the information provided is coherent and harmonised across the entire Group. The Staff Delegates are elected by employees for a term of four years. The last elections took place in the first quarter of 2011.
- **Works Councils:** two Works Councils were set up in 2011, replacing eight Regional Works Councils. They meet every month. Extraordinary meetings can also be arranged to handle specific issues if needed. Members are elected for a term of four years. The last elections to the Works Councils took place in the first quarter of 2011 concurrently with the Staff Delegate elections.

Issues addressed involve economic, social and financial matters. The minutes of each meeting are posted on special notice boards in all facilities.

The Works Councils also manage social welfare initiatives, which allow staff, via employer subsidies, to receive various benefits (gift vouchers, holidays, involvement in sporting or cultural activities, etc.).

The Works Councils also have an operating subsidy paid by the employer, so that they can fulfil their remit.

- **Regional Health and Safety Committees (CHSCT):** 12 Regional Health and Safety Committees meet at least once a quarter to address all issues relating to working conditions, health and safety in the Group's facilities.

Minutes of each meeting are also posted on the special notice boards.

Members of the Regional Health and Safety Committees are appointed for a term of two years.

The newest members were appointed in April–May 2013, reasserting the Group's desire to maintain the principle of fair and balanced representation at all levels of all Group employees, allowing for Regional Health and Safety Committee members to be as close as possible to the employees they represent at all levels.

The Group also has trade union representatives who meet during company negotiations. These negotiations are on pay, working hours, incentive plans, employee savings, disability employment, gender equality, etc.

► **Company agreements**

- **Incentive and profit-sharing agreements**

The Group's incentive and profit-sharing agreements have been in place for several years now. The entitlement under incentive agreements is proportional to working hours (not based on salary received) to ensure a fairer split between employees.

The profit-sharing agreements have been in place for several years (13/12/2000 and 20/11/2001).

The incentive agreements were renewed for three years in early 2014.

In renewing these agreements, the Group has confirmed its commitment to promoting staff involvement with residents and patients through the payment of an incentive bonus related directly to performance.

- **Agreements on gender equality**

Ensuring gender equality is a major concern within the Company, in a sector where women represent the majority of the workforce.

The purpose of the agreements entered into by the Company in 2011 is to ensure that there is no gender disparity and/or to achieve equal treatment if disparities are noted, particularly in terms of employment access conditions, recruitment, training, etc.

- **Agreements on disability employment in the Group**

Disability employment is a key component of the Orpea Group's human resources policy.

Following the signature of company agreements on disability employment in 2008, a special unit within the Human Resources department was created to monitor achievement of the targets set.

At end-2010, the Company and trade unions agreed to continue with this pro-active, responsible disability policy by renewing the 2008 agreements. Their renewal is scheduled for early 2014.

In this context and thanks to the involvement of all relevant stakeholders, workers with disabilities made up 5.92% of Group employees in France in 2013, and nearly 7% for Orpea as a whole, including head office.

The rate was also up compared with 2012, when it was 5.47% in France.

According to a study by the Office for research, studies and statistics (Dares) conducted in November 2013, the employment rate of workers with disabilities in private companies subject to the policy (full-time equivalent) was 3% in 2011.

The Group intends to continue with its commitment and to promote:

- the employment of disabled workers;
- the implementation of qualitative measures to facilitate the integration of disabled workers;
- development of relations with the "protected sector", which provides employment for disabled people;
- access to all professional training solutions;
- priority monitoring of disabled employees to keep them in employment and adapt their working environment accordingly;
- the development of work-study programmes for disabled workers to train them and help them gain qualifications in our sector (care workers, medical support, etc.).

To do this, a special unit ("Mission Handicap") is constantly developing communication strategies to promote the employment of disabled workers among directors to raise awareness and improve the integration of disabled workers into their structure.

In addition to the in-house guide for directors and numerous regional contacts (MDPH, AGEFIPH, Cap Emploi, CFA, etc.), several initiatives were taken in 2013 in favour of disabled workers, including:

- participation of managers in a Handicafé dedicated to apprenticeship and professionalization contracts to promote combined work-study programmes;
- participation of Mission Handicap in meetings with the Regional Directorates to advise managers on recruitment of disabled workers;
- a partnership with LB Développement to set up an outsourced and anonymous telephone hotline in some facilities to answer questions from employees on disability and support them should they decide to seek recognition as disabled workers.

- Agreements on the employment of older workers

Agreements on the employment of older workers were also signed in September 2009 and renewed in 2012 for France.

To help older workers stay in employment and return to the job market, Orpea has committed to developing skills and qualifications through:

- access to training,
- career planning,
- transferring expertise and skills by developing mentoring,
- organising the end of career and the transition between employment and retirement.

At the end of 2013, the majority of targets set – particularly in terms of keeping older workers in employment – had been achieved. Orpea intends to continue with this commitment at all newly acquired facilities concerned.

In a complementary manner, agreements relating to the intergenerational contract were concluded in 2013.

The objective is to promote the employment of young people and the retention of older workers, and to ensure the transfer of knowledge and skills.

Through these agreements favouring an alliance between generations, the Group aims to meet three objectives:

- facilitate the sustainable integration of young people in employment by giving them access to a permanent contract;
- encourage the hiring and continued employment of older workers;
- ensure the transmission of knowledge and skills.

- Agreements on difficult working conditions

The prevention and reduction of difficult working conditions is a key component of the Orpea Group's employment policy, and is in line with its policy to prevent risks in the workplace and to protect employees' physical and mental health.

As part of its commitment to sustainably improve working conditions and extend employees' working lives, the Company entered into agreements in 2011 aimed at preventing difficult working conditions and reducing factors likely to cause them, including parallel schemes to bolster its action in the prevention of stress and psychosocial risks.

Starting in 2013, training in the prevention of psychosocial risks was rolled out for managers. Further training will be given in 2014.

Agreements on the prevention of stress at work were signed in February 2010, for which the Orpea Group was ranked "green" under the Ministry of Employment's traffic light model.

Regional Health and Safety Committees, which are closely involved in the implementation of this agreement, have worked in particular on creating analysis grids to collect information from employees. Under the agreement, the resources made available to the Health and Safety Committee have been extended in order to favour discussions with Group employees.

6.1.4 - Preventing risk and protecting the health of employees

The Group is also committed to maintaining and improving the working conditions of its employees. Steps are taken to prevent the risk of workplace accidents when new structures are built and during renovation or extension projects.

The company has geared its work towards looking to build professional risk prevention into its projects at the earliest possible stage.

In addition to protecting their health, the company also wants to allow its employees to work in an environment conducive to well-being at work: staff rooms are more spacious, comfortable and well equipped; buildings are constructed so as to allow as much light as possible to enter the rooms, allowing workers to see outside from their work stations, with windows at eye level, wherever possible in front of work stations, in each building and in rest rooms, etc.

The Group has also delivered many training sessions on the handling of heavy items and the prevention of back problems, etc. In 2013 more than 200 people were taught how to give training on the prevention of occupational risks associated with handling of heavy items, the objective being for each of the Group's facilities to have a trainer-facilitator on this issue.

The commitments made in this regard by the Group are about to result in a Charter being signed with the authorities in charge of workplace accident prevention (Work Accidents Branch/Workplace Illnesses, Social Security).

► Statistics on workplace accidents

The frequency of workplace accidents as defined by the INRS (French National Institute for Research and Safety for the Prevention of Workplace Accidents and Illnesses) is the number of workplace accidents which made employees unable to work (i.e. which led to an interruption of work of one full day in addition to the day the accident took place and which gave rise to compensation in the form of a first daily indemnity payment) for 1,000,000 hours worked. According to statistics published by the French National Health Insurance Fund for employees (CNAMTS) for 2012, the average frequency rate of workplace accidents in France was 27.7 for the Health sector. In 2013, in France (UES Orpea and SAS Clinea facilities), Orpea recorded a frequency rate of 29.6, this rate being calculated on the basis of theoretical hours worked.

The level of severity is defined by the INRS as the number of days lost due to temporary incapacity per 1,000 hours worked. According to the CNAMTS, the national average for the Health sector was 1.8. For Orpea, in France (UES Orpea and SAS Clinea facilities), it was 1.04 in 2013, well below the average.

However, the Group is not satisfied with these results and is continuing its efforts to improve working conditions for its employees. Orpea is active in the working group set up by the SYNERPA, the INRS and the CNAMTS to develop a training mechanism for key industry professionals designed to help support us in our commitment to combating the risks associated with our sector.

Due to its area of business, the number of workplace illnesses is not high at all.

► Establishment of a psychological unit

In addition, and to support staff undergoing emotional stress due to our area of business, the Group has had a psychological unit for "intervention in urgent institutional situations" since 2009, which is mainly made up of qualified psychologists.

The main objectives of this department are as follows, through setting up Working Groups/Support Groups:

- to support and help an institution in an emergency situation linked to a potentially traumatic violent event which disrupts institutional life and threatens the emotional and/or physical integrity of members of the institution;
- to deal with the anxieties and resistance of teams;
- to help care teams cope with events by restoring their collective care capacity;
- to identify people at risk, who are emotionally fragile and excessively affected by the event.

Since 2013, about 20 interventions have taken place, restoring a feeling of security or serenity among the teams. Since its inception, more than 50 interventions have taken place, demonstrating the initiative's success.

Finally, this employment development policy allied to a strategy of ensuring good employee working and health conditions is backed up by a pro-active approach to professional training.

6.1.5 – Training: commitment to the quality and professionalism of employees

2013 saw the consolidation of the system for financing continuing professional development, and the optimisation of additional obligations as regards refreshing our employees' skills and knowledge.

In 2013, Orpea delivered almost 250,845 hours of continual professional development training, including 173,000 hours in France, i.e. over 10.1 hours per employee on a permanent contract, on average. This figure covers a diverse range of training options, in various formats and with different durations.

However, it does not include the programme of “mini courses” taught throughout the year in facilities to reinforce everyday gestures and awareness of good business practices among all employees.

Internationally, training momentum is on the increase, driven notably by the expansion of the network and the Group’s commitment to providing high-quality care in all countries. Orpea delivered a total of 77,845 hours of training in its international network in 2013, an increase of 56% compared with 2012:

- 30,052 hours in Belgium, i.e. almost 11.26 hours per employee on a permanent contract. The pace of training doubled compared with 2012 in Belgium, notably due to the consolidation of Medibelge and other acquisitions made in recent years;
- 31,520 hours in Spain, i.e. 25 hours per employee on a permanent contract, mainly due to the consolidation of Artevida;
- 7,415 hours in Italy, i.e. more than 10 hours per employee on a permanent contract.

► General training policy

For Orpea, training must not only be of high quality; it must also and especially be of operational use. Training programmes have been developed to meet this requirement. Existing partnerships have been consolidated, and others have been developed with institutions that sometimes go beyond the context of training.

► Specific training to develop knowledge

The Group’s training offer is undergoing many changes; our staff have, over the years, become increasingly qualified and Orpea must develop their knowledge and skills through specific contents. Thus, 1,600 days of training (not leading to a qualification) were organised, and 9,250 employees were able to benefit from these short training sessions in 2013. In 2013, the training department worked to maximise the presence of staff during training sessions, increasing the number of beneficiaries by 32% compared with 2012. The training topics covered all roles represented within the Group.

The quality of the accommodation we provide at our facilities proves this. This allows directors to be at the heart of the recommended training system and to reflect on a process of continued improvement in partnership with their team on the ground.

These figures do not include the “mini-courses” taught in accordance with a monthly schedule in each of the Group’s facilities; these mini-courses, which run for between 30 and 45 minutes, provide a platform for revisiting with staff issues identified during audits and addressing any new procedures to be implemented, both in terms of know-how and interpersonal skills.

Training must naturally fit into the daily life of the company so that it is not seen as a constraint, but as a means of assistance, as support or even as an opportunity.

In 2013, the pooling of expertise the Group continued to grow, and remained reflected in communication of know-how between each speciality (long-term care, post-acute and rehabilitation care and psychiatric care). Care workers having to deal with ageing and increasingly frequent psychiatric illnesses in patients have seen their training requirements shift away from their basic care tasks. The training meets these requirements by drawing on in-house resources so that everyone can benefit. DOMEA, the Group’s care school, continued to deliver training from the “Alzheimer’s plan” for long-term care facilities, with Gerontology Care Assistant training for medical-social and healthcare workers (AS and AMP roles). In 2013, 17 people received the university diploma in psychiatric care

established by the Group's Psychiatry Division in partnership with the University of Amiens as part of the Qualitologie programme.

► **Training leading to a qualification**

Orpea is fully committed to ensuring that the work experience of its employees is recognised via Validation of Learning Experience (VAE) or Validation of Work Experience (VAP) for its administrative staff. 82 VAE (AS/AMP roles) and 34 Master 2s or vocational qualifications of the equivalent level began in 2013, double the 2012 number (15 in Master 2s).

DOMEA, the carer training institute which the Group set up in 2005 (IFAS approved by prefectural order), has played an active role in this commitment by supporting 20 of its employees in acquiring VAE AS and AMP.

In addition to continued training, DOMEA can accommodate young apprentices in cohorts of 15 people per year from February to June. DOMEA endeavours to train employees, students and interns using practical, interactive teaching methods, as well as through individual support in direct liaison with employers, tutors and apprenticeship leaders.

This school proves the Orpea Group's dedication to training quality staff, and providing training that combines technical skills and respect for the dignity of the elderly and patients.

► **Partnerships with schools to promote jobs in the services for the elderly industry**

The Group has measured the importance of making its business sector more attractive. The Group has emphasised the establishment of strong local partnerships with care worker schools, nurses, business schools or universities. These partnerships, confirmed by the payment of the apprenticeship tax to over 325 educational institutions (+12% compared with 2012), result in many interns being accepted to initial training (more than 5,800), hiring new staff on work/study contracts (nearly 170 contracts signed in 2013), the development of specific training programmes or the promotion of our facilities among their students.

Partnerships have been strengthened with the Institut Supérieur de Rééducation Psychomotrice, the Université Sophia Antipolis, Université Paris VI Pierre et Marie Curie, the Ecole des Mines de Paris and with the care worker and nurse training institutes of the French Red Cross.

The partnership with the Ecole des Mines involves subsidies for the teaching and research activities of the Risk and Crisis research centre (CRC) at the Ecole des Mines de Paris.

Orpea partners Pierre et Marie Curie in the Master 2 "advanced gerontology" course aimed at students with a Master 1 planning a career in this field or health and socio-medical professionals with a Master 1 or equivalent qualification.

The ESCP EUROPE hosted the 2 CADRELAN Stratégique class and has approved the vocational qualifications of participants who do not have the level required to take the Specialised Master's in Medical and Hospital Management. These programmes are aimed at employees with management and/or team leadership roles who want to become Directors or perform crossover roles within the Group.

The CADRELAN days offer a wide range of training to our employees, so that they can create tailored training modules to meet the specific needs of their jobs. In 2013, 385 employees (compared with 250 in 2012) attended CADRELAN training days on 12 different themes (team management, improved time management, being an ambassador for their facility, etc.).

► **Training: a way to improve working conditions**

Orpea is involved in personnel development training by promoting training through the Individual Training Fund (DIF), presented in a specific in-house catalogue, "ThémaDIF" in place since 2006.

This catalogue is still widely distributed among employees, across all Group facilities.

The popularity of these courses among staff illustrates the Orpea Group's success in meeting the needs and aspirations of its employees both in terms of professional training and personal fulfilment at work. There are many training options relating to health, well-being and leisure.

Directors and Team Leaders also receive training to optimise their management roles. Communication and team leadership training has been given as well as, more recently, training on the prevention of psycho-social risks. One of the objectives is to give managers the tools they need for the proper management of their teams (assessment interviews, stress management, delegation of skills, leading meetings, risk prevention, conflict management, etc.).

► **Orpea, committed to promoting training in the sector**

In 2013, Orpea invested fully in the Branch "training policy" by participating in Joint Bodies such as the Board of Directors of ACTALIANS (the OPCA appointed by the Branch) or the Commission Paritaire de l'Emploi et de Formation Professionnelle, working to promote the Branch's training policy and increased employment.

Finally, for the Joint Bodies, training has been part of the Group's HR policy and has helped boost the qualifications of our Staff Representatives on issues such as preventing psycho-social risk and difficulties at work, representing 854 internship hours in 2013.

► **A firm commitment by the Psychiatry Department to continuing professional development**

The Psychiatry Department takes the professional excellence of its staff very seriously, and has a generous budget for external and in-house training. Its main initiatives include a university diploma in partnership with the University of Amiens, to improve psycho-pathological and clinical knowledge for nursing staff. The division has also created the classification of primary care (CISP) internally with the same aim: recreate a psychiatric nurse specialisation.

The yearly Clinéa conference allows the department's doctors to meet the best specialists according to the topics chosen.

Also aimed at carers and paramedical staff to optimise their care of individuals and groups, other training courses such as "legal protection of minors"; "managing digital tools"; "introduction to cognitive and behavioural therapy"; "CSPP" (Child Psychiatry Care Certificate); "care-giving"; "preventing suicide risks", a nine-day training session called "bienvenue chez les psys", for administrative managers (Directors, Deputies, etc.), help our psychiatric clinics to run smoothly through a perfect understanding of their core business.

Finally, the Training department allows professionals from all categories to improve the way they work in their respective areas.

6.1.6 – The Company's equal opportunities policy

Orpea has always had an equal opportunities policy in all areas: gender equality, people with disabilities, senior workers, inclusion of younger people, etc.

As indicated in part 6.3, several company agreements have been signed in this regard:

- agreements on professional gender equality;
- agreements on improving integration of people with disabilities in the Group;
- agreements on the employment of senior employees;
- agreements on the intergenerational contract.

6.1.7 – Promoting and adhering to the fundamental conventions of the ILO

► Respect for freedom of association and the right to collective bargaining

For years, the Orpea–Clinea Group has focused on labour dialogue to balance employee interests and social progress with the company's economic constraints.

Effective and constructive social relations for all are part of the proper functioning of the company and freedom of association, freedom of expression, freedom of assembly and the right to information are essential components of social stability and economic development.

Against this backdrop, mandates are fulfilled freely and employees can express themselves freely, with a mutual respect for legal and regulatory provisions and employees' fundamental rights.

The company continues to ensure for all employees harmonious social dialogue involving negotiation of various aspects of labour relations to promote and defend employee interests.

► Elimination of employment and professional discrimination

Through its recruitment, training and promotion policy, the Orpea–Clinea Group has always shown non-discriminatory practices, considering that equality at work involves everybody having the same chances to develop the knowledge, abilities and skills necessary for the company's business activity. Discrimination prevents victims from achieving their full potential and deprives society of the contribution they could make.

Effective mechanisms have been implemented to combat all forms of discrimination: agreements on gender equality, employment of people with disabilities, access to and retention in employment for older workers, transmission of knowledge to the young workers.

The diverse range of cultures, languages, family situations, education levels, racial or social origins, religions, opinions, etc. make Orpea a group where everyone can find their place and thrive, and where everyone is respected and social cohesion ensures economic efficiency.

► Elimination of forced labour and abolition of child labour

Due to the kind of business it is involved in and the direct link its staff have with residents, families and patients, Orpea has of course always adhered to the main conventions of the International Labour Organisation.

6.1.8 – Summary of the methodology used for social reporting

► Organisation and reporting tools

Social information is currently reported by means of dedicated tools used in the Pay and Human Resources departments. Data collection is carried out mainly through payroll software in each country. Data entries are made in each facility, and validated by the Regional Head Offices before being reported to Orpea's head office. After collation by the Human Resources department, they are consolidated and treated in accordance with previously defined procedures and criteria.

► Reporting scope in France

The indicators concern all of the Group's French facilities operating as of 31 December 2013. This comprehensive scope covers the following information: total workforce, permanent/fixed-term, full-time/part-time, manager/non-manager, breakdown of employees by gender, age, average compensation, absenteeism, number of training hours and employment rate of disabled workers.

However, the reporting scope differs for the following indicators:

- The number of recruitments and departures covers all facilities (including those being restructured);
- The frequency and severity rates of workplace accidents were determined on all facilities covered by the Orpea and Clinea health and safety committees.

► Additional information

France

- The rate of fixed-term contracts includes all other types of paid contracts.
- The working time of a full-time equivalent employee (FTE) is 151.67 hours per month. All employees whose working time is below this number are treated as part-time employees.
- Recruitments correspond to all permanent contracts signed during the year, including employees who were no longer present at 31 December 2013.
- The absenteeism rate is calculated by comparing the actual hours of absence with the number of hours that should have been worked. Absences used to calculate the absenteeism rate are as follows: sickness, accidents, maternity leave, absence for personal reasons, unpaid leave, family events and sick children.
- Mini training courses (courses running for less than an hour on issues specific to individual facilities) are not taken into account.

Belgium

- The absenteeism rate is calculated in accordance with the following formula: $FTE \text{ paid sick leave} + FTE \text{ unpaid absence} \div \text{total FTEs}$. This includes hours of paid sick leave (first 30 days of illness), absence of more than 30 days for sickness, absence of more than 30 days for workplace accidents, sick leave without pay for the first month and absences of more than 12 months for sickness.
- Mini training courses are taken into account.

Spain

- The absenteeism rate corresponds to days worked divided by the days of absence for sickness (paid or not), days of absence due to occupational diseases and days of absence due to workplace accidents.

Italy

- Absenteeism rate: difference between theoretical hours worked in 2013 and actual hours worked in 2013.

Switzerland

- The absenteeism rate is the ratio of the number of hours actually worked to the number of hours theoretically worked. Hours of absence include sick leave, accident-related absences and leave to care for sick children.

6.2. – ENVIRONMENTAL INFORMATION

6.2.1 – The Orpea Group's overall environmental policy

Environmental constraints are mainly a result of regulations applicable to all of the Group's facilities: managing infectious waste, managing water quality, managing the health security of residents and patients, etc.

Strongly committed to intergenerational transmission by virtue of its core business, the Orpea Group has initiated an eco-responsible approach to reduce energy consumption and waste of its establishments, involving its entire staff.

In its capacity as the contractor of its facilities, Orpea furthers this action by emphasising the quality of the construction of its premises and the maintenance of its facilities in order to limit their impact on the external environment, while ensuring healthy and comfortable living conditions for its residents and patients. Orpea received the green business prize at the "prix de l'entrepreneur" awards in 2010.

Orpea now wants to work on a wider sustainable development approach, by bringing partners and suppliers together to help cut energy use (water, gas, electricity), and promote environmentally responsible products that pollute little or not at all.

To formalise this approach, an action plan was set out in 2013 for the French scope for the next three years, after the carbon assessment conducted at the end of 2012. An organisation also was established to harmonise environmental practices within the facilities, and to coordinate actions.

A steering committee has been set up to implement this action plan. It is made up of the Purchasing, Works-Construction and Project Management, Quality and Communication departments and meets every two months; a "Group" representative has also been appointed to monitor progress.

Four main components were chosen to guide the Orpea Group's environmental protection actions:

- reducing energy use (essentially gas, water and electricity);
- managing and reducing waste production;
- environmentally responsible purchasing;
- cutting CO2 emissions caused by travel.

The Group also works to develop ways to prevent environmental damage and raise awareness about environmental protection at the facilities, aimed at both employees and residents, patients and visitors, to provide general information on sustainable development and circulate good practice and environmentally responsible attitudes.

Communication kits have been produced with this in mind, based on the recommendations of the ADEME (environment and responsible energy use institute) and other recognised authorities on the matter, to complement the actions that have already been implemented in some facilities, as part of their Quality certifications. These kits were distributed on all sites in the first quarter of 2014.

The aim is to teach everyone to respect the environment through simple everyday gestures, and to adopt eco-responsible behaviour.

The Orpea Group has not set aside any provisions for environmental risks.

6.2.2 – Managing the challenges of climate change

At the end of 2012, Orpea performed a carbon review on greenhouse gas emissions generated by its facilities, with the help of a specialist carbon consulting firm which is a member of the APCC (ECO 2 initiative).

This review covered all facilities controlled by Orpea in France. 100% of the emissions of the assets and activities over which Orpea has operational control were taken into account.

This review showed that the Orpea Group generated 130,000 tonnes of CO₂ in 2011, 500 tonnes per facility, mainly from energy use (38%) and travel (20%), representing 6.7 tonnes of CO₂ per resident/patient.

The energy efficiency of buildings is the most important area of focus for the Orpea Group in its sustainable development approach.

Orpea has already committed to a strategy of reducing the future CO₂ emissions of its facilities, contributing to the fight against climate change, both for new buildings under construction (renewable energy, eco-design and eco-management) and for existing facilities with the ongoing actions set out in its multi-year plan.

6.2.3 – Preventing pollution and managing waste

The maintenance officer for each facility is responsible for removing waste, in line with a clear protocol.

► Clinical waste management

The provision of long-term care produces less infectious clinical waste than obstetric medicine and surgery.

The Group's facilities comply with regulations concerning the management of infectious clinical waste. All facilities are equipped with special receptacles for collecting this type of waste: containers for needles and sharp objects and "Cliniboxes" for other waste.

Waste is removed by an authorised company under a service agreement.

As required by law, each facility keeps waste destruction records for three years for traceability purposes.

These agreements and traceability documents are kept available for the relevant authorities.

Following a recent change of provider, monitoring of waste generation will be operational in 2014.

► Action plan to reduce general waste production

A check and analysis of each facility's waste production are currently being implemented with our collection partners and the management control function. The aim is to identify and correct potential cases of poor practice.

The ensuing training and awareness-raising initiatives will be implemented with teams and suppliers in the second quarter of 2014 to remind them of good practice when compacting waste (cardboard boxes, bottles, etc.) and sorting rubbish, as well as to combat waste.

We are looking at waste recovery options and are testing out the composting of canteen food waste. This test is planned in the coming months as part of our "Green Spaces" service to study its feasibility in a care facility, and the benefits in terms of waste reduction will be observed.

6.2.4 – Sustainable use of natural resources and energy

As part of its ongoing action plan, the Orpea Group wants to make a commitment to reducing energy use in its facilities by optimising the use of resources.

Also, maintenance staff for all facilities and regional technical assistants were retrained in 2013 on optimal facilities management (particularly centralised technical management).

To do this, monthly checks and analyses of energy use were implemented in 2013 to identify problems (leaks, excessively high consumption, benchmarking of sites, etc.) and facilities with high energy consumption. In 2014, this approach will be pursued through the establishment of weekly monitoring and a detailed analysis of energy expenditure.

► Gas and electricity use and management

Orpea wants to reduce its buildings' energy use as much as possible, by implementing energy saving equipment:

- insulation of attic spaces on all buildings with pitched roofs;
- fitting of low-consumption lighting;
- installation of faucet aerators on all sites to reduce water consumption;
- optimisation of procurement contracts with energy suppliers;
- fitting of sensors to reduce electricity consumption;
- development of the equipment required for video conferencing so as to reduce travel;
- selection of materials based on their eligibility for Energy Saving Certificates (ESC);
- optimisation of the vehicle fleet by referencing models on the basis of their CO2 label.

► Water use and management

Orpea monitors the meters and of course, the bills. Any anomalies are immediately identified and dealt with. Each facility has an independent agent responsible for the everyday maintenance and repairs of the building, including water leaks.

To cut water use and promote renewable energy, the group's new building projects include a water storage tank for sanitary water heated by solar cells, as well as the retrieval and management of rainwater, to maintain green spaces for example.

As part of the Group's overall environmental policy, which aims to balance energy saving and quality of life at its facilities for residents, patients and staff, Orpea is installing thermostatic mixing valves.

The Works Department ensures that the hot water installations of all facilities are compliant and present no risk. It also checks that water systems are maintained regularly and properly by the maintenance officer in each facility.

Network diagnostics have been performed in all of the Group's facilities by registered companies (ART Europe and Audit Process).

In accordance with the prevailing recommendations and regulations, all of the Orpea Group's facilities keep records containing all information concerning the management of water in the facility and, in particular:

- plans and synoptic charts of the domestic hot water and cold water networks;
- network diagnosis;

- maintenance operations performed;
- preventive treatments performed to combat limescale and corrosion;
- preventive disinfection treatments;
- curative treatments performed (chemical or thermal shock);
- temperature-monitoring sheets;
- results of searches for legionella and water potability tests;
- volume of water consumed.

Accordingly, all of the Group's facilities perform daily temperature measurements at the point of departure of DHW, the plate heat exchanger and hot water returns, and weekly measurements at representative and disadvantaged points (the point farthest from the production of DHW) before and after mixing.

In addition, in accordance with a schedule set annually, legionella searches are conducted pursuant to the decree of 1 February 2010 by COFRAC, an approved laboratory.

In addition, a technical protocol of preventive measures against legionella risk has been put in place in all the Group's facilities by the Quality Department and the Works Department listing all maintenance and upkeep operations.

Taps, flexible hoses and shower heads are cleaned, descaled and disinfected every six months to prevent any legionella risks.

A protocol of actions to be taken in the event of unsatisfactory results has also been drawn up. It sets out the various stages of remedial treatment to be taken by the facility to ensure resident, patient and staff safety.

In this context, disposable anti-microbial filters can be fitted to ensure the non-presence of pathogens in water.

► **Eco-design and eco-management of buildings**

As Orpea has an in-house project management department, it quickly realised the importance of sustainable development in its business. For several years, Orpea has been committed to considering environmental aspects and energy-saving problems in the specifications for these new building projects.

As part of the Group's overall environmental policy, it aims to balance energy saving and quality of life at its facilities for residents, patients and staff.

The Property Development Department has reviewed the 14 targets set in the HQE quality approach, defined a level to be met for each one and drilled them down into actions geared to the needs of new projects in view of their individual constraints.

Orpea aims to build facilities that are more energy efficient, and which exist in greater harmony with the environment (accessibility, landscaping, urban integration).

Building architecture favours the visual and acoustic comfort, as well as natural light.

The Group is particularly vigilant and innovative in the design of living areas, which prioritises the independence and well-being of residents, using materials, colours and lighting in particular.

Moreover, to ensure that the building blends in well with its immediate environment, other issues are also reviewed, including:

- taking advantage of opportunities offered by the facility's immediate environment: designing a project that blends in with the local surroundings (number of storeys, green roofs, tree-covered areas, etc.);
- positioning the building on the land in accordance with the course of the sun;
- accessibility of facility for persons with reduced mobility: this criterion is crucial as the Group's facilities care for dependent people.

The building project department ensures that all sites, for both construction and renovation work, undergo special studies to limit environmental disturbance.

Before purchasing land, Orpea ensures that the soil is not contaminated and, if necessary, carries out soil remediation.

Some examples:

- Paris long-term care facility: integration of RT 2005 regulations, with additions such as connection to the Paris municipal heating grid, to avoid the need for independent heating and cooling plants;
- Marseille long-term care facility: integration of renewable energy sources on the creation of the facility with the fitting of underground heat exchangers and solar cells for hot sanitary water;
- Clamart long-term care facility: external thermal insulation, condensing gas boiler (+10% performance compared to standard boilers), variable-flow air/water (energy efficient) heat pump, heat recovery ventilation, with CO₂ probe to adjust flows according to the presence of people, energy-efficient fan coils, light activation when presence is detected, up to 10W/sq.m., and external lighting connected to a twilight sensor.

6.2.5 – Protecting biodiversity

Orpea's activity has little effect on biodiversity.

In terms of land use, open spaces are planted as much as possible.

Because Orpea wants to involve its partners and suppliers in its environmental strategy, it will continue to develop its environmentally-responsible purchasing policy, which has been implemented by including environmental criteria in its calls for tender and by systematically selecting environmentally-responsible products in our purchasing lists.

A dashboard is being produced to assess the actions undertaken and supplier proposals.

6.2.6 – Summary of the methodology used for environmental reporting

Environmental information is disclosed within this report on a qualitative basis.

The process of collecting, consolidating and monitoring quantitative indicators is not sufficiently mature to allow disclosure of these indicators.

6.3 – INFORMATION ON SOCIAL COMMITMENTS

6.3.1 – A strong commitment to promoting employment and regional life

► Recruitment and job creation

Through its network of over 400 facilities in Europe, Orpea is a dynamic player in regional employment markets. The Group offers a wide range of roles in all its facilities: carers, residential services, administrative roles, etc.

Orpea's policy of development and new facility creation means that it is regularly creating new long-term jobs in fixed locations.

With capacity of close to 8,000 beds under construction or being refurbished, Orpea is also helping to keep thousands of construction workers in employment.

► Numerous partnerships with schools and training institutes

To promote its image and its business sector, the Group builds strong local partnerships with care worker schools, nurses, business schools or universities. These partnerships, confirmed by the payment of the apprenticeship tax to over 325 educational institutions, result in many interns being accepted to initial training (more than 5,800), hiring new staff on work-study contracts (170 contracts signed in 2013), the development of specific training programmes or the promotion of our facilities among their students.

The Group has always fostered close relationships with educational establishments, as well as pursuing a local recruitment policy to become more involved in local economic life and attract new talent.

6.3.2 – A commitment to promoting education and health in the regions

► Facility open days

All of the Group's facilities regularly hold open days to give the public information and help them on different matters relating to elderly care, and thus helping them to learn to look after their health and to adequately monitor:

- help for carers;
- balance and preventing falls;
- diet and nutrition;
- sleep;
- supporting a relative with Alzheimer's disease.

These open days are an opportunity for the local population to get information and advice via practical conferences and workshops, to meet health professionals, and share experiences with other families. The aim is to support carers and promote the proper care of people at home.

These days are also an opportunity for constructive contact with local authorities and are a way to better inform the local media about the challenges of ageing.

► Defibrillators in the facilities accessible to all

To help prevent the risk of heart failure, the Orpea Group has chosen to fit all of its French retirement homes with medical facilities with a defibrillator.

The installation of these appliances in the retirement homes is a strategic move, not only because these places are particularly accessible (being open to the public seven days a week), but also because they are used by vulnerable elderly people.

Also, the Orpea Group's wide regional network covers several départements, helping to provide optimum coverage in France, promoting greater access to defibrillators by more people.

Therefore, to make these 161 defibrillators accessible to as many people as possible, the Orpea Group has approached the Association RMC/BFM and its life-saving strategy, by sending it the list of Orpea facilities with a defibrillator. The 161 defibrillators appear on the Association's "cardiac arrest" Iphone app.

The information days and defibrillator unveiling days were an opportunity to remind locals that these devices are available to all, including non-medical staff (the instructions are shown on a diagram and read out over a loudspeaker) as well as providing usage recommendations (such as cardiac massage instructions).

6.3.3 – Involvement in local and community life

► The Orpea Group's charity work and community involvement

Each residence or region conducts a number of charity and local community initiatives, notably on inter-generational issues. Orpea believes that teams are often more involved with programmes they have initiated at the local level.

The Group supports several associations such as France Alzheimer, or associations involved in medical research.

At the local level, many initiatives mainly directed at children are being implemented, as inter-generational exchanges are beneficial to the elderly long-term care residents who rediscover their role as elders, responsible for transmitting knowledge.

► Some local examples

In Belgium, Orpea teams walked 275 km in five days to promote "Viva for Life", an association that works on behalf of underprivileged children.

Orpea's Belgian staff rose to a unique challenge to support "Viva for Life": crossing the entire country from Knokke to Liege to raise funds and mobilise as many people as possible around this altruistic action.

Each of the five stages was the occasion for events in Orpea residences, as well as an opportunity to explain the reasons for the challenge to residents and their families: help support children living below the poverty line by providing a relay between generations.

By the time they arrived at their destination, they had collected a total of €15,000, which was handed over to Viva for Life.

Orpea residences in the Rhône-Alpes and Auvergne regions joined forces in 2013 to organise festivals, shows, fundraising lunches and sales of handicrafts to support three local associations: "Pas à Pas avec Aléxia", "Les Amis de Kevin" and "IMCP – Projet Sénégal". They raised a total of €12,000 to fund initiatives on behalf of young people with disabilities.

In 2013, a unique partnership was initiated between Orpea residences in the Midi-Pyrénées, Languedoc-Roussillon and Aquitaine regions, and the foundation led by renowned navigator Maud Fontenoy.

Residents and teams joined forces for an operation entitled "Les oubliés des vacances à la mer" in favour of children unable to have a beach holiday, led by the Fondation Maud Fontenoy in association with French association Secours Populaire, to help finance holidays for 400 disadvantaged children. Meanwhile, Orpea residences also undertook to promote and support the work of the Fondation on educational, scientific and cultural issues in favour of the environment, and above all work done to preserve the oceans, targeting children from neighbouring schools with which partnerships have been established for this purpose.

Awareness campaigns were organised by Orpea residents and staff, and funds were raised. In view of the success of these initiatives and the commitment of staff and residents to the values they convey, the partnership with the Fondation Maud Fontenoy has been renewed for 2014.

Orpea residences in the PACA region join forces every year to support a charity that works for the well-being of children as part of its intergenerational policy.

Thus, in 2013, united around the values of sport, Orpea staff from the PACA region took part in the Nice half marathon and the Nice-Cannes marathon for the association “De l’ombre à la lumière”, which supports a young boy named Virgil, who has autism.

Mozac residents support the Chaîne des Puys

To protect the landscapes of Auvergne, the residents and teams at Orpea Mozac supported the application of the Chaîne des Puys to become a UNESCO World Heritage Site. In the summer, they went on an expedition to the Chaîne des Puys and took photos of each other holding banners and stickers to boost the local authority's lobbying campaign. The delivery of the photos to the General Council was accompanied by a talk given in the presence of school children of the city, providing an opportunity for senior citizens to impress upon younger people the importance of protecting and enhancing the local heritage to which they are so attached.

Orpea-Clinea and the Union pour la Gestion des Etablissements des Caisses d'Assurance Maladie (Union for the Management of Health Insurance Funds or UGECAM) have partnered to facilitate the employment of disabled people in the company, through three avenues:

- facilitating the employment of disabled people trained by the UGECAM within the facilities of the Group;
- making job offers to students at the UGECAM's vocational rehabilitation centres;
- providing training at the UGECAM centres.

Orpea and the Telethon

There was once again within the Group a big outpouring of support for the Telethon this year: walks, sales of goods, exhibitions, shows and raffles were held to raise money in facilities. An example is provided by the Miramas residence, in the Bouches du Rhône department, which organised its own “week of solidarity” and donated €2,888 alone.

► Research subsidies

A non-profit association called ARP (Psychiatry Research Association) based in Meyzieu and heavily subsidised by the Group principally conducts research into epidemiology, and provides training and support for the individual initiatives of the Group's professionals. Articles have been submitted to the best international journals.

6.3.4 – Responsible purchasing policy

The Orpea Group has a centralised organisation whose Purchasing department is particularly concerned with social and environmental matters in its supplier relations.

In its national purchasing database in France, the Group favours companies with an environment charter or which are developing environmentally friendly procedures or solutions. Orpea also pays special attention to fair trade by working with suppliers and subcontractors that are sensitive to ethical and social rules.

All criteria are an integral part of the calls for bids and are thus taken into account when we select our Partners.

► Respecting the environment

Orpea is committed to encouraging its suppliers, partners and subcontractors to work with companies who do as much as possible to protect the environment.

Travel

Orpea is trying to minimise the impact of its business travel, by travelling only when necessary and only flying when absolutely necessary. Wherever possible, the Group holds teleconferences.

Managing maintenance products

Orpea has replaced the various chemical products used with multi-purpose biodegradable cleaning products. Special attention has been paid to the level of toxicity of the products (volatile organic compounds, preservatives with bio-accumulative potential, phosphates, mercury, etc.). Priority is given to products with NFE certification or European eco labels. Clear instructions are circulated to avoid excessive amounts being used.

Waste management

Paper is the main consumable used in the Group. That is why Orpea uses recycled or eco-labelled paper, or paper from responsibly managed forests.

Also, the Group has implemented a policy to reduce the use of paper by encouraging all team members to retrieve and use the reverse of printed pages, as scrap paper for example.

All internal correspondence is done by email only. External relations are done by post or fax only when absolutely necessary.

Electronic filing is also encouraged.

Sorting and recycling

For all facilities and the head office, Orpea has selected responsible partners with which it has developed waste separation and recycling procedures for different waste types. They have been provided with special equipment.

No matter the weight or size, all electrical items and components are recovered. For example, printer cartridges are collected by companies which are specialists in recycling these items.

Printing

Printers that can print on both sides of the paper are favoured to save paper. Ink cartridges are chosen according to their longevity so that they do not have to be replaced as often. Therefore, printers are automatically set to print in black and white, rather than in colour.

► Responsible building construction policy

When designing a building in France, Orpea makes sustainable, environmentally responsible choices:

- respect for the layout of the land;
- choosing a location for the building in line with the layout of the land;
- placing the main façades to the East and West and making sure they are well lit;
- using the support of an acoustician in the classification of passages and the handling of the façade;
- conducting impact studies of future installations on the environment (neighbours, etc.);
- imposing the results on the designated companies;
- separating the structure's equipment;
- placing all work areas in a place where they will receive natural light;
- separating storage for everyday waste and special storage for food waste;
- adhering to local environmental regulations (water law, ESC solar panel if the yield is favourable, etc.).

The technical choices in the building phase also aim to preserve the environment and promote the well-being and safety of residents, patients and employees:

- Building adaptability: façade supporting structure/circulation/superior façade, load increased to 250kg per sq.m. so it can be adapted to purposes other than accommodation;
- Solar protection: rolling shutters, aluminium doors and thermally insulated glazing;
- Water management: dual capacity flush, thermostatic taps at the water drawing point;
- Adherence to RT 2012;
- ECS: water distributed at over 60°C (legionella) and taps have thermostatic mixing valves at the water drawing points to avoid scalding;
- GTB implemented to monitor and control the building's energy use and detect anomalies;
- Waste rooms are kept at 14°C.

Also, for sites in densely populated urban areas, Orpea implements neighbourhood respect charters.

6.3.5 – Fair trade practices

► Preventing corruption and fraud

Orpea pays special care to prohibiting and preventing anti-competitive and unfair commercial practice, and corruption.

Strict auditing and approval procedures are in place to avoid any risk of corruption in all business areas. Each authorisation or acquisition project is subject to a systematic due diligence procedure: several teams visit the facility; operational, financial and social audits are performed; regulatory authorities and families are contacted in advance. Depending on the value of the project, it is approved either by an approval committee or by the Board of Directors.

The fight against fraud is of importance to all staff and memos are regularly sent out to alert staff of this risk. To better deal with this, six people have been authorised to sign cheques or payment orders for any amount for the whole Group. No financial flows may take place in the facilities.

► **Health and safety of residents and patients**

Orpea's main ambition is to provide care and support to those who have chosen to live in a Group facility, by ensuring their safety and well-being.

The health and safety of residents and patients lies at the heart of Orpea's business and is the main aim of all teams.

In all of the Group's facilities (France and abroad) care is optimised by applying medical and paramedical monitoring procedures developed by the Group's medical department to comply with all safety regulations.

A uniform way of organising work with specific supports, comprising procedures and protocols developed by the medical department with staff on the ground, ensures a high quality of care and control thereof.

All treatments and procedures are traced, allowing for optimisation of care and safety. Regular analysis of care services and logistical support provided by permanent supervision by the medical department also ensure safety and on-the-ground support.

Orpea has identified all risks linked to the health and safety of dependent people in its facilities and for many years has applied suitable tools (procedures, training, checklist and verification) to manage these risks, such as:

- climate risk;
- pandemic risk;
- risk of mistreatment;
- care risks;
- food risks;
- building safety risks.

All procedures implemented are outlined in the "risk management" section of the management report.

On a quarterly basis, both in France and abroad, self-assessments are conducted by facilities and semi-annual audits are performed by the Regional Directors to monitor compliance with all Group procedures, thereby ensuring the health and safety of residents and patients.

► **Dialogue and transparency with residents, patients and families**

Listening is one of Orpea's founding values. That is why the main concern of facility directors is to maintain dialogue with and meet the expectations of families:

- special attention is paid to complaints made by residents and their families;
- constructive dialogue within the commissions (menus, leadership, etc.);
- teams trained to be attentive and listen;
- available management due to the centralised layout of the Group.

Independent satisfaction surveys are conducted every year and their results are reviewed facility by facility to best meet residents' and families' needs. The results and improvement plans set for each facility are presented to the residents and families.

The Group takes special care to regularly convene the Council on Social Life (Conseil de la Vie sociale) at each facility. This Council is made up of management representatives, residents and families to discuss various matters:

- the facility's internal organisation and daily life;
- socio-cultural activities and therapy services;
- construction and renovation projects;
- maintenance of premises.

Building a relationship of trust with residents and their families is essential to quality care.

► **Respecting the rights of patients and residents**

The aim of Orpea's social responsibility is:

- On the one hand, to ensure the health and quality of life of its employees at work, in line with local legislation, human rights and freedom of association. Orpea has always engaged in dynamic social dialogue within a trusting relationship between managers and their staff, and actively promotes the fight against discrimination, diversity and gender equality.
- On the other hand, to ensure the health, safety, care and quality of life of residents and patients who have chosen to live in one of the Group's facilities, in adherence with the founding principles of human rights, as well as the hospitalised persons' charter and the charter on elderly people living in care homes.

To do this, the support and care offered by the Group's facilities aim to maintain independence for as long as possible and are done focusing on the comfort, dignity, individuality and freedom of choice at all stages of dependence, even at the end of life.

With this in mind, Orpea teams are trained in end of life care, in terms of both managing pain and discomfort, and in terms of psychological support of the resident/patient, but also their relatives. Training involves the listening skills, kindness and availability that teams need in order to maintain the resident/patient's dignity so that they do not feel abandoned, while creating a secure atmosphere.

Orpea teams engage the resident/patient and always explain the care they are giving them, so that they can make a free choice; they are always asked for consent while care is being provided. They have the right to refuse any treatment and can express their end-of-life wishes through guidelines provided beforehand. The Group's facilities obviously adhere to legislation in force in the field, particularly the 1999 law which ensures the right to access palliative care and the Leonetti law of 2005 (paying special attention to the fact that suspending or no longer providing "curative" care does not mean "neglecting" or "abandoning" the person, on the contrary).

A feeling of belonging, a person's culture, traditions and religious identity are strictly respected and the teams have an objective attitude.

6.4 – REPORT OF THE STATUTORY AUDITORS DESIGNATED AS AN INDEPENDENT BODY ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France

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Report of the Statutory Auditors designated as an independent body on the consolidated social, environmental and societal information included in the management report

Year ended 31 December 2013

To the Shareholders,

In our capacity as Statutory Auditors of Orpea designated as an independent body, we hereby report on the consolidated social, environmental and societal information for the year ended 31 December 2013, presented in the management report (hereinafter “CSR Information”), pursuant to the provisions of Article L. 225 –102–1 of the French Commercial Code.

Deloitte & Associés is accredited by COFRAC under No. 3–1048⁸. The application for certification of Saint Honoré BK&A has been approved as admissible under No. 3–1059.

Responsibility of the Company

It is the responsibility of the Board of Directors to prepare a management report including CSR Information pursuant to Article R. 225–105–1 of the French Commercial Code, prepared in accordance with the reporting guidelines used by the Company (hereinafter “Referential”), a summary of which is contained in sections 6.1.8 and 6.2.6 of the management report.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession (*Code de déontologie*) and Article L. 822–11 of the French Commercial Code. In addition, we maintain a comprehensive system of quality control, including documented policies and procedures to ensure compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of the Statutory Auditors

It is our responsibility, on the basis of our work:

⁸Scope available on the www.cofrac.fr website

- to certify that the required CSR Information is present in the management report or, if not, to provide an explanation pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Certification of presentation of the CSR Information);
- to provide limited assurance on whether the CSR Information, taken together, is fairly presented, in all material respects, in accordance with the Referential (Reasoned opinion on the fairness of the CSR Information).

Our work was performed by a team of seven people between 21 February and 5 May, over a period of approximately five weeks. To assist us in conducting our work, we referred to the CSR experts of our firms.

We conducted the work described below in accordance with professional standards applicable in France and the order of 13 May 2013 determining the conditions under which the independent body performs its engagement and, as regards the reasoned opinion on the fairness of the CSR Information, international standard ISAE 3000⁹.

1. Certification of presentation of the CSR Information

We were given, in interviews with the managers of the departments concerned, a presentation of the guidelines as regards sustainable development in view of the social and environmental consequences of the activities of the company and its societal commitments, as well as any ensuing actions or programmes where appropriate.

We compared the CSR Information presented in the management report with the list provided in Article R. 225-105-1 of the French Commercial Code.

In the event of omission of certain consolidated information, we verified that explanations were provided in accordance with paragraph 3 of Article R. 225-105 of the French Commercial Code.

We verified that the CSR Information covers the consolidated scope, namely the entity and its subsidiaries within the meaning of Article L. 233-1 and the controlled entities within the meaning of Article L. 233-3 of the French Commercial Code, within the limits specified in the methodological note presented in sections 6.1.8 and 6.2.6 of the management report.

Based on our work, and taking into account the restrictions mentioned above, we attest to the inclusion of the required Information in the management report.

2. Reasoned opinion on the fairness of the CSR Information

Nature and scope of the work

We conducted 10 interviews with the people responsible for the preparation of the CSR Information from the departments in charge of the process of collecting said information and, where appropriate, the people responsible for internal control and risk management procedures in order to:

- assess the appropriateness of the Referential with respect to its relevance, completeness, reliability, neutrality and clarity, taking into consideration, where relevant, industry best practice;
- verify the implementation of a procedure for collecting, compiling, processing and checking the CSR Information with regard to its completeness and consistency and to familiarise ourselves with the internal control and risk management procedures relating to the preparation of the CSR Information.

⁹ ISAE 3000 – Assurance engagements other than audits or reviews of historical information

We determined the nature and extent of our tests and audits depending on the nature and importance of the CSR Information in relation to the characteristics of the company, the social and environmental challenges faced by its business, its sustainable development guidelines and industry best practice.

As regards the CSR Information we considered most important¹⁰ :

- at the parent company level, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), implemented analytical procedures on the quantitative information, and verified calculations and data consolidation on a sample basis, verifying their consistency and uniformity with other information contained in the management report;
- at the level of the representative sample of entities selected by us¹¹ based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify the correct application of procedures and implemented detailed tests on a sample basis, checking calculations and reconciling the data with the supporting documents. The sample selected represents an average of 93% of revenue and 92% of the workforce.

We assessed the consistency of the other consolidated CSR Information published on the basis of our knowledge of the company.

Lastly, we assessed the appropriateness of explanations, if any, for the total or partial absence of certain information.

We believe that our sampling methods and the size of the samples we selected using our professional judgement permit us to issue a finding of moderate assurance; a higher level of assurance would have required a more extensive review.

Because of the use of use of sampling techniques and other limits inherent in any internal information and control system, the risk of not detecting a material misstatement in the CSR Information cannot be completely eliminated.

Conclusion

Based on our work, we have not identified any material anomaly liable to call into question the fact that the CSR Information, taken together, is presented truthfully, in accordance with the Referential.

Comments

Without qualifying the above conclusion, we draw your attention to the information provided by the Group in the methodological notes contained in section 6.1.8 of the management report, which sets out the rules and definition applied in different countries to produce HR reporting.

Paris and Neuilly-sur-Seine, 6 May 2014

The Statutory Auditors

Saint-Honoré BK&A

Deloitte & Associés

Frédéric BURBAND

Joël ASSAYAH

¹⁰ **Quantitative information:** workforce, workforce by age, type of contract, male/female, manager/non-manager, recruitment and departures, average gross salary, full-time/part-time, absenteeism rate, frequency and severity of workplace accidents, employment rates of disabled workers, number of training hours per employee

Qualitative information: responsible purchasing policy, health and safety of residents and patients

¹¹All facilities operated in France and by Orpea Belgium

7. ORGANISATION OF THE BOARD OF DIRECTORS

This topic is discussed in Chapter 2 of the registration document under the heading “Corporate Governance”, in point I.1.2 - 2014 report of the Chairman of the Board of Directors on internal control (Article L. 225-37 of the French Commercial Code).

8. ANNEXES

Appendix 1: details of main equity interests

Company	Capital	Reserves and Retained earnings 2013	Share of equity held	Share of equity held	Profit for the financial year ended	Equity 2013	Carrying amount of securities of 2013	
							Gross	Net
SCI Route des Ecluses	303,374	1,475,583	300,340	99%	162,020	1,940,976	303,374	303,374
SCI Les Rives d'Or	1,524	1,502,704	1,509	99%	173,772	1,678,000	933,755	933,755
SCI du Château	1,524	1,969,254	1,509	99%	337,158	2,307,936	1,353,340	1,353,340
SCI Tour Pujols	1,524	1,348,665	1,509	99%	327,786	1,677,975	1,364,795	1,364,795
SCI La Cerisaie	1,524	1,860,840	1,509	99%	147,019	2,009,383	47,224	47,224
SCI Val de Seine	1,524	(2,410,517)	1,509	99%	-649,903	(3,058,896)	711,307	711,307
SCI Cliscouet	1,524	559,992	1,509	99%	353,711	915,227	1,494	1,494
SCI Age d'Or	2,549,161	8,006,331	2,523,669	99%	614,609	11,170,101	6,234,540	6,234,540
SCI Gambetta	1,524	4,327,347	1,509	99%	466,233	4,795,104	1,509	1,509
SCI Croix Rousse	1,524	4,740,114	1,522	99%	544,128	5,285,766	1,509	1,509
SCI Les Dornets	1,524	720,618	1,522	99%	244,788	966,930	1,494	1,494
SCI Château d'Angleterre	1,646	4,100,265	1,631	99%	1,316,053	5,417,964	1,763,577	1,763,577
SCI Montchenot	1,524	10,206,807	1,509	99%	311,520	10,519,851	1,286,933	1,286,933
SCI 115 rue de la Santé	1,524	10,385,392	1,372	90%	1,089,708	11,476,624	1,372	1,372
SCI Abbaye	1,524	(2,932,419)	1,372	90%	(371,954)	(3,302,849)	344,410	344,410
SCI Les Tamaris	1,524	956,230	1,509	99%	880,676	1,838,430	1,357	1,357
SCI Passage Victor Marchand	1,524	3,415,255	1,509	99%	89,907	3,506,686	1,509	1,509
SCI Fauriel	1,524	(6,198,501)	1,509	99%	(1,900,400)	(8,097,376)	1,618,841	1,618,841
SCI Port Thureau	1,524	891,771	1,509	99%	162,667	1,055,962	63,708	63,708
SCI de l'Abbaye	1,524	29,931	1,509	99%	282,454	313,909	1,509	1,509
SCI Les Maraichers	1,524	658,948	1,509	99%	474,030	1,134,502	99,595	99,595
SCI Bosguerard	1,524	748,093	1,509	99%	127,017	876,634	1,274,306	1,274,306
SCI Le Vallon	1,524	4,876,777	1,372	90%	2,283	4,880,585	2,033,228	2,033,228
SCI Brest Le Lys Blanc	1,524	(12,656,498)	717	47%	(78,964)	(12,733,938)	717	717
SCI Bel Air	1,524	214,927	1,509	99%	(102,820)	113,631	335,837	335,837
SAS CLINEA	194,008,608	71,732,001	6,511,863	100%	12,830,041	278,570,650	203,855,563	203,855,563
SARL Les Matines	7,622	(3,137,693)	7,622	100%	(668,922)	(3,798,993)	7,622	7,622
SARL Bel Air	1,265,327	2,096,386	1,265,327	100%	257,491	3,619,204	840,604	840,604
SARL Amarmau	7,622	(919,604)	7,622	100%	(87,474)	(999,456)	7,622	7,622
SARL 94 Niort	7,700	28,351,542	7,700	100%	1,573,562	29,932,804	7,700	7,700
SARL 95	7,700	(472,950)	7,700	100%	(82,510)	(547,760)	7,700	7,700
SCI Sainte Brigitte	1,525	(585,793)	1,524	100%	(26,385)	(610,653)	1,524	1,524
SARL VIVREA	150,000	(1,347,681)	150,000	100%	(726,552)	(1,924,233)	150,000	150,000
SA LES CHARMILLES	76,225	3,986,211	74,701	98%	388,825	4,451,260	3,092,517	3,092,517
SCI KOD'S	22,650	389,474	22,650	100%	57,227	469,351	68,094	68,094
SARL LA BRETAGNE	277,457	(1,315,586)	277,457	100%	17,720	(1,020,409)	41,300	41,300
SARL RESIDENCE LA VENITIE	13,300	(93,780)	13,300	100%	(147,814)	(228,294)	796,267	796,267
SARL L'ATRIUM	7,622	(812,005)	7,622	100%	61,217	(743,166)	985,140	985,140
SARL GESTIHOME SENIOR	400	(7,015)	400	100%	(1,198)	(7,813)	410,849	0
SARL MAISON DE CHARLOTTE	7,500	(1,008,127)	7,500	100%	297,972	(702,655)	2,703,650	2,703,650
SA BRIGE	1,200,000	(1,068,278)	1,200,000	100%	(67,560)	64,162	670,000	670,000
SRLORPEA ITALIA	3,350,000	773,298	161,470	5%	(2,373,394)	1,749,904	682,862	682,862
SCI LES TREILLES	15,245	2,073,904	15,243	99.99%	50,948	2,140,097	2,363,698	2,363,698
SCI LES MAGNOLIAS	1,525	(2,074,863)	1,510	99%	(220,605)	(2,293,943)	1,510	1,510
SCI Courbevoie de l'Arche	1,525	(1,853,707)	1,509	99%	(123,646)	(1,975,828)	1,509	1,509
SCI le Barbaras	182,939	3,675,791	182,939	100%	811,532	4,670,262	821	821
SARL DOMEA	100,000	(115,461)	100,000	100%	3,289	(12,172)	100,000	100,000
SARL 96	7,700	3,253,866	7,700	100%	(129,587)	3,131,979	6,930	6,930
SCI BEAULIEU	3,049	(35,298)	3,049	100%	(12,245)	(44,494)	30,490	30,490
SAS LA SAHARIENNE	1,365,263	(1,317,126)	1,365,263	100%	(478,725)	(430,588)	5,712,440	5,712,440
SARL ORPEA DEV	100,000	778,584	100,000	100%	(1,654)	876,930	100,000	100,000
SAS ORGANIS	37,000	(653,836)	37,000	100%	205,915	(410,921)	11,775,946	9,825,946
GRUPO CARE	63,921	(1,745,482)	63,921	100%	1,435,441	(246,120)	17,878,321	17,878,321
DINMORPEA	5,000	(320,415)	5,000	100%	(4,992)	(320,407)	5,000	5,000
SRL CASA MIA IMMOBILIARE	20,000,000	(6,284,560)	20,000,000	100%	386,251	14,101,691	17,646,819	17,646,819
SA ORPEA BELGIUM	81,500,000	47,481,568	81,490,000	99.99%	11,796,266	140,777,834	65,479,233	65,479,233
SA DOMAINE DE CHURCHILL	815,012	15,302,808	815,012	100%	553,727	16,671,547	12,135,729	12,135,729
SA DOMAINE DE LONGCHAMP	65,026	11,731,363	6,500	10%	(14,487)	11,781,902	1,414,449	1,414,449

Company	Capital	Reserves and Retained earnings 2013	Share of equity held	Share of equity held	Profit for the financial year ended	Equity 2013	Carrying amount of securities of 2013	
							Gross	Net
SA LONGCHAMPS LIBERTAS	90,000	417,884	90,000	100%	731,996	1,239,880	554,719	554,719
SA RS DOMAINE DE CHURCHILL	265,039	156,744	265,000	100%	202,131	623,914	3,075,311	3,075,311
TRANSAC CONSULTING CORPORATION	3,009	(9,002)	3,009	100%	0	(5,993)	1,823,231	1,823,231
SAS Résidence St Luc	37,200	(3,757,733)	37,200	100%	(210,234)	(3,930,767)	2,644,007	2,644,007
SARL Benian	1,000	(39,677)	200	20%	(2,647)	(41,324)	300,200	300,200
SCI JEM II	152	326,477	137	90%	53,696	380,325	883,500	883,500
SARL Reine Bellevue	6,000	(727,314)	6,000	100%	(246,289)	(967,603)	3,370,835	3,370,835
SARL La Doyenne de Santé	8,000	(78,368)	4,000	50%	(14,990)	(85,358)	1,267,425	1,267,425
SASU Le Vige	37,126	(843,550)	37,126	100%	(122,870)	(929,294)	1,350,000	1,350,000
SA Gerone	500,000	1,349,912	500,000	100%	(356,570)	1,493,342	2,982,451	2,982,451
SCI Douarnenez	1,500	(1,906,590)	1,500	100%	321,243	(1,583,847)	1,485	1,485
SCI Barbacane	1,524	880,751	15	1%	22,933	905,208	15	15
SCI Selika	10,671	5,538,171	15	0.14%	29,863	5,578,705	15	15
SCI SLIM	762	644,131	762	100%	80,248	725,141	1,830	1,830
SCI SAINTES BA	1,524	3,404,658	15	1%	771,744	4,177,926	15	15
SCI Les Anes	1,000	(1,480,137)	1	0.10%	(68,373)	(1,547,510)	1	1
SARL L'Ombrière	8,000	(698,553)	8,000	100%	(36,571)	(727,124)	822,027	822,027
SAS MDR La Cheneraie	254,220	(1,165,579)	3,991	2%	(148,430)	(1,059,789)	146,044	146,044
SARL IDF resid Ret.Le Sophora	7,622	(805,444)	762	10%	(151,708)	(949,530)	80,000	80,000
SNC les Jardins d'Escudie	100,000	(3,567,746)	100,000	100%	(381,444)	(3,849,190)	824,310	824,310
SA Résidence du Moulin	38,112	(1,858,887)	38,112	100%	(510,606)	(2,331,381)	2,100,466	2,100,466
SC Les Praticiens	87,600	(26,704)	876	1%	1,670	62,566	67,009	67,009
SAS Résidence La cheneraie	2,537,040	1,778,324	2,537,040	100%	1,649,865	5,965,229	7,324,746	7,324,746
SA EMCEJIDEY	293,400	421,675	293,400	100%	17,136	732,211	4,419,887	4,419,887
SARL Résidence du Parc	18,560	8,326	18,560	100%	5,191	32,071	5,810	5,810
SCI du Fauvet	1,524	221,331	152	10%	728,917	951,772	68,306	68,306
OPCI	5,301,885	(283,302)	266,155	5.02%	(63,820)	4,954,764	479,732	479,732
SAS SFI France	4,000,000	(5,424,179)	4,000,000	100%	(134,418)	(1,558,597)	23,305,520	23,305,520
SCI Ansi	22,867	309,299	2,287	0.1%	2,884,663	3,216,829	40,399	40,399
SARL Viteal les Cedres	50,000	(1,305,395)	50,000	100%	(182,324)	(1,437,719)	85,039	85,039
SA Le Vieux Château	50,000	(1,129,400)	50,000	100%	(336,552)	(1,415,952)	629,728	629,728
SAS Home La Tour	40,600	(552,034)	40,600	100%	55,417	(456,017)	2,869,328	2,869,328
SAS MEDITER	69,650,000	(7,207,168)	3,500,000	100%	(2,376,285)	60,066,547	169,198,343	169,198,343
SNC des Parrans	7,622	13,415	7,622	100%	(206,304)	(185,267)	1,399,856	1,399,856
SAS Holding Mandres	8,000	(15,050)	8,000	100%	304,861	297,811	3,325,832	3,325,832
SNC Les Acanthes	7,622	65,000	7,622	100%	(42,616)	30,006	1,468,434	1,468,434
SA Le Clos St Grégoire	38,173	1,434,132	38,173	100%	213,754	1,686,059	4,692,302	4,692,302
SA Rive Ardente	135,000	54,409	135,000	100%	87,143	276,552	5,062,487	5,062,487
SAS le Clos d'Aliénor	40,000	(36,396)	40,000	100%	77,653	81,257	2,834,020	2,834,020
SAS les Jardins d'Aliénor	10,000	257,252	10,000	100%	128,006	395,258	4,102,931	4,102,931
SAS Medic Agir	1,036,000	722,920	1,036,000	100%	228,085	1,987,005	19,187,329	19,187,329
SA Immobilière de Santé	7,828,400	4,042,000	3,835,916	49%	4,124,600	15,995,000	13,210,000	13,210,000
SARL Domidom	4,992,525	(6,317,187)	1,497,758	30%	(231,529)	(1,556,191)	3,620,565	3,620,565
GCS	100,000	0	12,500	12.50%	916,576	1,016,576	23,300	23,300
SAS Immo Nevers	5,000	(17,124)	5,000	100%	1,773,742	1,761,618	5,000	5,000
SAS Van gogh	40,000	211,657	40,000	100%	595,020	846,677	1,898,727	1,898,727
SAS Résid Castel Georges	7,622	222,231	2,287	30%	37,613	267,466	1,272,171	1,272,171
SCI Castelviel	152	(1,720,149)	76	50%	158,438	(1,561,559)	763,650	763,650
SAS Villa Garlande	459,000	190,921	459,000	100%	726,103	1,376,024	8,417,176	8,417,176
SAS Clos des Meuniers	37,000	(133,000)	37,000	100%	380,538	284,538	7,014,351	7,014,351
SAS St Jean	16,000	0	16,000	100%	(9,120)	6,880	3,020,984	3,020,984
SAS Château de Pile	7,622	(238,044)	7,622	100%	(21,978)	(252,400)	727,103	727,103
SCI Super Aix	228,674	1,779,541	30,688	13%	(25,000)	1,983,214	478,537	478,537
Autres titres							20,446	20,473
Autres titres (access)							284,816	284,816
Total							682,314,903	679,954,054

Appendix 2: income statement for the last five financial years

	31/12/2013	31/12/2012	31/12/2011	31/12/2010	31/12/2009
Capital at year-end					
Share capital	69,346,239	66,247,578	66,247,365	52,940,994	48,558,965
Number of existing ordinary shares	55,476,991	52,998,062	52,997,892	42,352,795	38,847,172
Maximum number of additional shares to be issued					
By converting bonds*	8,330,165	4,069,534	4,069,534	4,069,635	0
By exercising subscription rights	246,016	1,217,779	1,217,949	1,263,387	1,355,268
Transactions and net profit for the year					
Sales	555,525,700	494,474,847	442,591,056	409,332,636	380,391,749
Operating profit	46,678,323	37,838,649	37,501,890	36,951,737	34,851,930
Net finance cost	(34,357,301)	(23,171,095)	(22,933,928)	(23,872,898)	(5,006,221)
Pre-tax profit on ordinary activities	12,321,022	14,667,554	14,567,962	13,078,838	29,845,709
Exceptional items	(4,542,032)	(31,738)	(8,300,900)	(3,434,604)	(23,842,641)
Profit before tax, amortisation and provisions	25,167,519	30,957,575	24,936,512	20,379,506	15,231,842
Income tax	4,826,545	6,283,056	3,734,267	3,610,154	(931,447)
Net profit	2,952,446	8,352,759	2,532,794	6,034,080	6,934,515
Distributed profit	38,833,894	31,798,837	26,498,946	9,741,143	5,827,076
Earnings per share					
Earnings per share	0.05	0.16	0.05	0.14	0.18
Maximum diluted earnings per share	0.05	0.14	0.04	0.13	0.17
Dividend paid per share	0.70	0.60	0.50	0.23	0.15
Staff					
Average workforce	7,520	6,228	5,624	5,463	5,113
Total payroll	195,434,777	165,622,902	150,403,838	141,820,058	125,171,761
Total employee benefits	67,649,672	61,957,378	55,240,725	51,087,063	47,814,950

* 4,069,635 (OCEANE) + 4,260,631 (ORNAME) = 8,330,165

CHAPTER V: CONSOLIDATED FINANCIAL STATEMENTS AT 31/12/2013

1. CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013

CONSOLIDATED INCOME STATEMENT

<i>(in thousands of euros)</i>	<i>Notes</i>	31-dec-2013	31-dec-2012
SALES		1,607,922	1,429,263
Cost of materials consumed and other external charges		(431,179)	(387,906)
Staff costs		(798,504)	(716,175)
Taxes other than on profit		(77,669)	(67,265)
Depreciation, amortisation and provisions		(70,734)	(63,456)
Other recurring operating income		2,508	4,419
Other recurring operating expense		(5,063)	(4,472)
Recurring operating profit		227,282	194,407
Other non-recurring operating income	3.18	255,943	336,407
Other non-recurring operating expense	3.18	(214,838)	(309,512)
OPERATING PROFIT		268,386	221,302
Financial income		15,492	16,906
Financial expenses (*)		(110,976)	(89,718)
Net finance cost	3.19	(95,484)	(72,812)
PRE-TAX PROFIT		172,902	148,490
Income tax expense	3.20	(61,030)	(52,448)
Share in profit (loss) of associates and joint ventures	3.5	1,899	1,037
NET PROFIT		113,771	97,079
Attributable to minority interests		(140)	51
Attributable to owners of the Company		113,911	97,028
Number of shares		55,476,991	52,998,062
Basic earnings per share (in euros)		2.15	1.83
Diluted earnings per share (in euros)		2.08	1.79

(*) including (€4.9) million in respect of the change in fair value at 31 December 2013 of the entitlement to the allotment of ORNANE shares.

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

COMPREHENSIVE INCOME STATEMENT

<i>(in thousands of euros)</i>		31-dec-2013	31-dec-2012
Net profit of the year	<i>a</i>	113,911	97,028
Translation adjustments			
Available-for-sale financial assets			
Cash flow hedging		38,030	(27,653)
Comprehensive income of associates			
Tax effect on items that may be reclassified to income statement		(14,451)	9,521
Total items that may be reclassified to income statement	<i>b</i>	23,579	(18,132)
Comprehensive income net of items that may be reclassified to income statement	<i>a+b</i>	137,490	78,896
Actuarial gains (losses)		(2,738)	(1,235)
Revaluation of property assets			17,346
Tax effect on items that will not be reclassified to income statement		1,040	(5,547)
Total items that will not be reclassified to income statement	<i>c</i>	(1,698)	10,564
Comprehensive income net of items that will not be reclassified to income statement	<i>a+b+c</i>	135,792	89,460
Other comprehensive income (net of tax)	<i>b+c</i>	21,881	(7,568)
Comprehensive income	<i>a+b+c</i>	135,792	89,461

CONSOLIDATED BALANCE SHEET

<i>(in thousands of euros)</i>	<i>Notes</i>	31-dec-2013	31-dec-2012
Assets			
Goodwill	3.1	398,394	379,866
Net intangible assets	3.2	1,439,714	1,306,292
Net property, plant & equipment	3.4	1,992,900	1,898,047
Properties under construction	3.4	568,942	553,881
Investments in associates and joint ventures	3.5	50,999	45,422
Non-current financial assets	3.6	28,404	22,534
Deferred tax assets	3.20	24,084	22,549
Non-current assets		4,503,436	4,228,593
Inventories		5,695	5,001
Trade receivables	3.7	80,259	100,289
Other assets, accruals and prepayments	3.8	183,835	138,134
Cash and cash equivalents	3.12	468,351	362,292
Current Assets		738,140	605,716
Assets held for sale		210,014	120,700
TOTAL ASSETS		5,451,590	4,955,009
Liabilities			
Share capital		69,346	66,248
Consolidated reserves		1,006,038	845,761
Revaluation reserve		223,079	205,242
Net profit for the year		113,911	97,028
Equity attributable to owners of the Company	3.10	1,412,374	1,214,279
Minority interest		979	1,487
Total equity		1,413,353	1,215,766
Non-current financial liabilities	3.12	1,924,940	1,669,510
Provisions	3.11	34,146	28,018
Post-employment and other employee benefits obligation	3.11	33,998	28,798
Deferred tax liabilities	3.20	756,829	692,617
Non-current liabilities		2,749,914	2,418,943
Current financial liabilities	3.12	285,436	503,669
Provisions	3.11	18,030	12,220
Trade payables	3.14	199,426	154,673
Tax and payroll liabilities		188,288	185,937
Current income tax liability		9,246	19,528
Other liabilities, accruals and prepayments	3.15	377,885	323,572
Current liabilities		1,078,310	1,199,599
Liabilities associated with assets held for sale		210,014	120,700
TOTAL LIABILITIES		5,451,590	4,955,009

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	31-dec-2013	31-dec-2012
	<i>(in thousands of euros)</i>	
	<i>Notes</i>	
Cash flow from operating activities.....		
● Consolidated net profit.....	113,911	97,028
● Elimination of non-cash items related to operating activities (*).....	54,739	77,253
Cost of debt..... 3.19	95,484	72,812
● Gains on disposals not related to operating activities, net of tax.....	(37,721)	(34,753)
Cash generated by consolidated companies	226,412	212,340
● Change in operating working capital requirement.....		
- Inventories.....	(283)	(372)
- Trade receivables..... 3.7	24,336	4,471
- Other receivables..... 3.8	1,742	50,564
- Tax and social security liabilities.....	(8,688)	15,177
- Trade payables..... 3.14	32,344	(31,252)
- Other liabilities..... 3.15	(28,584)	(42,788)
Cash flow from operating activities	247,279	208,140
Cash flow from investing and development activities.....		
● Net cash for acquisition of real estate.....	(367,369)	(437,544)
● Real estate sales.....	230,138	300,295
● Acquisition of property, plant & equipment and PPE in progress.....	(155,615)	(144,946)
● Current accounts and other movements.....	58,288	2,802
Cash flow from investing activities	(234,558)	(279,393)
Cash flow from financing activities		
● Proceeds from capital increases..... 3.10	94,102	(101)
● Dividends paid to the owners of the parent..... 3.10	(31,799)	(26,499)
● Additions to (repayments of) bridging loans and bank overdrafts..... 3.12	(179,479)	(68,982)
● Additions to finance leases..... 3.12	138,728	93,529
● Proceeds from bond issues..... 3.12	337,263	291,141
● Additions to other debt..... 3.12	154,438	166,211
● Repayments of other debt..... 3.12	(248,243)	(205,175)
● Repayments of finance leases..... 3.12	(76,188)	(53,220)
● Cost of debt and other movements..... 3.19	(95,484)	(72,816)
Cash flow from financing activities	93,338	124,088
Change in cash and cash equivalents	106,059	52,835
Opening cash and cash equivalents.....	362,292	309,457
Closing cash and cash equivalents	468,351	362,292
Breakdown of closing cash and cash equivalents.....	468,351	362,292
● Money market funds..... 3.12	133,958	237,341
● Cash and cash equivalents..... 3.12	334,392	124,951
● Bank overdrafts.....		
<i>The notes are an integral part of the consolidated financial statements.</i>		
<i>(*) Mainly including depreciation, amortisation, provisions, deferred taxes, 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.</i>		

INFORMATION ON CONSOLIDATED EQUITY

Statement of changes in consolidated equity

<i>(in thousands of euros) except for the number of shares</i>	Number of shares	Share capital	Share premiums	Revaluation reserve	Other reserves	Profit or loss	Total Attributable to owners of the Company	Non- controlling interests	Total
31-Dec-2011	52,997,892	66,247	378,973	311,662	308,219	80,316	1,151,650	2,897	1,154,547
Change in fair value of properties				536	10,837		11,373		11,373
Post employment benefit obligation					(810)		(810)		(810)
Financial instruments				(18,132)			(18,132)		(18,132)
Other							0		0
Fair value changes recognised directly in equity		0	0	(17,596)	10,027	0	(7,568)	0	(7,568)
Reclassification revaluations following change to IFRS 1				(88,824)	88,824				
Appropriation of net profit/(loss)					53,817	(80,316)	(26,499)		(26,499)
2012 net profit						97,028	97,028	51	97,079
Exercise of stock options							0		0
Exercise of share warrants	170	0	6				6		6
Exercise of OCEANE							0		0
Capital increase			(107)				(107)		(107)
Contribution from Mediter's capital increase							0		0
Other					(232)		(232)	(1,462)	(1,694)
31-Dec-2012	52,998,062	66,248	378,872	205,242	460,656	97,028	1,214,279	1,487	1,215,766
Change in fair value of properties				(4,043)	4,043		0		0
Post employment benefit obligation					(1,698)		(1,698)		(1,698)
Financial instruments				23,579			23,579		23,579
Other							0		0
Fair value changes recognised directly in equity		0	0	19,536	2,345	0	21,881	0	21,881
Reclassifications			3,217		3,016				
Appropriation of net profit/(loss)					65,229	(97,028)	(31,799)		(31,799)
2013 net profit						113,911	113,911	(140)	113,771
Exercise of stock options							0		0
Exercise of share warrants			(4,824)				(4,824)		(4,824)
Exercise of OCEANE							0		0
Capital increase	2,478,929	3,099	95,776				98,875		98,875
Contribution from Mediter's capital increase							0		0
Other					51		51	(368)	(317)
31-dec-2013	55,476,991	69,346	473,042	224,776	531,297	113,911	1,412,374	979	1,413,353

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Amounts are expressed in thousands of euros unless otherwise stated

The 2013 consolidated financial statements for the Orpea Group were approved by the Board of Directors on 29 April 2014.

1. SIGNIFICANT ACCOUNTING POLICIES

Orpea S.A. is a French company with its registered office at 115 rue de la Santé, Paris. It is the parent company of a Group that operates long-term care homes for the elderly and short-term post-acute and psychiatric care facilities.

1.1 Accounting standards

As required by European regulation 1606/2002 dated 19 July 2002, the Orpea Group has prepared its 2013 annual 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 made obligatory as of the balance sheet date of these financial statements.

This standard is available on the European Commission's website (http://ec.europa.eu/internal_market/accounting/ias_fr.htm) and includes the international accounting standards (IAS and IFRS) as well as the IFRIC interpretations (International Financial Reporting Interpretations Committee).

The accounting methods set out below have been permanently applied to all financial years presented in the consolidated financial statements, except for the new standards and interpretations set out below.

The new standards and interpretations that are mandatory for periods beginning on or after 1 January 2013 and have been adopted by the Orpea Group are:

- Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income (OCI)";
- Amendment to IAS 12 "Income Taxes – Deferred Tax: Recovery of Underlying Assets";
- Amendment to IFRS 7 "Offsetting Financial Assets and Financial Liabilities";
- IFRS 13 "Fair Value Measurement";
- IAS 19 (revised) "Employee Benefits";
- Annual improvements to IFRS (2009–2011).

Broadly speaking, the application of these new standards and amendments did not have a significant impact on the consolidated financial statements for the period.

More specifically, the real estate appraisal methods used by the valuers remained unchanged following the application of IFRS 13 and the Group did not identify any significant impact of non-performance risk in the valuation of its hedging instruments portfolio.

Moreover, a detailed analysis of the application of IAS 19 (revised) can be found in section 1.2.

The group did not apply any new standards or interpretations which were not obligatory on 1 January 2013. These standards were as follows:

Standards adopted by the European Union that are not mandatory for the financial year:

- IAS 28 (revised) "Investments in Associates and Joint Ventures";
- Amendments to IAS 32 "Presentation: Offsetting Financial Assets and Financial Liabilities";
- Amendment to IFRS 7 "Disclosures: Offsetting Financial Assets and Financial Liabilities";
- IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements" and IFRS 12 "Disclosure of interests in other entities" which are applicable en masse from 2014
- IAS 27 R "Separate Financial Statements";
- Amendments to IFRS 10, 11, 12 "Transitional provisions";
- Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets";
- Amendments to IAS 39 and IFRS 9 "Novation of Derivatives and Continuation of Hedge Accounting".

Standards not yet adopted by the European Union:

- IFRS 9 "Financial instruments";
- Annual improvement cycles 2010-2012, 2011-2013;
- Amendments to IAS 19 "Employee Contributions to Defined Benefit Plans";
- Amendments to IFRS 10, 12 and IAS 27 "Investment Entities";
- IFRIC 21 "Levies".

The Group is currently assessing the practical consequences of the above standards and the effects of their application on the financial statements. At this stage of the analysis, the Group does not anticipate any significant impact on its consolidated financial statements and in particular on the application of the new standards IFRS 10, 11 and 12.

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

Transition to IFRSs and adoption of IAS 16 for measuring property assets

The Orpea Group adopted IFRSs for the first time on 1 January 2005. The 2004 financial statements and the opening balance sheet at 1 January 2004 were adjusted in accordance with IFRS 1 – *First-time Adoption of International Financial Reporting Standards* to reflect the impact of the associated changes of accounting methods.

The main elections made upon first-time adoption of IFRSs were:

- recognition and measurement of operating licences as identifiable intangible assets and recognition and measurement of properties in accordance with IFRS 3 – Business Combinations as of the date of acquisition;
- treatment of properties in accordance with IAS 17 – Leases.

As permitted by IFRS 1 – First-time Adoption of IFRS, the Orpea Group elected for retrospective application of IFRS 3 – Business Combinations as of the date on which the current shareholders acquired control and for all subsequent acquisitions.

All properties financed under lease agreements are treated as finance leases.

As of the 2007 financial statements, the Group elected to measure its fully or jointly-owned operating properties comprising land and buildings using the revaluation method set out in IAS 16, which it believes gives a more accurate view of the value of its property portfolio.

Details are provided in note 1.9.

1.2 Change in accounting policies

Since 1 January 2013, the Group has applied IAS 19 (revised) – Employee benefit, a standard published by the IASB in June 2011 and applicable to financial periods beginning on or after 1 January 2013. The application of this amendment represents a change in accounting policies, to be applied retrospectively. However, the Group already applied the option available under IAS 19 to immediately recognise actuarial gains or losses in the period in which other items of comprehensive income were recognised, and not having substantial plan assets for which interest is now calculated using the discount rate and no longer the expected rate of return, this amendment did not have a significant impact on the Group's consolidated financial statements and on the comparative figures for 31 December 2012.

1.3 Basis of accounting

The financial statements are prepared according to the historical cost principle, except for the fully or jointly-owned properties operated by Group, which are measured at fair value (see note 1.9) and available-for-sale assets, which are measured at the lower of cost and fair value less costs to sell.

Financial liabilities are measured at amortised cost.

The carrying amounts of hedged assets and liabilities recognised on the balance sheet are adjusted to take account of changes in the fair value of the hedged risks.

1.4 Use of estimates and assumptions

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities recognised on the consolidated balance sheet, disclosures about those assets and liabilities, the reported amounts of income and expenses recognised on the income statement, and commitments relating to the reporting period. Actual amounts appearing in the Group's future financial statements may differ from current estimates. Estimates and assumptions are reviewed regularly.

The key assumptions involve:

- determining the fair value of properties;
- data used for impairment testing of intangible assets and property, plant & equipment;
- provisions for post-employment benefits (see note 3.11);
- provisions for litigation risks.

1.5 Consolidation principles

Entities in which the Group directly or indirectly owns more than 50% of the voting rights and entities over which it has exclusive control are fully consolidated.

Entities over which the Group has significant influence are accounted for using the equity method. Significant influence is presumed to exist when the Group owns more than 20% of the voting rights.

Investments in associates and joint ventures are accounted for using the equity method. They are recognised at cost including any goodwill on the date of acquisition.

Their carrying value includes the Group's share of their net results after acquisition. If the Group's share of their losses exceeds its interest in the entity, the Group discontinues recognising its share of any further losses unless it has an obligation to recapitalise the entity or make payments on its behalf.

Investments in associates and joint ventures classified as held for sale are accounted for in accordance with IFRS 5 (see note 1.12).

Acquisitions and disposals made during the year are included in the consolidated financial statements from the date on which control or significant influence is acquired to the date on which it ceases.

The consolidated financial statements have been drawn up on the basis of the financial statements of all consolidated entities as at 31 December.

1.6 Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 – *Business Combinations*, published in January 2008 by the International Accounting Standards Board (IASB) and adopted early by the group as of 1 January 2009.

Acquisitions of business operations are always conditional upon the Group obtaining a licence as the new operator from the supervisory bodies. Other conditions precedent may be added on a case-by-case basis.

In such cases, the acquisition and its consolidation are accounted for when the conditions precedent have been met.

A business combination is accounted for only as of the date on which control is acquired.

If an equity interest in the entity was held prior to acquiring control, it is remeasured at fair value and any difference is recognised in non-recurring operating income or expense.

Transaction costs, such as intermediaries' fees, advisory, legal, accounting, appraisal and other fees, and associated taxes and duties, are recognised in non-current operating expenses for the period.

Identifiable assets, liabilities and contingent liabilities of the acquired entity which meet the conditions for recognition set out in IFRS 3 are measured at fair value except for assets (or disposal groups) that qualify as non-current assets held for sale under IFRS 5, which are recognised and measured at fair value less costs to sell.

On first-time consolidation of an acquired entity, the Group has twelve months in which to determine the fair value of identifiable assets, liabilities and contingent liabilities acquired.

In light of current regulations, licences to operate short-term and long-term care facilities are recognised and measured as identifiable intangible assets on the date of acquisition.

Licences for facilities acquired in Belgium and Italy have been recognised as intangible assets since 1 July 2007.

Operating licences for other foreign facilities do not meet the definition of an identifiable intangible asset and are accordingly included in goodwill.

Properties are measured at fair value taking account of their specific characteristics.

The difference between the cost of an acquisition and the Group's interest in the fair value of identifiable assets and liabilities acquired on the acquisition date is recognised as goodwill. Goodwill is measured in the functional currency of the acquired entity and recognised as an asset on the balance sheet. It is not amortised but tested for impairment whenever there is objective evidence that it might be impaired and at least once a year at the year-end (see note 1.8 below). If applicable, impairment is recorded as profit/loss under "other operating income and expenditure". Goodwill impairment which is reported cannot subsequently be reversed under any circumstances.

If the fair value of assets, liabilities and contingent liabilities acquired is higher than the cost of the acquisition, the negative goodwill is recognised immediately in profit or loss under "Other non-recurring operating income".

Since the adoption of IFRS 3 Revised, non-controlling interests in consolidated subsidiaries may be measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets.

This option is available on a transaction-by-transaction basis. For controlling interests acquired since 1 January 2009, the Group has elected each time to account for the non-controlling interests at their fair value.

Goodwill arising on entities accounted for by the equity method is included in "Investments in associates and joint ventures".

Upon disposal of a subsidiary, jointly-controlled entity or facility, the corresponding goodwill is included when determining the gain or loss on disposal.

1.7 Translation of the financial statements of foreign operations

The consolidated financial statements are prepared in euros.

Financial statements of subsidiaries with a different functional currency are translated into euros as follows:

- at the official rate on the balance sheet date for assets and liabilities;
- at the average rate for the period for income statement and cash flow statement items.

Any translation differences resulting from the application of these rates are recognised as a component of consolidated equity under "Translation reserves" in "Consolidated reserves".

The Group's Swiss subsidiaries, which operate two facilities, are the only subsidiaries whose functional currency is not the euro at end-2013.

1.8 Intangible assets

Intangible assets mainly comprise licences to operate long-term care homes and short-term post-acute and psychiatric care facilities in France, Belgium and Italy.

These licences are considered to have an indefinite useful life as they are renewable provided the facilities are operated strictly in accordance with the terms and conditions of the licence.

They are recognised and measured at cost. Cost is equal to the price actually paid when acquired separately or at fair value when acquired as part of a business combination.

Fair value is estimated according to the type of operation and ranges from 100% to 125% of annual revenue in France, 80% to 100% for Belgium and 80% to 125% for Italy.

These licences are not amortised but tested for impairment on each balance sheet date or whenever there is objective evidence that they might be impaired. If their recoverable amount is lower than their carrying amount, an impairment loss is recognised in profit or loss under "Other non-recurring operating expense".

The amortisation period for other intangible assets ranges from one to five years.

1.9 Property, plant and equipment

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

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

To ensure that its quality requirements are met, the Group manages all its own construction or redevelopment projects. These projects are recognised on the balance sheet under "Property in the course of construction".

As part of its asset management policy, the Group regularly sells operating properties it owns. These sales are carried out as a block or by lots and are then leased back from the new owner.

Disposals may include properties owned and operated by the Group for several years and also properties that have been recently acquired, redeveloped or built.

Properties kept by the Group are usually financed by finance leases.

Properties which the Group intends to sell are classified as "*Assets held for sale*".

Measurement of property, plant and equipment

Property, plant and equipment other than operating properties are measured at cost less accumulated depreciation and impairment, in accordance with the benchmark treatment set out in IAS 16 – *Property, plant and equipment*.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are now capitalised as part of the cost of that asset, as required by IAS 23 – *Borrowing Costs*.

Revaluation of operating properties

Fully or jointly-owned properties, mainly through finance leases, comprising land and buildings operated by the Group are measured at fair value in accordance with paragraph 31 of IAS 16 – *Property, Plant and Equipment*.

The fair value of each property is reviewed at each year end by external professionally qualified valuers. Fair value is calculated based on location, type of operation and operating conditions.

The restated value of each property is determined by capitalising an estimated market rent for each facility. The capitalisation rates used depend on location, type of operation and ownership method (fully or jointly-owned).

The difference between cost and fair value is recognised in equity under "Revaluation reserve" net of taxes.

If the fair value of a property falls below cost, an impairment loss is recognised in profit or loss under "Other non-recurring operating expense".

Fair value adjustments to buildings are depreciated over the residual life of each facility.

Depreciation of property, plant and equipment

The Group depreciates property, plant and equipment on a straight-line basis. Depreciation is calculated on the expected useful life of each asset or each of the components having different useful lives using the following criteria:

- Buildings, fixtures and fittings: 12 to 60 years;
- Plant and equipment: 3 to 10 years;
- Other: 3 to 10 years

Property, plant & equipment are tested for impairment whenever there is objective evidence that they might be impaired. Any impairment losses are recognised in profit or loss.

Proprietary property development projects

Under its expansion policy and in order to meet its quality standards, the Group manages its own operating property development or redevelopment projects.

These properties are either kept by the Group or sold to investors.

The cost of new or redeveloped properties includes the cost of purchasing the land, any buildings to be redeveloped and all development and redevelopment costs. These include direct production costs and borrowing costs directly attributable to the production of the asset in accordance with paragraph 11 of IAS 23 – *Borrowing Costs*.

Properties sold off-plan to investors have always been accounted for using the percentage of completion method and therefore comply with IFRIC 15.

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

Marketing expenses directly attributable to assets sold off-plan are recognised as assets under 'property, plant and equipment in progress' and are charged back in proportion to the percentage of completion.

Progress payments received on off-plan sales are deducted from the value of the project.

Gains or losses on sales of properties are recorded under "Other non-recurring operating income and expense" to distinguish them from operating revenue.

Finance leases

In accordance with IAS 17, lease contracts are classified as finance leases when substantially all of the risks and rewards incidental to ownership of the asset are transferred to the lessee.

All other lease contracts are classified as operating leases.

Operating lease payments (other than service costs such as insurance and maintenance) are recognised as an expense on a straight-line basis over the term of the contract.

Only leasebacks followed by the end of an operating lease give rise to gains or losses on disposals that are accounted for under "Other non-recurring operating income and expense".

1.10 Impairment of non-current assets

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

- property, plant & equipment and intangible assets with a finite useful life are tested for impairment whenever there is objective evidence that they might be impaired;
- intangible assets with an indefinite useful life and goodwill are tested for impairment whenever there is objective evidence that they might be impaired and at least once a year on the balance sheet date.

Impairment testing consists in comparing the carrying amount with the higher of fair value less costs to sell and value in use. Value in use is determined by discounting the future cash flows expected to be generated from continued use of the assets over their estimated useful lives and their residual sale value at the end of that period. The discount rate used is equal to the Group's weighted average cost of capital, which is representative of the sector rate (see note 3.3).

Any impairment of a cash generating unit (CGU), or group of CGUs in the case of foreign operations, is deducted first from the corresponding goodwill, if any, and then from the remainder of the CGU's assets in proportion to their carrying amount.

Each long-term or short-term care facility is a CGU. A CGU's main assets are goodwill when allocated to the CGU, intangible assets (operating licence) and the operating property measured at fair value if the Group is the owner (see note 1.9).

1.11 Non-current financial assets

Investments that are not consolidated because they do not meet materiality conditions are measured at cost.

Investments that are not consolidated because of the Group's percentage holding are recognised as available-for-sale assets. They are measured at cost on initial recognition and subsequently at fair value if it can be determined reliably.

Otherwise they are measured at cost less any accumulated impairment. In this case, their recoverable amount is determined on the basis of the Group's share in the entity's net assets, its expected future profitability and growth outlook.

Changes in fair value are recognised as a separate component of equity until the investment is sold. When the impairment is material or prolonged, it is recognised in net finance costs.

An impairment loss is taken against loans measured at amortised cost when there is objective evidence that they might be impaired due to the credit risk.

1.12 Non-current assets held for sale and discontinued operations

In accordance with IFRS 5, assets or groups of assets (disposal groups) – particularly properties or facilities which the Group intends to sell within a period of 12 months – are classified as *non-current assets held for sale and discontinued operations*. This excludes finance leased buildings.

This classification applies if the sale is highly probable and the non-current asset or disposal group held for sale meets the criteria for such classification and is in particular immediately available-for-sale.

These assets are measured at the lower of their carrying amount and fair value less costs to sell.

The carrying amount for operating properties is the latest fair value determined in accordance with paragraph 31 of IAS 16 (see note 1.9).

1.13 Trade and other operating receivables

Trade receivables are initially valued at the nominal value. This method is considered to be the best estimate of their initial fair value. A provision for impairment is recognised when there is objective evidence that the Group may be unable to recover the full amount on the original terms and conditions of the transaction. The age of a receivable and a debtor's habitual arrears are evidence of impairment. The amount of the impairment provision is equal to the net present value of the cash flows which are considered to be unrecoverable. Based on past experience, impairment rates are typically as follows:

- Social security obligations: Receivables more than 27 months past due: 100%
 - Receivables between 24 and 27 months past due: 75%
 - Receivables between 18 and 24 months past due: 50%
 - Receivables between 12 and 18 months past due: 25%
- Mutual funds: receivables more than 18 months past due: 100%
 - Receivables between 12 and 18 months past due: 75%
- Patients: Receivables more than six months past due: 100%
- Residents: receivables between six and 12 months past due: 50%
 - Receivables more than 12 months past due: 100%
- Residents receiving social security support:
 - Receivables more than 24 months past due: 50%
 - Receivables more than 36 months past due: 100%

Receivables with a maturity of more than one year are discounted if the impact is material.

Trade receivables may be transferred to banks as part of financing agreements. An analysis is then done to assess the transfer of risks and benefits inherent in ownership of these receivables. If this review shows the transfer of substantially all of these risks and benefits, the trade receivables are derecognised from the balance sheet and any rights created or retained in connection with the transfer are recognised. Otherwise, the trade receivables continue to be recognised on the balance sheet and a financial liability is recognised for the amount transferred.

1.14 Other assets and liabilities, accruals and prepayments

Current assets and current liabilities mainly comprise development-related assets and liabilities, real estate sales and current accounts vis-à-vis associates and related parties.

1.15 Deferred taxes

Deferred taxes arising on temporary differences between the tax base and accounting base of consolidated assets and liabilities are recognised using the liability method at the rates enacted or substantially enacted at the balance sheet date.

Most deferred taxes arise from the revaluation of operating licences and fully or jointly-owned operating properties.

Deferred tax assets arising on tax loss carryforwards are recognised if there is a reasonable probability that they will be used in the foreseeable future.

Deferred taxes are not discounted.

A provision is made for taxes that may be due by the Group on dividend payments made by subsidiaries if the dividend payment has been formally agreed on the balance sheet date.

Deferred tax assets and liabilities are netted by tax entity when they are expected to reverse in the same period.

Current and/or deferred taxes are recognised in profit or loss for the period except when arising on a transaction or event recognised directly in equity.

1.16 Contribution Economique Territoriale

The French 2010 Finance Act published on 30 December 2009 abolished the Taxe Professionnelle (business tax) and replaced it with a new levy called the Contribution Economique Territoriale (Local Economic Contribution, CET), which is broken down into two components of different types:

- the Cotisation Foncière des Entreprises (CFE) is based on the rental values of assets liable to property tax. This component is very similar to the existing Taxe Professionnelle and is accordingly recognised as an operating expense;
- the Cotisation sur la Valeur Ajoutée des Entreprises (CVAE) is based on the added value generated by French companies. This component is analysed as a tax due on taxable profits and is accordingly recognised as an income tax in accordance with IAS 12 as of 2010.

Consequently, a deferred tax expense was recognised in profit or loss at 31 December 2009 in accordance with IAS12. The basis for calculating the tax liability mainly comprises the carrying amounts of property, plant & equipment and intangible assets with a finite useful life.

Goodwill, operating licences with an indefinite useful life and land are not included in the basis for calculation in light of the provisions of SIC 21.

1.17 Cash and cash equivalents

"Cash and cash equivalents" consist of cash in hand and at bank and short-term investments that are highly liquid, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Cash and short-term investments comprise balances on bank accounts, cash in-hand, term deposits of less than three months and debt securities traded on official markets that are subject to an insignificant risk of a fall in value, which are measured at fair value and for which changes are recognised in profit or loss.

1.18 Treasury shares

Orpea SA shares held by the parent company are recognised at cost as treasury shares and deducted from equity until such time as they are sold.

Gains or losses on the sale of treasury shares are added to or deducted from consolidated reserves net of tax.

1.19 Stock option and stock award plans

Stock options are granted to certain employees of the Group.

In accordance with IFRS 2 - *Share-based payment*, plans implemented after 7 November 2002 are valued at the allocation date and are recognised under staff costs over the period during which beneficiaries acquire rights, usually five years. This expenditure, which represents the option's market value at the time of its allocation, is recorded as quid pro quo to an increase in reserves.

Plans are valued according to the Black & Scholes model.

1.20 Post-employment and other employee benefit obligation

In France, the Group is governed by the single 'FHP' collective bargaining agreement for the private healthcare sector dated 18 April 2002, which provides for payment of a lump-sum benefit upon retirement based on the employee's length of service, grade and salary on the retirement date.

No other post-employment or long-term benefits are granted to employees in service.

Outside France, the Group applies the relevant local provisions in each country. Switzerland is the only country where it has defined benefit pension plans.

The Group's post-employment benefit obligation is calculated on the basis of actuarial estimates using the projected unit credit method. Actuarial assumptions include staff turnover, salary increases, inflation and life expectancy. They are disclosed in note 3.11.

The actuarial obligation is recognised in the balance sheet after deduction of any plan assets measured at fair value.

Cumulative actuarial gains and losses arising from experience adjustments or the effects of changes in financial, economic or demographic assumptions (change of discount rate, annual salary increases, length of service life, etc.) are recognised immediately in the Group's obligation with a corresponding amount in a separate component of equity (other reserves), in accordance with IAS 19 (revised).

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

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

CICE (tax credit for encouraging competitiveness and jobs)

The 3rd Amending Finance Law for 2012 introduced the CICE (tax credit for encouraging competitiveness and jobs) from 1 January 2013. In accordance with IAS 19 – Employee Benefits, the CICE was recognised as a deduction from staff costs.

1.21 Provisions

The Group recognises a provision when it has a legal or constructive obligation to a third party, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If it is not probable but possible that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, it is recognised off-balance sheet as a contingent liability.

Provisions related to the operating cycle are classified as short-term regardless of their probable reversal date. They mainly concern employee-related risks and are measured by the social affairs department according to the risk incurred by the Group and the stage of progress in any proceedings pending.

Provisions that are not directly related to the operating cycle and which have a probable reversal date beyond one year are classified as long-term. They mainly comprise provisions for litigation, taxes and similar, and restructurings.

1.22 Financial liabilities

Financial liabilities are recognised at their face value net of any associated transaction costs which are deferred over the life of the liability in net finance costs using the effective interest method.

If the future interest expense is hedged, the financial liability is still measured at amortised cost and the change in fair value of the effective portion of the hedging instrument is recognised in equity.

Changes in fair value of derivative instruments not held for hedging and the ineffective portion of hedging instruments are recognised in net finance costs.

Net debt comprises short and long-term financial liabilities less the value of cash and cash equivalents held.

It includes property bridging loans which are bank loans allocated specifically to financing operating properties recently acquired or in the course of construction.

Hybrid bonds are accounted for in accordance with IAS 32 and IAS 39 – Financial Instruments, using the following treatment:

- OBSAAR 2009 and OCEANE 2010: the debt component is deemed to be the fair value of a liability with identical characteristics but no warrant or conversion option. It is measured at amortised cost using the effective interest method. The equity component is not revalued during the life of the bond issue;
- ORNANE 2013: the bonds are split into (i) an embedded derivative comprising the right to receive shares, recognised as a financial liability at fair value through profit or loss and (ii) a financial liability recognised at amortised cost using the effective interest method.

1.23 Financial instruments and derivatives

The Group uses various financial instruments to hedge its exposure to interest rate risk. They are over-the-counter instruments contracted with first-class counterparties. All derivative financial instruments are recognised in the balance sheet under "Other current assets and liabilities" and measured at fair value on the transaction date (see note 3.13.1 – Interest rate risk management strategy).

1.24 Revenue

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

For long-term care homes, the day rate is payable as follows:

- the "accommodation" component is paid by the resident;
- the "long-term care allowance" component is paid by the resident and the local authority (the day rate is set by the local authority depending on the level of care required and forecast expenses);
- the "medical care" component is paid by the regional health insurance fund (the per diem rate is set according to the level of care required and forecast expenses).

For short-term care facilities, the day rate is payable as follows:

- the "private room" component is paid by the patient or the patient's top-up private health insurance;
- the "medical care" component is paid by the regional health insurance fund.

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

1.25 Other income statement aggregates

The Group's main business consists of operating long-term and short-term care facilities. Recurring operating profit is derived from these operations.

Other non-recurring operating income and expense comprises:

- income and expenditure relating to the group's property transactions: sale of property, development costs and any depreciation costs;
- the group's development expenses and restructuring costs for recently acquired facilities;
- income and expenses related to business combinations: transaction costs, goodwill;
- impairment of intangible assets and goodwill.

1.26 Earnings per share

Basic earnings per share is calculated on the basis of the weighted average number of shares in issue during the year less any treasury shares held and deducted from equity.

Diluted earnings per share take account of all potentially dilutive instruments, such as options, warrants and convertible bonds. Options and warrants are dilutive when their exercise price is lower than the market price. In this case, the proceeds from the exercise of rights are intended to be used first and foremost to buy back shares at the market price. This "share buyback" method is used to calculate the amount of shares that are "not bought back" which are added to the number of ordinary shares outstanding to determine the dilutive impact.

1.27 Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method, in other words it presents a reconciliation of EBIT with cash generated from operating activities.

Opening and closing cash and cash equivalents include cash and other short-term investments less any overdraft facilities that are not considered as bridge financing for operating properties recently acquired or in the course of construction or redevelopment.

1.28 Segment information

Segment information is disclosed on the basis of two operating segments, being the two segments used by the Group to analyse its activity and monitor its development: these segments are France and International (see note 3.17).

1.29 Organic growth

The Group regularly discloses its organic revenue growth.

Organic growth reflects the following factors:

- the change in the revenue of existing facilities in line with changes in their occupancy rates and day rates;
- the change in the revenue of restructured facilities or facilities whose capacities have been increased;
- the revenue of facilities set up during the year or during the previous year.

Organic growth includes the improvement in sales recorded at recently-acquired facilities by comparison with the previous equivalent period.

1.30 External growth

External growth is derived from acquisitions of facilities in operation or under development (directly or indirectly through companies).

2. SCOPE OF CONSOLIDATION

2013 revenue rose by 12.5% or €179 million compared with 2012.

The Group has expanded through both organic growth and acquisitions.

Organic revenue growth was 7.1% compared with 8.2% the previous year.

In 2013, the Group opened facilities in France and abroad after the completion of construction initiated in prior years as follows:

- eleven long-term care facilities in Saint Laurent du Var, Le Cateau Cambresis, Guérande, Nantes, Bobigny, Brasles, Le Cannet, Batz sur mer, Rezé, Vouziers, Villers Semeuse totalling 902 beds;
- two facilities in Meyzieu and Chamalières totalling 180 beds;
- a 95-bed post-acute care facility in Nyon (Switzerland).

Orpea also continued with its acquisition policy in 2013 with the acquisition of facilities in operation or at the proposal stage:

- in France:
 - six long-term care facilities: Avignon, Boissise le Roi, Saliès de Béarn, Roquebrune and two in Bagneux;
 - nine facilities: Issoire, Revin, Castelmaurou, Moneteau, Vetrax Monthoux, two in Vernouillet and two in Osséja.
- in Belgium: acquisition of 1,342 nursing home beds in the Antwerp region.

During the year, ORPEA has also bought the following holdings:

- 30% of SAS Résidence Castel Georges, a long-term care facility in Gennevilliers;
- 50% of three SCI (SCI Les Jardins de Castelviel, SCI Saint Victoret and SCI Méditerranée) which own property assets.

The Group also made ad hoc acquisitions – either directly or via companies – of standalone assets necessary for its expansion, comprising intangible property and operating rights.

During 2013, investments in the Group's external growth amounted to €94 million and debt taken on by the Group amounted to about €(36) million.

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	Intangible operating assets (in millions of euros)	Intangible concession assets (in millions of euros)	Goodwill and intangibles not yet assigned (in millions of euros)	Properties (in millions of euros)
France	15	1,192	76		21	55
International	4	1,342	49	0	0	49
<i>Italy</i>						
<i>Switzerland</i>						
<i>Belgium</i>	4	1,342	49			49
<i>Spain</i>						
Total	19	2,534	125	0	21	104

Deferred tax liabilities recognised in respect of these acquisitions amounted to about €54 million.

In 2012, total investments on the date of consolidation were:

	Number of facilities	Number of beds	Intangible operating assets (in millions of euros)	Intangible concession assets (in millions of euros)	Goodwill and intangibles not yet assigned (in millions of euros)	Properties (in millions of euros)
France	9	729	51		29	30
International	26	3,183	87	28	27	26
<i>Italy</i>	2	308	19			
<i>Switzerland</i>						
<i>Belgium</i>	18	1,933	68		27	12
<i>Spain</i>	6	942		28		
Total	35	3,912	138	28	57	56

3. NOTES TO THE FINANCIAL STATEMENTS

3.1 Goodwill

The main movements during the year were as follows:

	France	International	Total
Opening net goodwill	284,736	95,130	379,866
Business combinations*	18,602	(74)	18,528
Closing net goodwill	303,338	95,056	398,394

3.2 Intangible assets

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

	31/12/2013			31/12/2012		
	Gross	Depr., amort. prov.	Net	Gross	Depr., amort. prov.	Net
Operating licences	1,392,700	4,940	1,387,760	1,262,123	6,812	1,255,312
Advances and downpayments	6,801		6,801	7,139		7,139
Other intangible assets	57,906	12,754	45,152	53,401	9,560	43,841
Total	1,457,407	17,694	1,439,714	1,322,664	16,371	1,306,292

At 31 December 2013, "Operating licences" comprised the licences to operate facilities in France, Belgium and Italy considered to have an indefinite useful life.

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".

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

	Operating licences	Advances and downpayments	Other	Total
31 Dec 2011	1,105,188	8,314	15,413	1,128,915
Increase	12,921	4,928	1,431	19,280
Decrease	(206)	(541)	(275)	(1,022)
Depreciation, amortisation and provisions			(1,949)	(1,949)
Reclassifications and other	(202)	(5,561)	323	(5,440)
Changes in scope	137,611		28,899	166,509
31 Dec 2012	1,255,312	7,139	43,841	1,306,292
Increase	5,595	4,415	3,086	13,097
Decrease				0
Depreciation, amortisation and provisions	1,872		(2,365)	(493)
Reclassifications and other	(27)	(4,753)	3	(4,778)
Changes in scope	125,008		587	125,595
31 Dec 2013	1,387,760	6,801	45,152	1,439,714

"Other intangible assets" include €28.4 million in operating licences acquired in Spain in 2012.

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

3.3 Periodic impairment testing

In accordance with IAS 36, in 2013 the cash generating units were tested for impairment, including goodwill, intangible assets with an indefinite useful life and property, plant & equipment (see note 1.8). The tests did not reveal any impairment.

The main assumptions used in the final quarter of 2013 were:

- perpetual growth rate: 2.5%;
- discount rate: 8.0%;
- capex required to maintain the asset: 2.5% of revenue.

Some cash generating units may be sensitive to a hypothetical increase in the discount rate or growth rate.

A hypothetical change of 100 basis points in either rate would not lead to the recognition of an impairment loss.

3.4 Property, plant and equipment

3.4.1 Changes in property, plant & equipment including those under construction

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

	31/12/2013			31/12/2012		
	Gross	Depr., amort. prov.	Net	Gross	Depr., amort. prov.	Net
Land	760,176	2,825	757,351	718,274	248	718,026
Buildings	1,664,531	327,343	1,337,187	1,477,686	287,422	1,190,265
Technical installations	191,178	123,517	67,661	174,219	102,647	71,572
Properties under construction	570,193	1,251	568,942	553,944	62	553,881
Other intangible assets	107,861	67,147	40,714	95,133	56,248	38,885
Properties held for sale	(210,014)		(210,014)	(120,700)		(120,700)
Total	3,083,924	522,083	2,561,842	2,898,556	446,627	2,451,928

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

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

The following table shows movements in the net carrying amount of property, plant and equipment:

	Lands	Buildings	Technical installations	Properties under construction	Other	Properties held for sale	Total
31 Dec 2011	709,690	1,029,467	95,018	470,738	33,228	(121,012)	2,217,129
Acquisitions	8,527	86,708	25,768	344,181	4,987		470,172
Change in fair value	5,346	12,000					17,346
Disposals and terminations	(21,682)	(56,996)	(664)	(173,890)	(1,199)		(254,430)
Depreciation	(68)	(36,839)	(18,453)	(435)	(5,171)		(60,966)
Reclassifications and other	12,358	131,066	(32,485)	(114,635)	1,082	312	(2,302)
Changes in scope	3,855	24,859	2,387	27,920	5,959		64,981
31 Dec 2012	718,026	1,190,265	71,572	553,881	38,885	(120,700)	2,451,928
Acquisitions	13,851	34,908	10,995	291,655	4,930		356,339
Change in fair value							0
Disposals and terminations	(21,252)	(65,236)	(734)	(109,535)	(442)		(197,199)
Depreciation	(2,741)	(44,656)	(18,307)	434	(5,204)		(70,474)
Reclassifications and other	30,263	143,729	1,568	(175,610)	(1)	(89,314)	(89,364)
Changes in scope	19,205	78,178	2,565	8,118	2,545		110,610
31 Dec 2013	757,351	1,337,187	67,661	568,942	40,714	(210,014)	2,561,842

The main changes during 2013 were:

- investments necessary for everyday 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 year as part of business combinations and those under construction;
- property disposals in Belgium, Italy and France.

3.4.2 Revaluation of operating properties

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

Impact of IAS 16 measurement			
	31-Dec-13	31-Dec-12	Change
Gross revaluation reserve	407,343	413,509	(6,166)
Depreciation	(13,406)	(11,958)	(1,448)
Net revaluation reserve	393,937	401,551	(7,614)

The revaluation reserve for property assets amounted to €407.3 million at 31 December 2013 compared with €413.5 million at the end of 2012, a gross reduction of €6 million caused by the disposal during the year of three properties that had previously been revalued.

The change in depreciation consisted of €2 million in additional depreciation from the revaluation of buildings and (€0.6) million from the reversal of depreciation on properties disposed of in 2013.

The corresponding tax, calculated at standard rates, amounted to €140.2 million.

The average values of properties measured using the revaluation method were as follows:

Price per sq.m GLA (in €)	31-Dec-13	31-Dec-12
Paris	5,702	5,668
Inner Paris suburbs	4,003	3,977
Outer Paris suburbs and other major cities	2,766	2,724
Other	1,914	1,887

3.4.3 Finance leases

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

	31-Dec-13	31-Dec-12
Land	191,920	188,342
Buildings	622,037	539,767
Finance leased property	813,957	728,109

All finance leases are property leases.

Future minimum payments under finance leases are disclosed in note 3.21.

3.4.4 Operating leases

Operating lease payments are as follows:

	31-Dec-13	31-Dec-12
Lease payments	135,194	112,192
Total	135,194	112,192

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

Minimum future lease payments under operating leases are presented in note 3.21.

3.5 Investments in associates and joint ventures

At 31 December 2013, investments in associates and joint ventures broke down as follows:

Associates	Ownership interest at 31 December 2013	Carrying amount of investments (in € thousands)
TCP DEV (*) (long-term care facilities)	70%	490
Group of six care facilities owned by PCM	45%	20,604
COFINEA	49%	5,011
DOMIDOM	30%	3,621
IDS	49.9%	13,210
Other	49.0%	6,930
Total		49,866
Equity accounted profit/(loss) for previous financial years		(765)
Equity accounted net profit for the current financial year		1,899
Investments in associates and joint ventures		50,999

(*) Pursuant to a shareholders' agreement, Orpea does not have control

At 31 December 2013, the main aggregates related to investments in associates and joint ventures broke down as follows:

(in thousands of euros)	
Non-current assets	277,855
Current assets	131,094
Equity	67,719
Non-current liabilities	226,659
Current liabilities	114,570
Revenue	114,529
Net profit	4,116
Equity accounted net profit	1,899

3.6 Non-current financial assets

Non-current financial assets break down as follows:

	31-Dec-13 Net	31-Dec-13 Net
Non-consolidated investments	9,459	6,550
Loans	12,659	10,465
Security deposits	6,286	5,518
Total	28,404	22,534

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.

3.7 Trade receivables

	31-Dec-13	31-Dec-13
Trade receivables	80,259	100,289
Total	80,259	100,289

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

In December 2013, the Group assigned €35 million in receivables. These receivables were derecognised for the amount financed (87%), namely €30 million. The remainder (€5 million), held as security, continues to be recognised on the balance sheet.

3.8 Other assets, accruals and prepayments

	31-Dec-13	31-Dec-12
Development-related expenses	30,903	19,141
Receivables related to property disposals	31,062	23,236
Prepaid expenses on property developments	28,625	31,917
VAT receivables	4,155	3,937
Advances and prepayments made	45,053	22,353
Other receivables	24,131	18,178
Receivables from suppliers	12,566	10,666
Prepaid operating expenses	7,339	8,706
Total	183,835	138,134

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.

3.9 Assets held for sale

Assets held for sale are operating properties.

3.10 Equity

3.10.1 Share capital

	31-Dec-12	31-Dec-11
Total number of shares	55,476,991	52,998,062
Number of shares issued	55,476,991	52,998,062
Par value per share (€)	1.25	1.25
Share capital (€)	69,346,239	66,247,578
Treasury shares	11,871	20,882

Since 31 December 2011, capital increases and the exercise of stock options have had the following impact on share capital and share premiums:

(in thousands of euros)	Number of shares	Share capital	Share premiums
Share capital at 31/12/2011	52,997,892	66,247	378,973
Exercise of options			
Exercise of share warrants	170	0	6
Exercise of OCEANE			
Capital increase			(107)
Share capital at 31/12/2012	52,998,062	66,248	378,872
Exercise of options			3,217
Exercise of share warrants			(4,824)
Exercise of OCEANE			
Capital increase	2,478,929	3,099	95,776
Share capital at 31/12/2013	55,476,991	69,346	473,042

3.10.2 Earnings per share

Average weighted number of shares in issue:

	31-Dec-13		31-Dec-12	
	Basic	Diluted	Basic	Diluted
Ordinary shares*	53,106,727	53,106,727	52,998,020	52,998,020
Stock options				
Treasury shares**	(16,377)	(16,377)	(23,183)	(23,183)
Exercise of share warrants				
Exercise of OCEANE		4,069,635		4,069,635
Weighted average number of shares	53,090,350	57,159,985	52,974,837	57,044,472

* Net of treasury shares in 2010

** Weighted average

Earnings per share:

<i>(in euros)</i>	31-Dec-13		31-Dec-12	
	Basic	Diluted	Basic	Diluted
Net profit (Group share)	2.15	2.08	1.83	1.79

3.10.3 Dividends

The general shareholders' meeting of 20 June 2013 approved the payment of a dividend in respect of the 2012 financial year of €0.60 per share, representing a total of €31,798,837 paid at end-July 2013.

3.10.4 Stock option plans

There have been no ongoing stock option plans since end-2011.

3.10.5 Share warrants

On 17 August 2009, Orpea made an issue of bonds with redeemable share warrants (OBSAAR). This operation led to the creation of 1,190,787 warrants. These warrants will be exercisable from 14 August 2011 to 14 August 2015 inclusive and will subscribe to 1.062 Orpea shares for an exercise price of €37.90.

In 2013, Orpea acquired and cancelled 917,041 share warrants as part of the public tender offer launched by the Company, approved by the AMF on 17 September 2013 under number 13-499.

The potential dilutive effect of the outstanding share warrants on 31 December 2013 was 0.47%.

3.10.6 Treasury shares

The General Meeting of 30 June 2010 authorised a share repurchase 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.

On 29 December 2009, 68,420 shares were awarded to 1,975 Group employees.

At 31 December 2013, the Group held 11,871 treasury shares.

3.11 Provisions

Provisions break down as follows:

(in thousands of euros)	31-Dec-12	Actuarial gains or losses	Reclassification	Charges for the year	Reversal in the year		Changes in scope and other	31-Dec-13
					Used provisions	Unused provisions		
Liabilities and charges	33,093		300	16,693	(2,576)	(4,009)	874	44,378
Restructuring	7,142			0	(6,481)		7,137	7,798
Total	40,238		300	16,693	(9,058)	(4,009)	8,012	52,176
Post-employment ben. ob.	28,798	2,738		801	(163)		1,824	33,998

Provisions for liabilities and charges, totalling €10.108 million, primarily break down into €3.729 million for employment disputes as well as €4.647 million to cover the risk of the company and the tax authorities arriving at different results in the application of rules to calculate VAT pro rata. This provision amounted to €14.334 million on 31 December 2013.

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 the end of 2013, short-term provisions totalling €18.030 million included a €13.115 million provision for employment disputes and a €4.915 million restructuring provision.

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

(in thousands of euros)	31-Dec-13	31-Dec-12
France	29,742	24,206
International	4,256	4,592
Total	33,998	28,798

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

(in thousands of euros)	31-Dec-13				31-Dec-12			
	Present value of obligation	Provisions on balance sheet	Profit or loss	Equity	Present value of obligation	Provisions on balance sheet	Profit or loss	Equity
Opening	24,206	(24,206)			21,375	(21,375)		
Current service cost	1,855	(1,855)	(1,855)		1,501	(1,501)	(1,501)	
Interest cost	755	(755)	(755)		802	(802)	(802)	
Expected return on assets								
Employer's contributions								
Actuarial gains or losses	2,923	(2,923)		(2,923)	542	(542)		(542)
Benefits paid	(1,821)	1,821			(1,119)	1,119		
Changes in scope	1,824	(1,824)			1,104	(1,104)		
Closing	29,742	(29,742)	(2,610)	(2,923)	24,206	(24,206)	(2,303)	(542)

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

(in thousands of euros)	31-Dec-13				31-Dec-12			
	Present value of obligation (*)	Provisions on balance sheet	Profit or loss	Equity	Present value of obligation (*)	Provisions on balance sheet	Profit or loss	Equity
Opening	4,592	(4,592)			3,044	(3,044)		
Current service cost	40	(40)	(40)		(632)	632	632	
Interest cost	91	(91)	(91)		195	(195)	(195)	
Expected return on assets	(76)	76	76		(207)	207	207	
Employer's contributions	(206)	206	206		(403)	403	403	
Actuarial gains or losses	(185)	185		185	693	(693)		(693)
Benefits paid								
Changes in scope					1,902	(1,902)		
Closing	4,256	(4,256)	152	185	4,592	(4,592)	1,046	(693)

(*) Net of plan assets.

The main actuarial assumptions at 31 December 2013 were:

	31-Dec-13		31-Dec-12	
	France	International	France	International
Discount rate	3.12%	1.90%	3.75%	2.25%
Annual rate of salary increase taking account of inflation	2.50%	2.25%	2.50%	2.25%
Expected rate of return on plan assets	NA	1.90%	NA	2.75%
Retirement age	65 years	65 years	65 years	65 years
Social security contribution rate	Average actual rate		Average actual rate	

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

At 31 December 2013, sensitivity of the French post-employment benefit obligation to a 0.5% increase in the discount rate was €1.613 million.

3.12 Financial liabilities and cash and cash equivalents

Net debt breaks down as follows:

<i>(in thousands of euros)</i>	Net 31 December 2013	Net 31 December 2012
Long-term bank borrowings	191,813	246,747
Finance lease obligations	623,295	560,755
Bonds	927,129	631,691
Bridging loans	230,038	409,524
Miscellaneous financial liabilities and debt	448,116	445,162
Total gross debt (*)	2,420,390	2,293,879
Cash	(334,392)	(124,951)
Cash equivalents	(133,958)	(237,341)
Total net debt (*)	1,952,039	1,931,587

(*) Including liabilities associated with assets held for sale.

The following table shows movements in financial liabilities in 2013:

<i>(in thousands of euros)</i>	31-Dec-12	Increase	Decrease	Changes in scope	31-Dec-13
Bonds	631,691	337,263	(41,825)		927,129
Long-term bank borrowings	246,747	25,618	(80,552)		191,813
Finance lease obligations	560,755	134,926	(76,188)	3,802	623,295
Bridging loans	409,524	50,243	(229,729)		230,038
Miscellaneous financial liabilities and debt	445,162	96,175	(125,866)	32,645	448,116
Total gross debt (*)	2,293,879	644,225	(554,160)	36,447	2,420,390
Cash and cash equivalents	(362,292)	(106,059)			(468,351)
Total net debt (*)	1,931,587	538,166	(554,160)	36,447	1,952,039
Liabilities associated with assets held for sale	(120,700)	(89,314)			(210,014)
Net debt excluding liabilities associated with assets held for sale	1,810,887	448,852	(554,160)	36,447	1,742,025

(*) Including liabilities associated with assets held for sale.

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

	31-Dec-13	Under one year (*)	One to five years	Over five years
Bonds	927,129	73,158	375,303	478,668
Long-term bank borrowings	191,813	38,324	137,943	15,546
Finance lease obligations	623,295	79,279	267,610	276,406
Bridging loans	230,038	150,073	72,423	7,542
Miscellaneous financial liabilities and debt	448,116	154,616	229,286	64,214
Total gross debt (*)	2,420,390	495,450	1,082,565	842,375
Cash and cash equivalents	(468,351)	(468,351)		
Total net debt (*)	1,952,039	27,099	1,082,565	842,375

(*) 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	2015	2016	2017	2018
Bond issues	375,303	62,736	173,254	0	139,313
Long-term property loans	137,943	22,778	14,463	65,231	35,471
Property finance leases	267,610	66,026	77,816	73,016	50,752
Property bridging loans	72,423	50,152	12,601	6,151	3,519
Miscellaneous financial liabilities and debt	229,286	79,902	63,491	51,331	34,562
Total gross debt per year	1,082,565	281,594	341,625	195,729	263,617

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 five or seven 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:

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

and

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

On 31 December 2013, these ratios were 1.4 and 1.1 respectively, within the required limits of 5.5 for R1 and 2.0 or 2.2 for R2.

Bonds

OBSAAR bond issue: In the second half of 2009, Orpea made an issue of bonds with redeemable warrants to subscribe for new or purchase existing shares (OBSAAR) in an amount of approximately €217 million or an IFRS net amount of €209 million. The share warrants attached to the bonds were measured at fair value and recognised in equity in the amount of €3 million.

This loan is repayable in 2012 and 2013 at 20% of the principal and in 2014 and 2015 at 30% of the principal. The interest rate for the issue is three-month EURIBOR + 137 base points before fees. The

terms and conditions of these bonds can be found in the securities note (note d'opération) approved by the AMF under no. 09-225 on 15 July 2009.

OCEANE bond issue: In the second half of 2010, Orpea issued 4,069,635 bonds convertible into new or existing shares (OCEANE) at a unit price of €44.23, representing a par value of €180 million and a net amount of €173 million under IFRS. The conversion option was recognised in equity at €3 million.

These bonds will be redeemed on 1 January 2016. The coupon payable on the bonds is 3.875% per year. The bonds may be converted into shares (1.107 shares for one bond) between 15 December 2010 and up to the seventh working day inclusive preceding the normal redemption date at a price of €44.23 per share. The terms and conditions of these bonds can be found in the securities note approved by the AMF under no. 10-429 on 7 December 2010.

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 Orne agreement gives bondholders the option to convert their bonds into cash or new shares, in accordance with the terms and conditions in the securities note, 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 under net finance cost.

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.

At 31 December 2013, the change in fair value recognised in net finance cost amounted to €4.9 million. On the basis of data at end-2013, a +/- 10% change in the price of the Orpea stock would produce a +/- €5.5 million change in the value of the option, impacting profit or loss.

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:

Orpea Group carried out three bond issues during the second half of 2012 on the Euro PP market, issuing:

- 1,930 bonds in two tranches (securities note approved by the AMF under no. 12-580 on 28 November 2012):
 - Tranche A: for a total of €65 million, i.e. 650 bonds at a unit price of €100,000. These bonds will be redeemed on 10 January 2018. The coupon payable on the bonds is 4.10% per year;

- Tranche B: a total of €128 million, i.e. 1,280 bonds at a unit price of €100,000. These bonds will be redeemed on 30 May 2019. The coupon payable on the bonds is 4.60% per year.
- 200 bonds at a unit price of €100,000, totalling €20 million (securities note approved by the AMF under no. 12-579 on 28 November 2012). These bonds will be redeemed on 30 November 2018. The coupon payable on the bonds is 4.20% per year.
- 900 bonds at a unit price of €100,000, totalling €90 million. These bonds will be redeemed on 4 December 2026. The coupon payable on the bonds is 5.25% per year.

and in 2013 carried out three new bond issues, issuing:

- 330 bonds at a unit price of €100,000, totalling €33 million (securities note approved by the AMF under no. 13-152 on 10 April 2013). These bonds will be redeemed on 30 May 2019. The coupon payable on the bonds is 4.60% per year.
- 200 bonds at a unit price of €100,000, totalling €20 million (securities note approved by the AMF under no. 13-357 on 11 July 2013). These bonds will be redeemed on 30 November 2019. The coupon payable on the bonds is 4.15% per year.
- in Belgium, 750 bonds at a unit price of €100,000, totalling €75 million. These bonds will be redeemed in two tranches:
 - the first on 31 December 2018 involving 550 bonds. The coupon payable on these bonds is 4.00% per year;
 - the second on 31 December 2020 involving 200 bonds. The coupon payable on these bonds is 4.45% per year.

Cash and cash equivalents

At end 2013, cash and cash equivalents comprised €133.958 million in short-term investments such as money-market mutual funds with first class financial institutions and €334.392 million in bank credit balances.

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 31 December 2013 as at 31 December 2012, 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 2012, the maturity of the interest rate derivatives was as follows:

		Maturity (€m)				
		2013	2014	2015	2016	2017
Average notional (€m)		1,410	1,361	1,333	884	156
Effective rate		2.9%	2.6%	2.3%	1.9%	1.8%

At the end of 2013, the maturity of the interest rate derivatives was as follows:

		Maturity (€m)				
		2014	2015	2016	2017	2018
Average notional (€m)		1,366	1,367	1,398	1,295	1,070
Effective rate		2.9%	2.3%	1.8%	1.7%	1.7%

At 31 December 2012, fair value changes on these cash flow hedges accumulated in equity amounted to -€100.5 million.

At 31 December 2013, fair value changes on these cash flow hedges accumulated in equity amounted to -€62.5 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 31 December 2013, net debt amounted to €1,952 million, of which around 45% 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 €2.4 million (before tax and capitalisation of financial expenses);
- the impact of a 0.2% drop (20 basis points given current interest rate levels) would reduce financial expense by €0.5 million.

Movement in cash flow hedging reserve:

(in thousands of euros)	31-Dec-13	31-Dec-12
Opening hedging reserve	(100,496)	(72,843)
Change in equity fair value during the period	2,024	(56,928)
Of which recognised in profit and loss	36,006	29,275
Effect on overall profit and loss for the period	38,030	(27,653)
Closing hedging reserve	(62,466)	(100,496)

3.13.2 Value of financial assets excluding derivatives

(in thousands of euros)	31-Dec-13	31-Dec-12
Equity investments	9,459	6,550
Other non-current financial assets	18,945	15,983
Short-term investments	133,958	237,341
Financial assets excluding derivatives	162,362	259,874

3.14 Trade payables

	31-Dec-13	31-Dec-12
	Net	Net
Trade and related payables	199,426	154,673
Total	199,426	154,673

3.15 Other liabilities, accruals and prepayments

	31-Dec-13	31-Dec-12
	Net	Net
Development-related liabilities	109,602	112,262
Security deposits	35,729	32,616
Commitments to work on buildings sold	3,468	3,617
Client accounts in credit	1,813	208
Other prepaid income	12,031	9,465
Derivative financial instruments	62,466	100,496
Advances and downpayments received	12,741	12,384
Current accounts (associated and related parties)	80,988	0
Other	59,047	52,524
Total	377,885	323,572

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

3.16 Liabilities associated with assets held for sale

This item comprises the bank debt (bridging or repayment loans) that financed the acquisition of the assets held for sale.

3.17 Segment information

	31-Dec-13	31-Dec-12
Revenue		
France	1,342,268	1,227,434
Belgium	158,101	105,580
Spain	49,569	48,730
Italy	38,451	32,174
Switzerland	19,532	15,345
Total	1,607,922	1,429,263
Recurring operating profit before depreciation, amortisation and provisions		
France	265,721	231,355
Belgium	17,216	13,127
Spain	8,556	6,144
Italy	2,548	1,699
Switzerland	3,974	5,538
Total	298,016	257,863
Assets		
France	4,691,953	4,416,798
Rest of Europe	759,637	538,211
Total	5,451,590	4,995,009
Liabilities excluding equity		
France	3,524,232	3,403,361
Rest of Europe	513,915	335,883
Total	4,038,237	3,739,243

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

3.18 Other non-recurring operating income and expense

<i>(in thousands of euros)</i>	31-Dec-13	31-Dec-12
Proceeds from property sales	213,171	318,424
Cost of properties sold	(157,767)	(268,005)
Provision reversal	10,192	4,548
Provision charge	(13,726)	(11,175)
Other income	32,580	13,435
Other expenses	(43,345)	(30,332)
Other non-recurring operating income and expense	41,105	26,895

Other non-recurring operating income and expense mainly comprises net gains on sales of property assets for €55 million, income and expense from acquisitions through business combinations for €27 million and expenses associated with the redevelopment of recently-acquired facilities and other development costs for €(20) million.

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

(in thousands of euros)	31-Dec-13	31-Dec-12
Disposal price	104,473	108,598
Cost of sales	(71,987)	(80,321)
Profit recognised on disposals of off-plan properties	32,486	28,277

3.19 Net finance cost

(in thousands of euros)	31-Dec-13	31-Dec-12
Interest on bank debt and other financial liabilities	(64,483)	(48,460)
Interest on finance leases	(10,593)	(11,983)
Net expense on interest rate derivatives	(35,900)	(29,275)
Financial expense	(110,976)	(89,718)
Capitalised borrowing costs(*)	14,990	16,102
Interest income	502	804
Net income on interest rate derivatives		
Financial income	15,492	16,906
Net finance cost	(95,484)	(72,812)

(*) Based on an average rate of 4.4% in 2013, compared to 4.5% in 2012, on facilities in the course of construction or redevelopment (see note 1.9).

3.20 Income tax expense

Orpea SA has elected for group tax relief with all 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 2013.

(in thousands of euros)	31-Dec-13	31-Dec-12
Current taxes	59,783	45,372
Deferred taxes	1,247	7,076
Total	61,030	52,448

The income tax charge for 2013 includes the *Contribution sur la Valeur Ajoutée des Entreprises* (CVAE) of €18.346 million versus €16.318 million in 2012.

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

(in thousands of euros)	31-Dec-13	31-Dec-12
Fair value of intangible assets	(412,277)	(371,633)
Fair value of PPE(*)	(312,486)	(303,736)
Capitalisation of finance leases	(60,058)	(45,364)
Timing differences	(4,677)	(5,366)
Tax loss carryforwards	24,084	22,549
Deferral of capital gains	1,174	1,323
Employee benefits	9,673	8,147
CVAE deferred tax(**)	(6,573)	(6, 898)
Financial instruments and other	28,395	30,910
Total	(732,745)	(670,068)

(*) including deferred taxes of €140.2 million related to the revaluation of properties (see notes 1.9 and 3.4.2).

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

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

(in thousands of euros)	31-Dec-13	31-Dec-12
Assets	24,084	22,549
Liabilities	(756,829)	(692,617)
Net	(732,745)	(670,068)

The difference between the theoretical tax rate, i.e. 38% in 2013, and the effective tax rate appearing in the income statement, breaks down as follows:

(in thousands of euros)	31-Dec-13	31-Dec-12
Effective rate:	34.91%	35.08%
- Permanent differences:	0.88%	-1.97%
- Impact of business combinations	5.76%	1.30%
- Impact of reduced tax rates(*):	2.41%	6.82%
- Impact of companies accounted for at equity	0.41%	0.25%
- Other	0.14%	1.59%
- Cotisation sur la valeur ajoutée des entreprises (CVAE)	-6.51%	-6.97%
Theoretical rate	38.00%	36.10%

(*) Mainly related to the non-taxation of sales of Belgian real estate entities

Deferred taxes calculated on the basis of the IFRS valuation of intangible assets came to €412.277 million at 31 December 2013. These intangible assets are not held for sale.

3.21 Commitments and contingent liabilities

3.21.1 Off-balance sheet commitments

Debt-related commitments

Contractual commitments (in thousands of €)	31-Dec-13	31-Dec-12
Counter-indemnities on contracts	0	0
Receivables sold not yet matured	0	0
Collateral	1,332,812	1,375,256
<i>Financing property assets</i>	261,401	369,357
<i>Non-property borrowing and financial liabilities</i>	448,115	445,144
<i>Finance leases</i>	623,296	560,755
Guarantees	5,088	5,088
<i>related to property assets</i>	4,158	4,158
<i>related to non-property borrowings and financial liabilities</i>	930	930
<i>related to finance leases</i>		
Other commitments	0	0
<i>convertible bond subscription</i>		
Total	1,337,900	1,380,344

Commitments relating to the Group's operations

Lease commitments

Minimum future lease payments on finance leases break down as follows at 31 December 2013:

	Minimum future payments
Under one year	73,966
One to five years	295,863
Over five years	517,760
Total lease commitments	887,589

Operating lease commitments break down as follows at 31 December 2013:

	Minimum future payments
Under one year	135,194
One to five years	540,775
Over five years	945,356
Total lease commitments	1,622,325

The Group mainly enters into leases with a non-cancellable period of 12 years.

Commitments related to individual training rights (DIF)

The law of 4 May 2004 on professional training introduced a system whereby employees can build up training rights to be used at their discretion with their employer's agreement. The minimum annual amount is 20 hours capped at a cumulative total of 120 hours.

On 31 December 2013, these training rights did not generate any additional costs as they are financed by refunds obtained under professional training contracts.

The expense is posted as and when the hours are used.

Commitments relating to the scope of consolidation

At the end of 2013, contractual commitments to acquire facilities, operating licences and land, subject to a number of conditions precedent being met, amounted to €16 million.

At year-end, the Group also had call options on:

- 30% of TCP DEV (as of September 2013);
- 70% of DOMIDOM up to 31 January 2014 (the deal was concluded in mid-January 2014);
- 51% of two other companies as from 2014.

In terms of the 45% stake held via PCM Sante, 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.

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:

- Promise of sale to ORPEA between 1 July 2018 and 30 June 2019;
- Promise of purchase by ORPEA between 1 July 2019 and 30 June 2020.

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.

The Group also has the option of taking out land titles on buildings in Belgium.

3.21.2 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.

3.22 Analysis of financial assets and liabilities in accordance with IFRS 7

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

in thousands of euros	Classification in balance sheet	Level (*)	Carrying amount		Fair value	
			31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
HELD-TO-MATURITY FINANCIAL ASSETS			0	0	0	0
Bonds and negotiable debt securities	Cash and cash equivalents					
LOANS AND RECEIVABLES			283,039	254,406	283,039	254,406
Short-term loans	Short-term loans					
Long-term loans	Non-current financial assets	2	12,659	10,465	12,659	10,465
Receivables on asset disposals	Short-term receivables on asset disposals		31,062	31,230	31,062	31,230
Security deposits	Non-current financial assets	2	6,286	5,518	6,286	5,518
Other receivables	Other receivables	2	152,773	106,904	152,773	106,904
Trade receivables	Trade receivables	2	80,259	100,289	80,259	100,289
AVAILABLE-FOR-SALE FINANCIAL ASSETS			0	0	0	0
Equity investments	Non-current financial assets					
Other						
FINANCIAL ASSETS AT FAIR VALUE			468,351	362,292	468,351	362,292
Interest rate derivatives						
Currency derivatives						
Mutual funds	Cash and cash equivalents	1	133,958	237,341	133,958	237,341
CASH	Cash and cash equivalents	1	334,392	124,951	334,392	124,951
FINANCIAL ASSETS			751,390	616,698	751,390	616,698

(*) 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 valuation techniques for which all significant inputs are based on observable market data.

(*) Level 3: financial assets and liabilities listed on an active market, where fair value is measured using valuation techniques for which some significant inputs are not based on observable market data.

in thousands of euros	Classification in balance sheet	Level (*)	Carrying amount		Fair value	
			31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
FINANCIAL LIABILITIES AT FAIR VALUE			62,466	100,496	62,466	100,496
Currency derivatives	Other liabilities					
Interest rate derivatives	Other liabilities	2	62,466	100,496	62,466	100,496
Other liabilities	Other liabilities					
FINANCIAL LIABILITIES AT AMORTISED COST			2,911,466	2,652,476	2,973,950	2,673,419
Bonds convertible, exchangeable or redeemable for shares	Current + non-current financial liabilities		927,129	631,691	989,613	652,634
Bank borrowings	Current + non-current financial liabilities	2	869,966	1,101,433	869,966	1,101,433
Finance lease obligations	Current + non-current financial liabilities	2	623,295	560,755	623,295	560,755
Other liabilities	Recurring liabilities	2	315,419	223,076	315,419	223,076
Trade payables	Trade payables	2	175,657	135,521	175,657	135,521
FINANCIAL LIABILITIES			2,973,932	2,752,972	3,036,416	2,773,915

(*) 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 valuation techniques for which all significant inputs are based on observable market data.

(*) Level 3: financial assets and liabilities not listed on an active market, where fair value is measured using valuation techniques for which some significant inputs are not based on observable market data.

3.23 Related-party transactions

Associates and joint ventures

Advances granted to associates and joint ventures by the Orpea Group amounted to €8.5 million at 31 December 2013.

Advances granted to Orpea Group by associates and joint ventures as well as related parties amounted to €81 million at 31 December 2013.

Orpea Group is leasing certain operating premises from related parties within the meaning of IAS 24 "Related Party Disclosures". €9 million in lease payments were expensed in this respect during the year.

Benefits granted to directors and executive officers

The total amount of gross compensation, fees (including all taxes) and benefits paid during the 2013 financial year to ORPEA SA's corporate officers was €3.422 million. Attendance fees for members of the Board of Directors for the 2013 financial year, paid in 2014, were €205,000.

At 31 December 2013 there were no entitlements to termination benefits.

3.24 Employees

Orpea Group had 25,201 employees at 31 December 2013, with 4,641 new hires during the year.

3.25 Statutory Auditors' fees

Expenses recognised in respect of fees paid to the Statutory Auditors for their services to the ORPEA Group amounted to €2.409 million in 2013 versus €2.344 million in 2012.

3.26 Subsequent events

Orpea continued its international expansion by acquiring:

- in German-speaking Switzerland, a group of 21 facilities consisting of 2,293 beds (1,182 of which are in operation) in early March 2014. The acquired group generated CHF 83 million in revenue in 2013 and will be fully consolidated in 2014;
- in Germany, a group of 61 facilities consisting of 5,963 beds, 290 of which under construction. This network will generate circa €200 million in revenue in 2014 and will be fully consolidated from 1 July 2014, the effective date of acquisition.

In France, the Group also acquired 367 beds across four facilities and two residences (one of which was previously 30% owned) as well as the outstanding shares (70%) in SARL DOMIDOM SERVICES, a home care service provider.

The table below shows investments made in 2014 by country and by type:

	Number of facilities	Number of beds	Number of sites	Number of buildings
France	6	367		
International	82	8,256	0	0
<i>Italy</i>				
<i>Switzerland</i>	21	2,293		
<i>Germany</i>	61	5,963		
<i>Belgium</i>				
<i>Spain</i>				
Total	88	8,623	0	0

3.27 Scope of consolidation at 31 December 2013

Main Orpea Group companies:

Consolidated companies Names	% control Group	% interest Group	Consolidation method
ORPEA SA	100.00%	100.00%	Mère
EURL LES MATINES	100.00%	100.00%	IG
SAS CLINEA	100.00%	100.00%	IG
SARL BEL AIR	100.00%	100.00%	IG
SCI ROUTE DES ECLUSES	100.00%	100.00%	IG
SCI DES RIVES D'OR	100.00%	100.00%	IG
SCI ORPEA DU CHÂTEAU NERAC	100.00%	100.00%	IG
SCI DE LA TOUR DE PUJOLS	100.00%	100.00%	IG
SCI DES RIVES DE LA CERISAIE	100.00%	100.00%	IG
SCI DU VAL DE SEINE	100.00%	100.00%	IG
SCI DU CLISCOUET	100.00%	100.00%	IG
SCI DES RESIDENCES DE L'AGE D'OR	100.00%	100.00%	IG
SCI GAMBETTA	100.00%	100.00%	IG
SCI CROIX ROUSSE	100.00%	100.00%	IG
SCI LES DORNETS	100.00%	100.00%	IG
SCI DU CHÂTEAU D'ANGLETERRE	100.00%	100.00%	IG
SCI MONTCHENOT	100.00%	100.00%	IG
SCI DU 115 RUE DE LA SANTE	100.00%	100.00%	IG
SCI L'ABBAYE VIRY	100.00%	100.00%	IG
SCI LES TAMARIS	100.00%	100.00%	IG
SCI DU 3 PASSAGE VICTOR MARCHAND	100.00%	100.00%	IG
SCI FAURIEL	100.00%	100.00%	IG
SCI DU PORT THUREAU	100.00%	100.00%	IG
SCI DE L'ABBAYE MOZAC	100.00%	100.00%	IG
SCI DE LA RUE DES MARAICHERS	100.00%	100.00%	IG
SCI LE BOSGUERARD	100.00%	100.00%	IG
SCI LE VALLON	100.00%	100.00%	IG
SCI BEL AIR	100.00%	100.00%	IG
SCI BREST LE LYS BLANC	100.00%	100.00%	IG
SCI SAINTE BRIGITTE	100.00%	100.00%	IG
SARL AMARMAU	100.00%	100.00%	IG
SARL VIVREA	100.00%	100.00%	IG
SARL NIORT 94	100.00%	100.00%	IG
SCI LES TREILLES	100.00%	100.00%	IG
SCI LES FAVIERES	100.00%	100.00%	IG
SA LES CHARMILLES	100.00%	100.00%	IG
SA BRIGE	100.00%	100.00%	IG
SRL ORPEA ITALIA	100.00%	100.00%	IG
SARL 96	100.00%	100.00%	IG
SARL SPI	100.00%	100.00%	IG
SARL 95	100.00%	100.00%	IG
SCI LA TALAUDIÈRE	100.00%	100.00%	IG
SCI SAINT PRIEST	100.00%	100.00%	IG
SCI BALBIGNY	100.00%	100.00%	IG
SCI SAINT JUST	100.00%	100.00%	IG
SCI CAUX	100.00%	100.00%	IG
SAS LA SAHARIENNE	100.00%	100.00%	IG
SCI IBO	100.00%	100.00%	IG
SARL ORPEA DEV	100.00%	100.00%	IG
SCI BEAULIEU	100.00%	100.00%	IG

Consolidated companies	% control	% interest	Consolidation
Names	Group	Group	method
SCI LES MAGNOLIAS	100.00%	100.00%	IG
SCI COURBEVOIE DE L'ARCHE	100.00%	100.00%	IG
SARL DOMEA	100.00%	100.00%	IG
SAS ORGANIS	100.00%	100.00%	IG
SARL MAISON DE LOUISE	100.00%	100.00%	IG
SARL GESSIMO	100.00%	100.00%	IG
SARL MAISON DE LUCILE	100.00%	100.00%	IG
SARL MAISON DE SALOME	100.00%	100.00%	IG
SARL MAISON DE MATHIS	100.00%	100.00%	IG
SA DOMAINE CHURCHILL	100.00%	100.00%	IG
SA RS DOMAINE CHURCHILL	100.00%	100.00%	IG
SA LONGCHAMP LIBERTAS	100.00%	100.00%	IG
SL TRANSAC CONSULTING CO	100.00%	100.00%	IG
SARL LA VENITIE	100.00%	100.00%	IG
SA CASA MIA IMMOBILIARE	100.00%	100.00%	IG
SARL L'ALLOCHON	100.00%	100.00%	IG
SA CLINIQUE LA METAIRIE	100.00%	100.00%	IG
SCI KOD'S	100.00%	100.00%	IG
SCI BARBACANNE	100.00%	100.00%	IG
SA DOMAINE LONGCHAMP	100.00%	100.00%	IG
SARL LA BRETAGNE	100.00%	100.00%	IG
SCI SAINTES	100.00%	100.00%	IG
SARL ATRIUM	100.00%	100.00%	IG
SCI BARBARAS	100.00%	100.00%	IG
SARL GESTIHOME SENIOR	100.00%	100.00%	IG
SA CALIDAD RESIDENCIAL	100.00%	100.00%	IG
SCI SLIM	100.00%	100.00%	IG
SCI SELIKA	100.00%	100.00%	IG
SARL MAISON DE CHARLOTTE	100.00%	100.00%	IG
SAS RESIDENCE ST LUC	100.00%	100.00%	IG
SARL L'ERMITAGE	100.00%	100.00%	IG
SCI JEM II	100.00%	100.00%	IG
SARL REINE BELLEVUE	100.00%	100.00%	IG
SA ORPEA BELGIUM	100.00%	100.00%	IG
SASU LE VIGE	100.00%	100.00%	IG

Consolidated companies Names	% control Group	% interest Group	Consolidation method
SA GERONE CORP	100.00%	100.00%	IG
SL DINMORPEA	100.00%	100.00%	IG
SA CLINIQUE LA LIRONDE	100.00%	100.00%	IG
SAS CLINIQUE CHAMPVERT	100.00%	100.00%	IG
SCI LES ANES	100.00%	100.00%	IG
SCI SPAGUY	100.00%	100.00%	IG
SCI LA DRONE	100.00%	100.00%	IG
SCI CHÂTEAU DE LA CHARDONNIERE	100.00%	100.00%	IG
SCI LA SALVATE	100.00%	100.00%	IG
SAS MAJA	100.00%	100.00%	IG
SCI DU CAROUX	100.00%	100.00%	IG
CLINEA ITALIA SPA	100.00%	100.00%	IG
SAS LA CLAIRIERE	100.00%	100.00%	IG
SRL CANTON DI MEZZO	100.00%	100.00%	IG
SARL ALTERNATIVE HOSPITALISATION	100.00%	100.00%	IG
SAS CHAMPVERT	100.00%	100.00%	IG
SA GRAY	100.00%	100.00%	IG
SCI MANUJACQ	100.00%	100.00%	IG
SA JB VAN LINTHOUT	100.00%	100.00%	IG
SA VINTAGE CLASSICS INTERN	100.00%	100.00%	IG
SARL SOGIMOB	100.00%	100.00%	IG
SA PREMIER	100.00%	100.00%	IG
SC LES PRATICIENS DU GRAND PRE	100.00%	100.00%	IG
SAS MDR LA CHENERAIE	100.00%	100.00%	IG
SAS RESIDENCE DE LA CHENERAIE	100.00%	100.00%	IG
SCI DU 12 RUE DU FAUVET	100.00%	100.00%	IG
SCI HELIADES SANTE	100.00%	100.00%	IG
SA IMMOBILERE LEAU	100.00%	100.00%	IG
SARL 97	100.00%	100.00%	IG
SC CARDIOPIERRE	100.00%	100.00%	IG
SARL L'OMBRIERE	100.00%	100.00%	IG
SA RESIDENCE DU GRAND CHEMIN	100.00%	100.00%	IG
SA VILLERS SERVICES	100.00%	100.00%	IG
SA SENIORIE DE L'EPINETTE	100.00%	100.00%	IG
SA RESIDENCE SENIOR'S WESTLAND	100.00%	100.00%	IG
SA SENIOR'S WESTLAND HOLDING	100.00%	100.00%	IG
SARL IDF RESIDENCE RETRAITE LE SOPHORA	100.00%	100.00%	IG
SA EMCEJIDEY	100.00%	100.00%	IG
SCI DOUARNENEZ	100.00%	100.00%	IG
SCI SUPER AIX	100.00%	100.00%	IG
SARL MAISON D'OMBELINE	100.00%	100.00%	IG
SARL LA RETRAITE DU LEU	100.00%	100.00%	IG
SNC LES JARDINS D'ESCUDIE	100.00%	100.00%	IG

Entreprises Consolidées Désignation	Contrôle Groupe	Intérêt Groupe	Méthode de consolidation
SA RESIDENCE DU MOULIN	100,00%	100,00%	IG
SARL RESIDENCE DU PARC	100,00%	100,00%	IG
SA CARINA	100,00%	100,00%	IG
SA ODE HOLDING	100,00%	100,00%	IG
SA LES AMARANTES MULTI SERVICES	100,00%	100,00%	IG
SA PALACEA	100,00%	100,00%	IG
SA SAINT FRANCOIS	100,00%	100,00%	IG
SA LE THINES	100,00%	100,00%	IG
SA CHÂTEAU DE LA LYS	100,00%	100,00%	IG
SARL FRANCE DOYENNE DE SANTE	100,00%	100,00%	IG
SNC BRECHET CFT ET CIE	100,00%	100,00%	IG
SAS SFI France	100,00%	100,00%	IG
SCI LES ORANGERS	100,00%	100,00%	IG
SA CLINIQUE L'EMERAUDE	100,00%	100,00%	IG
SAS HOTEL DE L'ESPERANCE	100,00%	100,00%	IG
SAS CLINIQUE BEAU SITE	100,00%	100,00%	IG
SCI DU MONT D'AURELLE	100,00%	100,00%	IG
SCI ANSI	100,00%	100,00%	IG
SARL REGINA RENOUVEAU	100,00%	100,00%	IG
SCI BRBT	100,00%	100,00%	IG
SNC MAISON ROSE	100,00%	100,00%	IG
SCI RUE DE LONDRES	100,00%	100,00%	IG
SCI CHÂTEAU DE LOOS	100,00%	100,00%	IG
SCI BERLAIMONT	100,00%	100,00%	IG
SARL MARC AURELLE IMMOBILIER	100,00%	100,00%	IG
SCI DU GRAND PARC	100,00%	100,00%	IG
SCI SEQUOIA	100,00%	100,00%	IG
SA CLINIQUE REGINA	100,00%	100,00%	IG
SARL CLINIQUE DU CHÂTEAU DE LOOS	100,00%	100,00%	IG
SAS LA CHAVANNERIE	100,00%	100,00%	IG
SCI DU JARDIN DES LYS	100,00%	100,00%	IG
SAS DOUCE France SANTE	100,00%	100,00%	IG
SARL RESIDENCE DU PARC DE BELLEJAME	100,00%	100,00%	IG
SCI BELLEJAME	100,00%	100,00%	IG
SARL RESIDENCE DE SAVIGNY	100,00%	100,00%	IG
SARL RESIDENCE LA PUYSIAIE	100,00%	100,00%	IG
SAS CHÂTEAU DE VILLENIARD	100,00%	100,00%	IG
SA CLINIQUE DU CABIROL	100,00%	100,00%	IG
SARL RESIDENCE DE L'OASIS	100,00%	100,00%	IG
SARL RESIDENCE RENE LEGROS	100,00%	100,00%	IG
SAS MEX	100,00%	100,00%	IG
SNC MARGAUX PONY	100,00%	100,00%	IG
SNC THAN CO	100,00%	100,00%	IG
SARL LES VERGERS D'ANNA	100,00%	100,00%	IG
SARL DFS IMMOBILIER	100,00%	100,00%	IG
SARL SOGIP	100,00%	100,00%	IG
SARL GUEROULT	100,00%	100,00%	IG
SARL RESIDENCE LES CEDRES	100,00%	100,00%	IG
SA LE VIEUX CHÂTEAU	100,00%	100,00%	IG
SCI LES CHESNAIES	100,00%	100,00%	IG
SPRL CHANTS D'OISEAUX	100,00%	100,00%	IG
SPRL ARIANE	100,00%	100,00%	IG
SAS HOME LA TOUR	100,00%	100,00%	IG

Consolidated companies Names	% control Group	% interest Group	Consolidation method
SAS CLINIQUE SAINT JOSEPH	100.00%	100.00%	IG
SARL ADC 09	100.00%	100.00%	IG
SAS CLINIQUE MARIGNY	100.00%	100.00%	IG
SAS SUD OUEST SANTE	100.00%	100.00%	IG
SCI LES OLIVIERS	100.00%	100.00%	IG
SAS MAISON DE SANTE DE MARIGNY	100.00%	100.00%	IG
SAS MASSILIA GESTION SANTE	100.00%	100.00%	IG
SARL PARASSY	100.00%	100.00%	IG
SNC DES PARRANS	100.00%	100.00%	IG
SAS HOLDING MANDRES	100.00%	100.00%	IG
SCI NORMANDY COTTAGE	100.00%	100.00%	IG
SCI BARBUSSE	100.00%	100.00%	IG
SARL ANCIENNE ABBAYE	100.00%	100.00%	IG
SARL PCM SANTE	100.00%	100.00%	IG
VILLE TURINE AIMONE SPA	100.00%	100.00%	IG
CECOLO ASBL PANHUIS PARK	100.00%	100.00%	IG
LUCIE LAMBERT ROOS DER KONI	100.00%	100.00%	IG
SNC LES ACANTHES	100.00%	100.00%	IG
SA LE CLOS ST GREGOIRE	100.00%	100.00%	IG
SAS EMERAUDE PARTICIPATION	100.00%	100.00%	IG
SAS LE CHÂTEAU DE BREGY	100.00%	100.00%	IG
SA SANCELLEMOZ	93.89%	93.89%	IG
SAS STE NOUVELLE SANCELLEMOZ	100.00%	100.00%	IG
SA RIVE ARDENTE	100.00%	100.00%	IG
SAS LE CLOS D'ALIENOR	100.00%	100.00%	IG
SAS LES JARDINS D'ALIENOR	100.00%	100.00%	IG
SCI CASERNE DE DRAGUIGNAN	100.00%	100.00%	IG
SCI REZE	100.00%	100.00%	IG
SCI DU BOIS GUILLAUME	100.00%	100.00%	IG
SCI LIVRY VAUBAN	100.00%	100.00%	IG
SA CLINIQUE MEDICALE DE GOUSSONVILLE	100.00%	100.00%	IG
SA CHÂTEAU DE GOUSSONVILLE	100.00%	100.00%	IG
GROUPE ARTEVIDA	100.00%	100.00%	IG
SAS MEDIC'AGIR	100.00%	100.00%	IG
SARL LES BUISSONNETS	100.00%	100.00%	IG
SCI DU PARC SAINT LOUP	100.00%	100.00%	IG
SCI LARRY	100.00%	100.00%	IG
SAS CLINIQUE GALLIENI	100.00%	100.00%	IG
SAS CLINIQUE LES SORBIERS	100.00%	100.00%	IG
SCI DE PEIX	100.00%	100.00%	IG
SAS VAN GOGH	100.00%	100.00%	IG
SA STE EXPL SOLEIL CERDAN	100.00%	100.00%	IG
SA CLINIQUE SENSEVIA	100.00%	100.00%	IG
SCS BORDES & CIE	100.00%	100.00%	IG
SCI CERDANE	100.00%	100.00%	IG
SARL HOPITAL CLINIQUE DE REVIN	100.00%	100.00%	IG

CLINIQUE BOIS BOUGY	100.00%	100.00%	IG
SAS VILLA GARLANDE	100.00%	100.00%	IG
SAS LE CLOS DES MEUNIERES	100.00%	100.00%	IG
SCI VILLA MORGAN	100.00%	100.00%	IG
SAS IMMO NEVERS	100.00%	100.00%	IG
SARL MAISON DE RETRAITE CHÂTEAU DE PILE	100.00%	100.00%	IG
SARL LE VILLAGE	100.00%	100.00%	IG
SAS ARCHIMEDE VILLAGE	100.00%	100.00%	IG
SAS ALUNORM	100.00%	100.00%	IG
SAS CLINIQUE CASTELVIEL	100.00%	100.00%	IG
SAS Sté Ex. Clinique Cardiologique Maison Blanche	100.00%	100.00%	IG
SAS Clinique Néphrologique Maison Blanche	100.00%	100.00%	IG

Entreprises Consolidées Désignation	Contrôle Groupe	Intérêt Groupe	Méthode de consolidation
SRL MADONNA DEI BOSCHI	100,00%	100,00%	IG
SRL VILLA CRISTINA	100,00%	100,00%	IG
RESIDENCIE JULIEN BVBA	100,00%	100,00%	IG
OPCI SPPICA V	100,00%	100,00%	IG
SA MEDIBELGE	100,00%	100,00%	IG
SA MEDIDEP	100,00%	100,00%	IG
SPRL MIKKANNA	100,00%	100,00%	IG
SA FENINVEST SA	100,00%	100,00%	IG
SA L'ADRET	100,00%	100,00%	IG
SRL CHÂTEAU CHENOIS GESTION	100,00%	100,00%	IG
SA GOLF	100,00%	100,00%	IG
SA INTERNATIONAL Residence Service	100,00%	100,00%	IG
SA LINTHOUT	100,00%	100,00%	IG
SA DIAMANT	100,00%	100,00%	IG
SA NEW PHILIP	100,00%	100,00%	IG
SA PARC PALACE	100,00%	100,00%	IG
SA PROGESTIMMOB	100,00%	100,00%	IG
SA RINSDELLE	100,00%	100,00%	IG
SA TOP SENIOR	100,00%	100,00%	IG
SA LA SENIORIE DU VIGNERON	100,00%	100,00%	IG
SA VESTA SENIOR	100,00%	100,00%	IG
SAS MEDITER	100,00%	100,00%	IG
SARL CLINIQUE DE SOINS DE SUITE LA SALETT	100,00%	100,00%	IG
SAS LE CLOS ST SEBASTIEN	100,00%	100,00%	IG
SARL CUXAC	100,00%	100,00%	IG
SAS CLINIQUE DE LA RAVINE	100,00%	100,00%	IG
SAS MAISON DE RETRAITE LA JONCHERE	100,00%	100,00%	IG
SAS CLINIQUE LES BRUYERE BROSVILLE	100,00%	100,00%	IG
SAS SESMAS	100,00%	100,00%	IG
SAS CLINIQUE PSYCHIATRIQUE DE SEINE ST DE	100,00%	100,00%	IG
SAS CLINIQUE DU HAUT CLUZEAU	100,00%	100,00%	IG
SA IHMCA	100,00%	100,00%	IG
SAS CLINIQUE DU PARC DE BELLEVILLE	100,00%	100,00%	IG
SAS CLINIQUE DE SOINS DE SUITE DU BOIS GUI	100,00%	100,00%	IG
SAS CLINIQUE DE SOINS DE SUITE DE BELLOY E	100,00%	100,00%	IG
SA LA PINEDE	100,00%	100,00%	IG
SCI MEDITER FONCIER	100,00%	100,00%	IG
SARL LA PASTORALE	100,00%	100,00%	IG
SAS CA SANTE	100,00%	100,00%	IG
SA HOLDING MIEUX VIVRE	100,00%	100,00%	IG
SARL LE CLOS ST JACQUES	100,00%	100,00%	IG
SAS LES GRANDS PINS	100,00%	100,00%	IG
SARL LE CLOS DE BEAUVAISIS	100,00%	100,00%	IG
SAS BELLEVUE 95	100,00%	100,00%	IG
SAS CHÂTEAU DE CHAMPLATREUX	100,00%	100,00%	IG
SAS RESIDENCE DU PORT	100,00%	100,00%	IG
CORASEN Groupe Corasen	100,00%	100,00%	IG
CORASEN Atlantis	100,00%	100,00%	IG
CORASEN IPM	100,00%	100,00%	IG
CORASEN Oostheem	100,00%	100,00%	IG
CORASEN Zorgcentrum europ	100,00%	100,00%	IG
CORASEN Home de Famille	100,00%	100,00%	IG
CORASEN Vordenstein NV	100,00%	100,00%	IG
CORASEN Vastgoed Albe	100,00%	100,00%	IG
CORASEN Vordenstein BVBA	100,00%	100,00%	IG
CORASEN Albe BVBA	100,00%	100,00%	IG
CORASEN T'Bisschoppenhof VZW	100,00%	100,00%	IG
DKK Holding	100,00%	100,00%	IG
DKK De Haan NV	100,00%	100,00%	IG
DKK Gerontologisch Centrum de Haan VZW	100,00%	100,00%	IG
SEAFLOWER Service Palace	100,00%	100,00%	IG
SEAFLOWER Retake BVBA	100,00%	100,00%	IG

2. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report also includes information relating to the specific verification of information given in the management report.

This 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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75008 Paris

Deloitte & Associés
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92524 Neuilly-sur-Seine Cedex

ORPEA

Société Anonyme
115 rue de la Santé
75013 Paris

Statutory Auditors' Report on the consolidated financial statements

Financial year ended 31 December 2013

To the Shareholders,

In accordance with the instructions given to us by your General Meeting, we present our report for the financial year ending 31 December 2013, on:

- the audit of ORPEA's consolidated financial statements, as appended to this report;
- the justification for our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the board of directors. Our role is to express an opinion on those financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit according to professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis or using other selective methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant

estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly in all material respects the financial position, assets and liabilities and results of the consolidated group of companies for the year ended 31 December 2012 in accordance with international financial reporting standards (IFRSs) as endorsed by the European Union.

Without qualifying our opinion, we would draw attention to note 1.2 to the consolidated financial statements which discusses the impact of your company's first-time application of IAS 19 (revised) on employee benefits.

II. Basis for our assessments

As required by the provisions of article L. 823-9 of the French Commercial Code on the basis for our assessments, we draw your attention to the following matters:

- operating licences recognised as intangible assets with an indefinite useful life and goodwill are tested for impairment using the method described in notes 1.8, 1.10 and 3.3 to the consolidated financial statements. We assessed the appropriateness of the method used which is based on estimates and reviewed the data and assumptions used by the Group to perform this test;
- Fully or jointly-owned properties, mainly through finance leases, comprising land and buildings operated by the Group are, in accordance with paragraph 31 of IAS 16 – Property, Plant and Equipment revalued at fair value at each balance sheet date by qualified professional valuers as indicated in notes 1.9 and 3.4.2 to the consolidated financial statements. As part of our overall assessment of the accounting policies used by the company, we assessed the appropriateness of the accounting methods described above and the disclosures provided in the aforementioned notes to the consolidated financial statements.

Our assessments of these matters formed an integral part of our audit of the consolidated financial statements taken as a whole and therefore contributed to the opinion expressed in the first part of this report.

III. Specific investigations and disclosures

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group management report.

We have no matters to report as to its fairness or its consistency with the consolidated financial statements.

Paris and Neuilly-sur-Seine, 6 May 2014

The Statutory Auditors

Saint-Honoré BK&A

Deloitte & Associés

Frédéric BURBAND

Joël ASSAYAH

CHAPTER VI: STATUTORY FINANCIAL STATEMENTS AT 31 /12/2013

1. FINANCIAL STATEMENTS OF ORPEA S.A AT 31 DECEMBER 2013

STATUTORY INCOME STATEMENT

(in euros)	31-Dec-2013	31-Dec-2012
SALES	552,525,700	494,474,847
- Increase (decrease) in work in progress	(14,873,711)	(33,887,413)
- Other operating income	23,110,665	23,863,502
- Purchases and other external charges	199,992,951	171,262,238
- Taxes other than on profit	28,600,775	23,848,181
- Staff costs	263,084,449	227,580,280
- Depreciation, amortisation and provisions	19,125,917	23,169,516
- Other operating expense	3,280,239	752,072
OPERATING PROFIT	46,678,323	37,838,649
- Financial income	62,346,011	54,980,261
- Financial expenses	96,703,312	78,151,356
NET FINANCE COST	(34,357,301)	(23,171,095)
PRE-TAX PROFIT ON ORDINARY ACTIVITIES	12,321,023	14,667,554
- Exceptional items	(4,542,032)	(31,738)
- Employee profit-sharing		
- Income tax	4,826,545	6,283,056
NET PROFIT	2,952,446	8,352,759

STATUTORY BALANCE SHEET

ASSETS (in euros)	31-Dec-2013			31-Dec-2012
	Gross	Depr., Amort. & provisions	Net	Net
Non-current assets				
- Intangible assets	232,415,086	1,542,120	230,872,966	202,273,463
- Property, plant and equipment	251,682,598	97,395,193	154,287,405	149,406,150
- Financial assets	694,319,817	2,399,956	691,919,861	432,284,851
TOTAL NON-CURRENT ASSETS	1,178,417,502	101,337,269	1,077,080,232	783,964,464
Current assets				
- Inventories and work-in-progress	57,878,193	1,188,655	56,689,538	41,518,714
- Advances and downpayments made	2,741,617		2,741,617	2,558,239
- Trade receivables	19,289,494	5,113,969	14,175,525	11,427,213
- Other receivables	1,238,378,507	633,232	1,237,745,274	1,299,266,743
- Marketable securities	87,310,461		87,310,461	187,506,401
- Cash	293,940,510		293,940,510	72,797,624
- Prepaid expenses	2,837,680		2,837,680	2,602,083
TOTAL CURRENT ASSETS	1,702,376,462	6,935,856	1,695,440,607	1,617,677,017
- Deferred charges		-	-	-
TOTAL ASSETS	2,880,793,963	108,273,125	2,772,520,839	2,401,641,482
EQUITY AND LIABILITIES (in euros)				
			31-Dec-2013	31-Dec-2012
Equity				
- Share capital			69,346,239	66,247,578
- Share premiums and reserves			460,870,063	385,500,175
- Retained earnings			249,273	8,112,989
- Net profit for the year			2,952,446	8,352,759
- Special tax-allowable reserves			3,670,386	2,522,265
TOTAL EQUITY			537,088,407	470,735,767
Provisions for liabilities and charges			21,345,241	15,888,008
Liabilities				
- Borrowings and financial liabilities			1,606,365,160	1,442,249,743
- Advances and downpayments received			3,594,151	3,387,145
- Trade payables			40,066,247	33,807,557
- Tax and social security liabilities			72,603,693	64,882,468
- Other liabilities			472,692,231	364,339,189
- Prepaid income			18,733,731	6,351,606
TOTAL LIABILITIES			2,214,055,212	1,915,017,707
Unrealised currency gains			31,979	
TOTAL LIABILITIES			2,772,520,839	2,401,641,482

NOTES TO THE FINANCIAL STATEMENTS

I. ACCOUNTING PRINCIPLES, SIGNIFICANT EVENTS OF THE YEAR AND EVENTS AFTER THE BALANCE SHEET DATE

I.1 ACCOUNTING PRINCIPLES

The statutory financial statements have been prepared in accordance with the provisions of CRC regulation 99-03 since 1999, CRC regulation 00-06 since 1 January 2002 and CRC regulations 2002-10 and 2004-06 since 1 January 2005.

The following fundamental accounting concepts have been applied:

- going concern;
- consistency of accounting methods;
- accruals basis;

and in accordance with the general rules for preparing and presenting financial statements.

The basic method used to value items posted in the accounts is the historical cost method. However, it should be remembered that the operating licences and equity securities held prior to that date were reassessed in the context of mergers recorded in 1998.

I.2 Significant accounting policies

The significant accounting policies used are as follows:

1.2.1 Intangible assets

Intangible assets mainly comprise licences to operate long-term care facilities.

They are tested annually for impairment, which consists in comparing their book value with the higher of the following two values:

1) Value in use, which is determined by discounting the future cash flows expected to be generated from continued use of the assets.

The discount rate used is equal to the Orpea Group's weighted average cost of capital and the residual value is determined using a perpetual growth rate based on the growth outlook for the company in light of potential trends in its business sector;

2) Fair value less costs to sell.

If the carrying amount is higher than value in use or fair value less costs to sell, as applicable, an impairment loss is recognised for the difference.

Technical losses incurred on merging subsidiaries into the Company are recognised in intangible assets.

They are equal to unrealised gains on assets recognised or not in the subsidiary's financial statements less any liabilities not recognised in the subsidiary's financial statement in application of accounting

principles, up to a maximum of the difference between the carrying amount of the interest previously held and the merged subsidiary's net assets.

They are allocated on a non-accounting basis to the assets transferred according to their actual estimated value.

Other intangible assets are amortised on a straight-line basis over a period of one to five years.

1.2.2 Property, plant and equipment

Property, plant and equipment, comprising land, buildings, fixtures and fittings, equipment and furnishings, are measured at acquisition cost (purchase price plus transaction costs), production cost or transfer value.

The depreciation method chosen by the company is the straight line method. Depreciation is calculated on the expected useful life of each asset or each of the components having different useful lives using the following criteria:

- Buildings, fixtures and fittings: 12 to 60 years;
- Plant and equipment: 3 to 10 years;
- Other: 3 to 10 years.

1.2.3 Investments in subsidiaries, other long-term equity interests and related receivables

This item comprises equity interests in subsidiaries and other companies.

In accordance with decree no. 2005-1702 of 28 December 2005, the company has elected to capitalise all transfer taxes, professional fees or commissions and other contract expenses related to the acquisition of equity interests in subsidiaries and other companies as part of the cost of the acquisition.

Expenses related to equity interests in subsidiaries are amortised on an accelerated basis for tax purposes over a period of five years.

Equity interests are measured at cost or transfer value.

An impairment loss is recognised if the value in use falls below the carrying amount.

Value in use is determined according to the investee company's net assets or an enterprise value calculated on the basis of:

- first, future cash flows expected to be generated by its continued operation;
- and second, the disposal value net of selling costs.

Impairment losses are also recognised in respect of related receivables where necessary.

1.2.4 Inventories and work-in-progress

This item includes various supplies, materials, small equipment and work in progress on property projects, which are measured at cost.

Property work in progress comprises land and construction in progress to support the Company's expansion and that of its subsidiaries.

Cost is equal to the purchase and/or production cost incurred in bringing the asset to its present condition and location. Production cost includes direct production costs and borrowing costs directly attributable to the production of the property asset.

Marketing costs directly attributable to the assets sold are accounted for as property work in progress during the construction period and recorded under expenses on the date of completion of the property.

Property development programmes are sold:

- either transferred to third parties en bloc or in batches;
- or to leasing organisations.

Revenue, construction costs and the corresponding margins are recognised in the income statement on the date of completion of the works.

Changes in work in progress are recognised through profit or loss under "increase or decrease in work in progress".

An impairment loss is recognised when the value in use is lower than the book value.

1.2.5 Trade and other receivables

Receivables and liabilities are measured at their face value. Receivables are written down if their estimated fair value falls below their face value.

A provision for impairment is recognised when there is objective evidence that the company may be unable to recover the full amount on the original terms and conditions of the transaction. The age of a receivable and a debtor's habitual arrears are evidence of impairment.

Based on past experience, impairment rates are typically as follows:

- Receivables more than six months past due: 50% or less depending on the resident's financial position (guarantee, own assets, etc.);
- Receivables more than one year past due: 100% or less depending on the resident's financial position (guarantee, own assets, etc.).

However, impairment rates applied to receivables due from residents on social support are as follows:

- Receivables more than two years past due: 50%
- Receivables more than three years past due: 100%

1.2.6 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at bank and risk-free, short-term investments in mutual funds.

1.2.7 Stock options, share warrants and bonus share awards

The Company set up three stock option plans for some of its managers which are no longer in existence.

Pursuant to an authorisation granted by the annual general meeting of 29 June 2006, the Board of Directors granted 68,420 free shares to 1,975 employees of the Group.

On 17 August 2009, the Company made an issue of bonds in the form of an OBSAAR (bonds with redeemable share warrants). This operation led to the creation of 1,190,787 warrants. These warrants will be exercisable from 14 August 2011 to 14 August 2015 inclusive and will subscribe to 1.062 Orpea shares for an exercise price of €37.90. The maximum dilutive effect is 2.33% of the share capital.

1.2.8 Provisions

The Company recognises a provision when it has an obligation to a third party, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and its amount can be estimated reliably.

If it is not probable but only possible that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably, it is recognised off-balance sheet as a contingent liability.

Provisions for employee-related disputes are estimated by the social affairs department depending on the risk incurred by the company and the stage of progress in any proceedings pending.

Provisions for tax disputes are estimated by the finance department after a full review of any tax audits in progress.

Where applicable, provisions may be recognised against various equity interests depending on the investee company's net assets and commitments to the Orpea at the year-end.

Regulated provisions relate to accelerated depreciation for the costs of equity tied up.

1.2.9 Borrowing

Financial liabilities are posted at their face value net of any associated transaction costs, which are recognised in the net finance cost.

If the future interest expense is hedged, the hedged liability is still measured at amortised cost.

Liabilities include short and long term loans, and property bridging loans which are bank loans allocated specifically to financing operating properties recently acquired or in the course of construction.

Borrowing costs are recognised as an expense in the period in which they are incurred, except for those directly attributable to the purchase, construction or production of an asset. In this case, they are included in the cost of the asset.

1.2.10 Financial instruments and derivatives

The company'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.

Under its risk management policy, the company uses derivative instruments such as swaps and interest rate options under which it receives Euribor and pays a fixed rate specific to each contract depending on the Euribor rate.

The purpose of these transactions is to convert floating rate debt into fixed debt in order to optimise the risk profile according to expected trends in interest rates.

During 2013, the company continued its interest rate risk management policy, which is to build up a portfolio of financial instruments that qualify for hedge accounting.

1.2.11 Revenue

Revenue mainly comprises:

1) Payment for accommodation and care services provided to residents. This is posted when the service is provided.

The per diem rate is payable as follows:

- the "accommodation" component is paid by the resident;
- the "long-term care allowance" component is paid by the resident and the local authority (the day rate is set by the local authority depending on the level of care required and forecast expenses);
- the "medical care" component is paid by the regional health insurance fund (the per diem rate is set according to the level of care required and forecast expenses).

2) Proceeds from the disposal of properties built or developed by the company to third parties. Corresponding changes in work in progress are recognised through profit or loss under "increase or decrease in work in progress".

1.2.12 Taxes

Orpea is the head of the tax consolidation group formed with subsidiaries that are at least 95%-owned.

Orpea, like each of the subsidiaries in the tax group, pays income tax calculated on its own earnings.

The 3rd Amending Finance Law for 2012 introduced the CICE (tax credit for encouraging competitiveness and jobs) from 1 January 2013. This tax credit is recognised in the statutory financial statements as a deduction from staff costs.

1.3 Internal restructuring

In order to streamline its structure, the company carried out internal restructuring at year-end, merging seven of its subsidiaries: SARL Maison de Retraite l'Ermitage, SA Paul Cézanne, SARL Le Séquoia, SAS Les Oliviers de Saint Laurent, SAS L'Occitanie, SAS Les Jacourets and SAS La Cigalière.

The various assets and liabilities of the subsidiaries were taken over and posted into Orpea's financial statements on 31 December 2013.

These transactions resulted in the recognition of a merger loss of €23.890 million, allocated to intangible assets.

I.4 Significant events over the year

Since 1 January 2013, the Company continued its development by opening six facilities (500 beds) after the completion of construction initiated in prior years. These facilities are located in Nantes, Bobigny, Brasles, Le Cannet, Vouziers and Villers Semeuse.

ORPEA also continued its acquisitions policy with the purchase of six facilities in France in Avignon, Saliès de Béarn, Sigoules, Roquebrune and two in Bagneux.

As from 1 July 2013, ORPEA took over the lease management of 21 businesses previously run by SAS HOLDING MIEUX VIVRE.

During the year, ORPEA has also bought the following holdings:

- 30% of SAS résidence Castel Georges, a long-term care facility in Gennevilliers;
- 50% of SCI Les Jardins de Castelviel, which owns property assets.

The Group also made ad hoc acquisitions – either directly or via companies – of standalone assets necessary for its expansion, comprising intangible property and operating rights.

In December 2013, ORPEA carried out a capital increase with a par value of €3 million, generating a premium after expenses of €96 million, thus creating 2,478,929 shares.

I.5 Events after the balance sheet date

Since 1 January 2014, the company and its subsidiaries have continued their expansion by opening a facility in France with 103 beds and 10 day visit places after completing the building work initiated in previous years, as well as acquiring two residential facilities for elderly people (one of which was previously 30% owned).

The Company acquired the outstanding shares (70%) in SARL DOMIDOM SERVICES, a home care service provider.

The Company also acquired a group of 21 facilities consisting of 2,293 beds (1,182 of which are in operation) in German-speaking Switzerland in early March 2014, and at end-April 2014 acquired a group of 61 nursing homes in Germany consisting of 5,963 beds (290 of which are under construction).

II. NOTES TO THE FINANCIAL STATEMENTS

N.B : Amounts are expressed in euros unless expressly stated otherwise.

II.1 Balance sheet

II.1.1 Fixed assets

Intangible assets:

Movements in gross intangible assets:

Gross value	Start of year	Increase	Decrease	Reclassification	Mergers	End of year
Set-up costs		2,910				2,910
Concessions, patents	1,162,971	116,518			841	1,280,330
Goodwill	192,960,547	5,124,351			24,712,680	222,797,579
Other intangible assets	2,442,475	1,431			2,377	2,446,284
Downpayments on intangible assets	6,929,585	8,233,324		(9,274,925)		5,887,983
Total	203,495,579	13,478,534	0	(9,274,925)	24,715,899	232,415,086

Movements in amortisation of gross intangible assets:

Depreciation/amortisation	Start of year	Increase	Decrease	Mergers	End of year
Set-up costs		65			65
Concessions, patents	669,923	255,415		841	926,179
Goodwill	0	0			0
Other intangible assets	552,192	61,306		2,377	615,876
Downpayments on intangible assets	0				0
Total	1,222,116	316,721	0	3,219	1,542,120

Property, plant and equipment:

Movements in gross property, plant & equipment:

Gross value	Start of year	Increase	Decrease	Reclassification	Mergers	End of year
Lands	6,138,652		552,628			5,586,023
Buildings	147,713,262	16,878,832	16,013,427	2,669,369	2,573,861	153,821,897
Technical and General Facilities	37,655,697	2,773,586	17,794	(360,978)	529,723	40,580,231
Transport equipment	334,073	51,287				385,359
Property, plant and equipment in pro	20,966,889	14,586,466	10,178,649	(2,382,076)	431,011	23,423,643
Other tangible assets	25,883,685	1,896,619	486,388	(314,591)	906,119	27,885,443
Total	238,692,259	36,186,790	27,248,886	(388,277)	4,440,714	251,682,598

Movements in depreciation of gross property, plant & equipment:

Depreciation/amortisation	Start of year	Increase	Decrease	Reclassification	Mergers	End of year
Lands	161,561	33,098	161,624			33,035
Buildings	46,390,308	6,222,472	4,552,445		729,638	48,789,972
Technical and General Facilities	25,358,522	3,401,760	1,466		270,514	29,029,330
Transport equipment	289,787	26,047				315,834
Other tangible assets	17,085,930	1,567,736	3,022		576,379	19,227,021
Total	89,286,108	11,251,113	4,718,557	0	1,576,531	97,395,193

Financial assets:

Movements in gross financial assets:

Gross value	Start of year	Increase	Decrease	Reclassification	Mergers	End of year
Equity interests	423,464,431	327,228,830	49,705,111		(18,673,246)	682,314,903
Other equity interests		6,985				6,985
Loans	7,389,934	1,622,989	691,142		72,690	8,394,471
Other non-trading assets	3,419,593	43,776,233	43,685,082		92,713	3,603,457
Total	434,273,958	372,635,036	94,081,334	0	(18,507,843)	694,319,817

ORPEA SA helped strengthen the shareholders' equity of its subsidiaries CLINEA, MEDITER and ORPEA BELGIUM, contributing €304 million to their capital increases by means of the incorporation of its current accounts.

In addition, ORPEA SA sold its shares in MEDIBELGE to its subsidiary ORPEA BELGIUM, thereby reducing its securities by €50 million.

Loans and other financial assets break down as follows:

	31/12/2013	up to 1 year	over 1 year
Loans	8,394,471	39,712	8,354,760
Deposits and guarantees	3,232,401		3,232,401
Treasury shares	371,056	371,056	
Total	11,997,928	410,767	11,587,161

The General Meeting of 29 June 2006 authorised a share repurchase programme. This programme is intended to allow the Company to provide liquidity and stimulate the market, and to optimise its capital management. 11,871 treasury shares were held under the programme on 31 December 2013.

Movements in provisions against financial assets:

Provisions	Start of year	Increase	Decrease	Mergers	End of year
Equity securities	1,950,000	410,849			2,360,849
Loans	39,107				39,107
Total	1,989,107	410,849	0	0	2,399,956

II.1.2 List of subsidiaries and shareholdings

Company	Share capital	Reserves and Retained earnings 2013	Share of capital held	Share of capital held	Profit for the year	Equity 2013	Carrying amount of securities 2013	
							Gross	Net
SCI Route des Ecluses	303,374	1,475,583	300,340	99%	162,020	1,940,976	303,374	303,374
SCI Les Rives d'Or	1,524	1,502,704	1,509	99%	173,772	1,678,000	933,755	933,755
SCI du Château	1,524	1,969,254	1,509	99%	337,158	2,307,936	1,353,340	1,353,340
SCI Tour Pujols	1,524	1,348,665	1,509	99%	327,786	1,677,975	1,364,795	1,364,795
SCI La Cerisaie	1,524	1,860,840	1,509	99%	147,019	2,009,383	47,224	47,224
SCI Val de Seine	1,524	(2,410,517)	1,509	99%	(649,903)	(3,058,896)	711,307	711,307
SCI Cliscouet	1,524	559,992	1,509	99%	353,711	915,227	1,494	1,494
SCI Age d'Or	2,549,161	8,006,331	2,523,669	99%	614,609	11,170,101	6,234,540	6,234,540
SCI Gambetta	1,524	4,327,347	1,509	99%	466,233	4,795,104	1,509	1,509
SCI Croix Rousse	1,524	4,740,114	1,522	99%	544,128	5,285,766	1,509	1,509
SCI Les Dornets	1,524	720,618	1,522	99%	244,788	966,930	1,494	1,494
SCI Château d'Angleterre	1,646	4,100,265	1,631	99%	1,316,053	5,417,964	1,763,577	1,763,577
SCI Montchenot	1,524	10,206,807	1,509	99%	311,520	10,519,851	1,286,933	1,286,933
SCI 115 rue de la Santé	1,524	10,385,392	1,372	90%	1,089,708	11,476,624	1,372	1,372
SCI Abbaye	1,524	(2,932,419)	1,372	90%	(371,954)	(3,302,849)	344,410	344,410
SCI Les Tamaris	1,524	956,230	1,509	99%	880,676	1,838,430	1,357	1,357
SCI Passage Victor Marchand	1,524	3,415,255	1,509	99%	89,907	3,506,686	1,509	1,509
SCI Fauriel	1,524	(6,198,501)	1,509	99%	(1,900,400)	(8,097,376)	1,618,841	1,618,841
SCI Port Thureau	1,524	891,771	1,509	99%	162,667	1,055,962	63,708	63,708
SCI de l'Abbaye	1,524	29,931	1,509	99%	282,454	313,909	1,509	1,509
SCI Les Maraichers	1,524	658,948	1,509	99%	474,030	1,134,502	99,595	99,595
SCI Bosguerard	1,524	748,093	1,509	99%	127,017	876,634	1,274,306	1,274,306
SCI Le Vallon	1,524	4,876,777	1,372	90%	2,283	4,880,585	2,033,228	2,033,228
SCI Brest Le Lys Blanc	1,524	(12,656,498)	717	47%	(78,964)	(12,733,938)	717	717
SCI Bel Air	1,524	214,927	1,509	99%	(102,820)	113,631	335,837	335,837
SAS CLINEA	194,008,608	71,732,001	6,511,863	100%	12,830,041	278,570,650	203,855,563	203,855,563
SARL Les Matines	7,622	(3,137,693)	7,622	100%	(668,922)	(3,798,993)	7,622	7,622
SARL Bel Air	1,265,327	2,096,386	1,265,327	100%	257,491	3,619,204	840,604	840,604
SARL Amarmau	7,622	(919,604)	7,622	100%	(87,474)	(999,456)	7,622	7,622
SARL 94 Niort	7,700	28,351,542	7,700	100%	1,573,562	29,932,804	7,700	7,700
SARL 95	7,700	(472,950)	7,700	100%	(82,510)	(547,760)	7,700	7,700
SCI Sainte Brigitte	1,525	(585,793)	1,524	100%	(26,385)	(610,653)	1,524	1,524
SARL VIVREA	150,000	(1,347,681)	150,000	100%	(726,552)	(1,924,233)	150,000	150,000
SA LES CHARMILLES	76,225	3,986,211	74,701	98%	388,825	4,451,260	3,092,517	3,092,517
SCI KOD'S	22,650	389,474	22,650	100%	57,227	469,351	68,094	68,094
SARL LA BRETAGNE	277,457	(1,315,586)	277,457	100%	17,720	(1,020,409)	41,300	41,300
SARL RESIDENCE LA VENITIE	13,300	(93,780)	13,300	100%	(147,814)	(228,294)	796,267	796,267

SARL L'ATRIUM	7,622	(812,005)	7,622	100%	61,217	(743,166)	985,140	985,140
SARL GESTIHOMES SENIOR	400	(7,015)	400	100%	(1,198)	(7,813)	410,849	0
SARL MAISON DE CHARLOTTE	7,500	(1,008,127)	7,500	100%	297,972	(702,655)	2,703,650	2,703,650
SA BRIGE	1,200,000	(1,068,278)	1,200,000	100%	(67,560)	64,162	670,000	670,000
SRLORPEA ITALIA	3,350,000	773,298	161,470	5%	(2,373,394)	1,749,904	682,862	682,862
SCI LES TREILLES	15,245	2,073,904	15,243	99.99%	50,948	2,140,097	2,363,698	2,363,698
SCI LES MAGNOLIAS	1,525	(2,074,863)	1,510	99%	(220,605)	(2,293,943)	1,510	1,510
SCI Courbevoie de l'Arche	1,525	(1,853,707)	1,509	99%	(123,646)	(1,975,828)	1,509	1,509
SCI le Barbaras	182,939	3,675,791	182,939	100%	811,532	4,670,262	821	821
SARL DOMEA	100,000	(115,461)	100,000	100%	3,289	(12,172)	100,000	100,000
SARL 96	7,700	3,253,866	7,700	100%	(129,587)	3,131,979	6,930	6,930
SCI BEAULIEU	3,049	(35,298)	3,049	100%	(12,245)	(44,494)	30,490	30,490
SAS LA SAHARIENNE	1,365,263	(1,317,126)	1,365,263	100%	(478,725)	(430,588)	5,712,440	5,712,440
SARL ORPEA DEV	100,000	778,584	100,000	100%	(1,654)	876,930	100,000	100,000
SAS ORGANIS	37,000	(653,836)	37,000	100%	205,915	(410,921)	11,775,946	9,825,946
GRUPO CARE	63,921	(1,745,482)	63,921	100%	1,435,441	(246,120)	17,878,321	17,878,321
DINMORPEA	5,000	(320,415)	5,000	100%	(4,992)	(320,407)	5,000	5,000
SRL CASA MIA IMMOBILIARE	20,000,000	(6,284,560)	20,000,000	100%	386,251	14,101,691	17,646,819	17,646,819
SA ORPEA BELGIUM	81,500,000	47,481,568	81,490,000	99.99%	11,796,266	140,777,834	65,479,233	65,479,233
SA DOMAINE DE CHURCHILL	815,012	15,302,808	815,012	100%	553,727	16,671,547	12,135,729	12,135,729
SA DOMAINE DE LONGCHAMP	65,026	11,731,363	6,500	10%	(14,487)	11,781,902	1,414,449	1,414,449

Company	Share capita	Reserves and Retained earnings 2013	Share of capital held	Share of capital held	Profit for the year	Equity 2013	Carrying amount of securities 2013	
							Gross	Net
SA LONGCHAMPS LIBERTAS	90,000	417,884	90,000	100%	731,996	1,239,880	554,719	554,719
SA RS DOMAINE DE CHURCHILL	265,039	156,744	265,000	100%	202,131	623,914	3,075,311	3,075,311
TRANSAC CONSULTING CORPORATION	3,009	(9,002)	3,009	100%	0	(5,993)	1,823,231	1,823,231
SAS Résidence St Luc	37,200	(3,757,733)	37,200	100%	(210,234)	(3,930,767)	2,644,007	2,644,007
SARL Benian	1,000	(39,677)	200	20%	(2,647)	(41,324)	300,200	300,200
SCI JEM II	152	326,477	137	90%	53,696	380,325	883,500	883,500
SARL Reine Bellevue	6,000	727,314	6,000	100%	(246,289)	(967,603)	3,370,835	3,370,835
SARL La Doyenne de Santé	8,000	78,368	4,000	50%	(14,990)	(85,358)	1,267,425	1,267,425
SASU Le Vige	37,126	(843,550)	37,126	100%	(122,870)	(929,294)	1,350,000	1,350,000
SA Gerone	500,000	1,349,912	500,000	100%	(356,570)	1,493,342	2,982,451	2,982,451
SCI Douarnenez	1,500	1,906,590	1,500	100%	321,243	(1,583,847)	1,485	1,485
SCI Barbacane	1,524	880,751	15	1%	22,933	905,208	15	15
SCI Selika	10,671	5,538,171	15	0.14%	29,863	5,578,705	15	15
SCI SLIM	762	644,131	762	100%	80,248	725,141	1,830	1,830
SCI SAINTES BA	1,524	3,404,658	15	1%	771,744	4,177,926	15	15
SCI Les Anes	1,000	(1,480,137)	1	0.10%	(68,373)	(1,547,510)	1	1
SARL L'Ombrière	8,000	(698,553)	8,000	100%	(36,571)	(727,141)	822,027	822,027
SAS MDR La Cheneraie	254,220	(869,782)	3,991	2%	(148,430)	(1,059,789)	146,044	146,044
SARL IDF resid Ret.Le Sophora	7,622	(560,754)	762	10%	(151,708)	(949,530)	80,000	80,000
SNC les Jardins d'Escudie	100,000	(2,923,962)	100,000	100%	(381,444)	(3,849,190)	824,310	824,310
SA Résidence du Moulin	38,112	(1,355,191)	38,112	100%	(510,606)	(2,331,381)	2,100,466	2,100,466
SC Les Praticiens	87,600	(14,353)	876	1%	1,670	62,566	67,009	67,009
SAS Résidence La cheneraie	2,537,040	1,560,806	2,537,040	100%	1,649,865	5,965,229	7,324,746	7,324,746
SA EMCEJIDEY	293,400	406,348	293,400	100%	17,136	732,211	4,419,887	4,419,887
SARL Résidence du Parc	18,560	3,186	18,560	100%	5,191	32,071	5,810	5,810
SCI du Fauvet	1,524	(50,509)	152	10%	728,917	951,772	68,306	68,306
OPCI	5,301,885	(185,115)	266,155	5.02%	(63,820)	4,954,764	479,732	479,732
SAS SFI France	4,000,000	(5,309,554)	4,000,000	100%	(134,418)	1,558,597	23,305,520	23,305,520
SCI Ansi	22,867	241,891	2,287	0.1%	2,884,663	3,216,829	40,399	40,399
SARL Viteal les Cedres	50,000	(1,027,118)	50,000	100%	(182,324)	(1,437,719)	85,039	85,039
SA Le Vieux Château	50,000	(837,387)	50,000	100%	(336,552)	(1,415,952)	629,728	629,728
SAS Home La Tour	40,600	(522,369)	40,600	100%	55,417	(456,017)	2,869,328	2,869,328
SAS MEDITER	69,650,000	(4,528,149)	3,500,000	100%	(2,376,285)	60,066,547	169,198,343	169,198,343
SNC des Parrans	7,622	27,183	7,622	100%	206,304	(185,267)	1,399,856	1,399,856
SAS Holding Mandres	8,000	5,549	8,000	100%	304,861	297,811	3,325,832	3,325,832
SNC Les Acanthes	7,622	89,034	7,622	100%	(42,616)	30,006	1,468,434	1,468,434
SA Le Clos St Grégoire	38,173	1,227,035	38,173	100%	213,754	1,686,059	4,692,302	4,692,302

SA Rive Ardente	135,000	(13,729)	135,000	100%	87,143	276,552	5,062,487	5,062,487
SAS le Clos d'Aliènor	40,000	(91,104)	40,000	100%	77,653	81,257	2,834,020	2,834,020
SAS les Jardins d'Aliènor	10,000	197,966	10,000	100%	128,006	395,258	4,102,931	4,102,931
SAS Medic Agir	1,036,000	691,241	1,036,000	100%	228,085	1,987,005	19,187,329	19,187,329
SA Immobilière de Santé	7,828,400	1,778,000	3,835,916	49%	4,124,600	15,995,000	13,210,000	13,125,000
SARL Domidom	4,992,525	(5,840,170)	1,497,758	30%	(231,529)	(1,556,191)	3,620,565	3,370,565
GCS	100,000	0	12,500	13%	916,576	1,016,576	23,300	23,300
SAS Immo Nevers	5,000	(17,124)	5,000	100%	1,773,742	1,761,618	5,000	5,000
SAS Van gogh	40,000	211,657	40,000	100%	595,020	846,677	1,898,727	1,898,727
SAS Résid Castel Georges	7,622	222,231	2,287	30%	37,613	267,466	1,272,171	1,272,171
SCI Castelviel	152	(1,720,149)	76	50%	158,438	(1,561,559)	763,650	763,650
SAS Villa Garlande	459,000	190,921	459,000	100%	726,103	1,376,024	8,417,176	8,417,176
SAS Clos de Meuniers	37,000	(133,000)	37,000	100%	380,538	284,538	7,014,351	7,014,351
SAS St Jean	16,000	0	160,000	100%	(9,120)	6,880	3,020,984	3,020,984
SAS Château de Pile	7,622	(238,044)	7,622	100%	(21,978)	(252,400)	727,103	727,103
SCI Super Aix	228,674	1,779,541	30,688	13%	(25,000)	1,983,214	478,537	478,537
Other securities							20,446	20,473
Other securities (access)							284,816	284,816
Total							682,314,903	679,954,054

II.1.3 Inventories and work in progress

	Gross 31/12/13	Provisions 31/12/13	Net 31/12/13	Net 31/12/12
Minor equipment and supplies	1,602,612		1,602,612	1,265,304
Current real estate	56,275,580	1,188,655	55,086,926	40,253,410
Total	57,878,193	1,188,655	56,689,538	41,518,713

Net real estate work-in-progress of €55,086,926 incorporates finance costs incurred during the construction period which amounted to €5,518,398 at year-end, compared to €4,069,608 at the end of 2012.

These finance costs have been capitalised at an average rate of 4.40%, versus 4.50% in 2012.

II.1.4 Receivables

	Brut 31/12/2013	Provisions 31/12/2013	Net 31/12/2013	Net 31/12/2012
Clients and linked accounts	19,289,494	5,113,969	14,175,525	11,427,213
Tax and social security receivables	40,332,797		40,332,797	13,139,385
Group and associates	1,144,673,279		1,144,673,279	1,251,479,572
Sundry debtors	53,372,430	633,232	52,739,198	34,647,786
Total	1,257,668,001	5,747,202	1,251,920,799	1,310,693,955

All receivables are due in less than one year.

Movements in provisions for impairment of financial assets:

	Start of year	Provision for the year	Transfer from year	Mergers	End of year
Trade receivables	4,480,049	2,331,737	1,765,675	67,858	5,113,969
Other sundry debtors	1,158,553	611,568	1,136,890		633,232
Total	5,638,602	2,943,305	2,902,565	67,858	5,747,201

II.1.5 Inventories of securities

Net Book Value	31/12/2012	Acquisitions	Disposals	Provisions	Mergers	31/12/2013
SICAV and FCP (1)	187,389,614	195,000,000	295,181,114			87,208,500
Shares reserved for employees (numbers)	116,787 (3,482)		14,826			101,961 (3,010)

(1) No impairment losses were recognised against marketable securities as their fair value was higher than their carrying amount.

II.1.6 Composition of share capital

(in thousands of euros)	Number of shares issued	Share capital	Share premiums and reserves	Retained earnings	Net profit for the year	Regulated provisions	Dividends	Total shareholders' equity
As at 31/12/2011	52,997,892	66,247,365	385,474,268	32,205,930	2,532,794	1,625,203	0	488,085,560
Appropriation of net profit/(loss)			126,789	(24,092,941)	(2,532,794)		26,498,946	0
Stock option plan								0
Capital increase 08/12/11			(106,672)					(106,672)
Exercise warrants	170	213	5,790					6,002
Exercise OCEANE								0
Dividends							(26,498,946)	(26,498,946)
Regulated provisions						897,062		897,062
Result on 31 December 2012					8,352,759			8,352,759
As at 31/12/2012	52,998,062	66,247,578	385,500,175	8,112,989	8,352,759	2,522,265	0	470,735,767
Appropriation of net profit/(loss)			(15,582,362)	(7,863,716)	(8,352,759)		31,798,837	0
Stock option plan								0
Capital increase 11/12/13	2,478,929	3,098,661	95,776,345					98,875,006
Exercise warrants			(4,824,094)					(4,824,094)
Exercise OCEANE								0
Dividends							(31,798,837)	(31,798,837)
Regulated provisions						1,148,121		1,148,121
Result on 31 December 2013					2,952,446			2,952,446
As at 31/12/2013	55,476,991	69,346,239	460,870,063	249,273	2,952,446	3,670,386	0	537,088,407

The share capital at year-end was €69,346,239 divided into 55,476,991 shares each with a par value of €1.25.

During the year, the company acquired and cancelled 917,041 share warrants as part of the public tender offer launched by the company, approved by the AMF on 17 September 2013 under number 13-499, for €4.824 million.

On 11 December 2013, the Company carried out a capital increase with a par value of €3.099 million, thus creating 2,478,929 new shares.

This transaction generated a premium of €95,776 thousand net of expenses, after deduction of associated fees for net tax of €1,125 thousand.

The general shareholders' meeting of 29 June 2013 approved the payment of a dividend in respect of the 2012 financial year of €0.60 per share, representing a total of €31,798,837 paid at end-July 2013.

II.1.7 Provisions

	Start of year	Provision for the year	Transfer from year (used provisions)	Transfer from year (unused provisions)	Mergers	End of year
<i>Labour disputes</i>	3,064,645	2,148,191	206,766	1,296,232	138,427	3,848,265
<i>Other</i>	12,823,364	4,673,612				17,496,976
Provisions for liabilities and c	15,888,009	6,821,803	206,766	1,296,232	138,427	21,345,241

"Other provisions for liabilities and charges" mainly refer to the risk of the company and the tax authorities arriving at different results in the application of rules to calculate VAT pro rata. This provision amounted to €14.334 million on 31 December 2013.

ORPEA and some of its subsidiaries included in its perimeter of fiscal integration undergo tax audits. Most of the adjustments notified by the tax authorities have been disputed, and no provision has thus been made for these adjustments. Undisputed adjustments are recognised in the financial year.

II.1.8 Liabilities

	31/12/2013	31/12/2013	31/12/2012	31/12/2012
<i>Borrowings and financial liabilities</i>	1,606,365,160		1,442,249,743	
<i>Debts maturing in one year or less</i>		435,313,093		477,235,700
<i>Liabilities payable after more than one year and less than 5 years</i>		661,311,297		635,468,894
<i>Liabilities maturing in over 5 years</i>		509,740,770		329,545,159
<i>Trade payables</i>	40,066,247		33,807,557	
<i>Debts maturing in one year or less</i>		40,066,247		33,807,557
<i>Liabilities payable after more than one year and less than 5 years</i>				
<i>Liabilities maturing in over 5 years</i>				
<i>Tax and payroll liabilities</i>	72,603,693		64,882,468	
<i>Debts maturing in one year or less</i>		72,603,693		64,882,468
<i>Liabilities payable after more than one year and less than 5 years</i>				
<i>Liabilities maturing in over 5 years</i>				
<i>Group and associates</i>	406,634,231		292,593,402	
<i>Debts maturing in one year or less</i>		406,634,231		292,593,402
<i>Liabilities payable after more than one year and less than 5 years</i>				
<i>Liabilities maturing in over 5 years</i>				
<i>Sundry liabilities</i>	84,791,732		78,097,391	
<i>Debts maturing in one year or less</i>		58,801,383		56,323,702
<i>Liabilities payable after more than one year and less than 5 years</i>		25,990,348		21,773,689
<i>Liabilities maturing in over 5 years</i>				
Total	2,210,461,063	2,210,461,062	1,911,630,561	1,911,630,571

Loans contracted during the year amounted to €156.887 million and loans repaid amounted to €146.654 million.

Borrowings and financial liabilities

ORPEA Group's financing policy

Financing requirements have increased as a result of the Group's strong growth momentum. Orpea not only finances its own expansion operations, but also those of its subsidiaries, and principally Clinea.

Bonds

OBSAAR bond issue: During the second half of 2009, Orpea issued bonds with redeemable warrants to subscribe for new or purchase existing shares (OBSAAR) for a total par value of €217 million.

This loan is repayable in 2012 and 2013 at 20% of the principal each year and in 2014 and 2015 at 30% of the principal each year. The interest rate for the issue is three-month EURIBOR + 137 base points before fees. The terms and conditions of these bonds can be found in the securities note (note d'opération) approved by the AMF under no. 09-225 on 15 July 2009.

The first two repayments (representing 20%) for €43.345 million each were made on 14 August 2012 and 14 August 2013.

OCEANE bond issue: In the second half of 2009, Orpea issued 4,069,635 bonds convertible into new or existing shares (OCEANE) at a unit price of €44.23, representing a total of €180 million.

These bonds will be redeemed on 1 January 2016. The coupon payable on the bonds is 3.875% per year. The bonds may be converted into shares (1.107 shares for one bond) between 15 December 2010 and up to the seventh working day inclusive preceding the normal redemption date at a price of €44.23 per share. The terms and conditions of these bonds can be found in the securities note approved by the AMF under no. 10-429 on 7 December 2010.

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 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.

Other bonds: ORPEA carried out three bond issues during the second half of 2012 on the Euro PP market, issuing:

- 1,930 bonds in two tranches (securities note approved by the AMF under no. 12-580 on 28 November 2012):
 - Tranche A: for a total of €65 million, i.e. 650 bonds at a unit price of €100,000. These bonds will be redeemed on 10 January 2018. The coupon payable on the bonds is 4.10% per year,
 - Tranche B: a total of €128 million, i.e. 1,280 bonds at a unit price of €100,000. These bonds will be redeemed on 30 May 2019. The coupon payable on the bonds is 4.60% per year.
- 200 bonds at a unit price of €100,000, totalling €20 million (securities note approved by the AMF under no. 12-579 on 28 November 2012). These bonds will be redeemed on 30 November 2018. The coupon payable on the bonds is 4.20% per year.
- 900 bonds at a unit price of €100,000, totalling €90 million. These bonds will be redeemed on 4 December 2026. The coupon payable on the bonds is 5.25% per year.

In 2013, the Company carried out two bond issues, issuing:

- 330 bonds at a unit price of €100,791, totalling €33 million (securities note approved by the AMF under no. 13-152 on 10 April 2013). These bonds will be redeemed on 30 May 2019. The coupon payable on the bonds is 4.60% per year;
- 200 bonds at a unit price of €100,000, totalling €20 million (securities note approved by the AMF under no. 13-357 on 11 July 2013). These bonds will be redeemed on 30 November 2019. The coupon payable on the bonds is 4.15% per year.

Banking covenants

Various loans taken out by the company are conditional on compliance with financial ratios that are assessed under the group's non-trading liabilities.

The agreed ratios are as follows:

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

and

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

On 31 December 2013, these ratios were 1.4 and 1.1 respectively, within the required limits of 5.5 for R1 and 2.0 or 2.2 for R2.

II.1.9 Financial instruments

At 31 December 2013, the notional amount of the derivatives portfolio was €1,387 million, compared to €1,313 million at 31 December 2012. The portfolio comprised 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. All these derivatives are used for hedging transactions in accordance with article 372-2 of the PCG.

At the end of 2013, the maturity of the interest rate derivatives was as follows:

	Schedule (€m)				
	2014	2015	2016	2017	2018
Notional average	1,360	1,361	1,392	1,295	1,262
Effective rate	2.6%	2.3%	1.8%	1.7%	1.7%

At the end of 2012, the maturity of the interest rate derivatives was as follows:

	Schedule (€m)				
	2013	2014	2015	2016	2017
Notional average	1,403	1,360	1,332	884	156
Effective rate	2.8%	2.6%	2.3%	1.9%	1.8%

The fair value of hedging instruments at 31 December 2013, i.e. –€60.5 million, is not posted on the balance sheet date but recorded symmetrically with the hedged items on maturity of each contract.

At 31 December 2012, the fair value amounted to –€100.5 million.

II.1.10 Miscellaneous

Accrued expenses

	31/12/2013	31/12/2012
Borrowings and financial liabilities	20,529,057	11,193,822
Trade payables	15,446,391	14,162,309
Tax, social and sundry liabilities	38,790,182	31,051,477
Total	74,765,631	56,407,609

Accrued income

	31/12/2013	31/12/2012
Financial receivables	14,033	21,368
Trade receivables	4,407,828	3,160,933
Other receivables	9,695,262	8,560,201
Total	14,117,123	11,742,502

Prepaid expenses

	31/12/2013	31/12/2012
Operation	335,868	806,719
Financial	2,501,812	1,795,364
Extraordinary		0
Total	2,837,680	2,602,083

Prepaid income

	31/12/2013	31/12/2012
Operation	18,733,731	6,351,606
Total	18,733,731	6,351,606

This item comprises prepaid income in respect of property work in an amount of €10.583 million and also the portion of care allowances received and yet to be allocated to future expenses, amounting to €8.150 million.

The change was mainly due to the off-plan sale during the year of a property for a total of €8.519 million.

Unrealised currency gains

	31/12/2013	31/12/2012
Swiss subsidiary	31,979	
Total	31,979	0

II.1 .11 Information on related parties

ENTITES	Other receivables	Other liabilities	Other financial income	Financial expenses
Subsidiaries 100% owned by the group	1,144,673,279	406,634,231	53,230,356	13,662,037
Other subsidiaries	8,040,666	15,582,852	491,879	32,500

II.2 Income statement

II.2.1 Revenue

	31/12/2013	31/12/2012
Operation of nursing homes	537,684,298	456,210,974
Disposal of real estate	14,841,402	38,263,873
Total	552,525,700	494,474,847

II.2.2 Operating income

	31/12/2013	31/12/2012
Operation of nursing homes	537,684,298	456,210,974
Operating revenues	537,684,298	456,210,974
Disposal of real estate	14,841,402	38,263,873
Inventory change	(14,873,711)	(33,887,413)
Income from real estate activity	-32,309	4,376,460
Capitalised production	4,905,419	6,109,557
Operating subsidies	201,701	420,921
Provisions and charge transfer	14,868,573	17,234,316
Other income	3,134,972	98,708
Other operating income	23,110,665	23,863,503
Total operating income	560,762,654	484,450,937

II.2.3 Expenses transfer

	31/12/2013	31/12/2012
Restructuring and development costs	3,478,611	2,335,937
Capitalised expenses	2,240,498	2,281,060
Insurance payouts	619,373	309,377
Provident fund payouts	2,846,552	2,227,079
Training refunds	2,360,635	1,691,122
Sickness payouts	339,759	165,604
Finance charges on real estate projects	1,721,243	1,288,180
Extraordinary expenses on allocation of shares		
Sundry expenses	43,433	272,991
Total	13,650,104	10,571,350

II.2.4 Financial income

	31/12/2013	31/12/2012
Interest on bank borrowings and other financial charges	(46,979,352)	(36,903,045)
Net losses on financial instruments	(31,105,026)	(26,413,071)
Other charges	(440,623)	(1,978,727)
Income from investments	2,002,332	28
Net gains on inter-company current account	40,027,698	39,795,686
Capitalised financial expenses	1,721,243	1,288,180
Net income from sale of marketable securities	388,915	758,892
Foreign exchange gains	0	244,838
Other income	27,512	36,121
Net finance cost	(34,357,301)	(23,171,095)

II.2.5 Extraordinary income

	31/12/2013	31/12/2012
Extraordinary Income	81,119,879	42,708,285
<i>On management transactions</i>	1,164,724	1,123,962
<i>On investment transactions</i>	78,589,972	41,131,946
<i>Including real estate sales</i>	10,945,630	22,200,000
<i>Including the sale of shares in Medibelge</i>	51,004,159	
<i>Provision and charge transfer</i>	1,365,183	452,377
Extraordinary charges	85,661,910	42,740,023
<i>On management transactions</i>	7,855,260	5,198,445
<i>Including cost on initial recognition</i>	2,881,673	
<i>Including caretaking costs</i>	1,141,651	
<i>Including property deed</i>	426,771	
<i>On investment transactions</i>	75,649,994	35,985,810
<i>Including real estate sales</i>	10,944,369	16,801,760
<i>Including the sale of shares in Medibelge</i>	49,705,091	
<i>Extraordinary depreciation/amortisation, impairments and provisions</i>	2,156,656	1,555,768
Exceptional items	(4,542,032)	(31,738)

	31/12/2013	31/12/2012
Capital gains and losses on asset disposals	2,995,592	5,174,190
Restructuring and development costs	(6,679,753)	(4,099,040)
Provisions for sundry debtors	356,773	(206,329)
Special depreciation/amortisation	(1,148,120)	(897,062)
Sundry expenses	(66,526)	(54,008)
Merger surplus		50,511
Exceptional items	(4,542,032)	(31,738)

II.2.6 Taxes

As head of the Orpea tax consolidation group, Orpea calculates the tax payable on the group's taxable income.

The tax group has no further tax loss carryforwards, although a few subsidiaries have tax losses that can be set against their own taxable profits.

On 31 December 2013, the Orpea tax group's aggregate net profit was €83,949,562, including Orpea SA's tax loss of €3,220,517 in its capacity as "member company".

As provided for under the group tax relief agreement, each subsidiary is responsible for paying its own income tax and contributions on taxable profits and capital gains, offset where applicable against any tax credits on tax loss carryforwards.

The tax charge posted in Orpea SA's financial statements amounts to €4,826,545, broken down as follows:

	Before tax	Corporation tax	After tax
Operating profit	46,678,323	13,368,248	33,310,075
Net finance cost	(34,357,301)	(9,279,965)	(25,077,336)
Exceptional items	(4,542,032)	(1,906,099)	(2,635,933)
Tax on dividends and other		2,644,362	(2,644,362)
Accounting result	7,778,990	4,826,545	2,952,446

Timing differences between the tax treatment and accounting treatment of various transactions are likely to affect the future tax liability as follows:

- Add-backs to be made in future years:
 - Tax deferred unrealised gains on purchased goodwill arising as a result of mergers: €43.610 million
 - Tax deferred unrealised gains on securities arising as a result of mergers: €24.419 million
 - CET reliefs: €245,000
- Deductions to be made in future years:
 - Organic social security organisation: €891,000
 - Unrealised gain on mutual funds: €23,000
 - Exchange differences: €32,000

III. FINANCIAL COMMITMENTS AND OTHER INFORMATION

III.1 Off-balance sheet commitments

Debt-related commitments

Financial commitments

Contractual obligations (in k€)	31/12/2013	31/12/2012
Counter-guarantee sureties on markets		
Assigned claims not yet due (Daily slips, etc.)	6,260	
Pledges, mortgages and other securities	235,586	476,989
Total	241,846	476,989

Contractual obligations (in k€)	31/12/2013	Payments due by period		
		less than one year	from 1 to 5 years	over 5 years
Long-term borrowings	1,606,365	435,313	789,311	381,741
Finance lease obligations	39,283	11,734	23,808	3,742
Operating leases				
Irrevocable purchase obligations				
Other long-term obligations				
Total	1,645,649	447,047	813,119	385,483

Lease commitments

	Lease commitments Real-estate	Lease commitments Equipment
Original date	47,535,637	72,660,256
Royalties for the year	3,279,524	11,304,035
Cumulative charges from previous years	20,678,742	46,066,154
Theoretical provision for the year	780,550	6,696,980
Cumulative amortisation for prior years	5,632,599	22,263,854
Royalties outstanding - one year	3,279,524	8,454,454
Royalties outstanding - over one year and up to five years	9,340,292	14,467,365
Royalties outstanding - over five years	3,741,863	0
Surrender value	16,381,142	493,263

Commitments to employees

The amount of employee retirement benefit obligations, determined using a projected unit credit method, amounted in 2013 to €8.839 million, compared to €6.710 million in 2012.

The main actuarial assumptions at 31 December 2013 were:

- rate of salary increase: 2.50% taking account of inflation;
- discount rate: 3.12%;
- retirement age: 65 years;
- social security contribution rate: in line with 2013 figures.

The amount paid by the company in retirement benefits amounted to €338,485 in 2013.

There were no material commitments in respect of long-service awards.

Commitments related to individual training rights (DIF)

The law of 4 May 2004 on professional training introduced a system whereby employees can build up training rights to be used at their discretion with their employer's agreement. The minimum annual amount is 20 hours capped at a cumulative total of 120 hours.

On 31 December 2013, these training rights did not generate any additional costs as they are financed by refunds obtained under professional training contracts. The expense is posted as and when the hours are used.

Other commitments

In 2002, Orpea granted its subsidiary, SA Clinique du Docteur Courjon, a debt write-off of €1,915,487 with a claw-back condition, since taken over by CLINEA SAS.

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:

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

III.2 Employees

At 31 December 2013, full-time equivalents employed by Orpea SA were as follows:

	31/12/2013	31/12/2012
Managers	629	517
Employees/Workers	6,891	5,711
Total	7,520	6,228

III.3 Statutory Auditors' fees

Fees for the statutory auditors in respect of their audit of the accounts in 2013 were €1.925 million.

III.4 Benefits granted to directors and executive officers

The total amount of gross compensation, fees (including all taxes) and benefits paid during the 2013 financial year to ORPEA SA's corporate officers was €2.049 million. Attendance fees for members of the Board of Directors for the 2013 financial year, paid in 2014, were €205,000.

They had no specific supplementary pension entitlements (article 39 regulations) as at 31 December 2013.

2. STATUTORY AUDITORS' REPORT ON THE STATUTORY FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Saint-Honoré BK&A
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75008 Paris

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

ORPEA

Société Anonyme

115 rue de la Santé
75013 Paris

Statutory Auditors' Report on the statutory financial statements

Financial year ended 31 December 2013

To the Shareholders,

In accordance with the instructions given to us by your General Meeting, we present our report for the financial year ending 31 December 2013, on:

- the audit of ORPEA's statutory financial statements, as appended to this report;
- the justification for our assessments;
- the specific reviews and information required by law.

These financial statements were approved by the board of directors. Our role is to express an opinion on those financial statements based on our audit.

I. Opinion on the statutory financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit, based on sample checks or other methods of selection, involves verifying the items substantiating the amounts and information contained in the annual financial statements. An audit also includes assessing the accounting

principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly in all material respects the financial position and assets and liabilities of the company as at 31 December 2012 and the results of its operations for the year then ended in accordance with French generally accepted accounting principles.

II. Basis for our assessments

As required by the provisions of article L. 823–9 of the French Commercial Code on the basis for our assessments, we draw your attention to the following matters:

- Note 1.2.1 describes the accounting standards and methods used to measure operating licences recognised as intangible assets;
- Note 1.2.3 describes the accounting standards and methods used to measure equity interests recognised as non-current financial assets.

As part of our overall assessment of the accounting policies used by the company, we assessed the appropriateness of the accounting methods described above and the disclosures provided in the notes to the statutory financial statements.

These appraisals formed part of our audit of the annual accounts as a whole, and therefore contributed to our opinion expressed in the first part of this report.

III. Specific procedures and disclosures

In accordance with the professional standards applicable in France, we also carried out the specific checks required by law.

We have no matters to report regarding the fairness and consistency with the financial statements of the information given in the management report, and in the documents sent to the shareholders with respect to the financial position and the financial statements.

As regards the information provided pursuant to the provisions of article L. 225–102–1 of the French Commercial Code on remuneration and benefits paid to and commitments made to the directors and executive officers, we have verified that this information is consistent with the financial statements or the data used to prepare the financial statements, and, where applicable, the information obtained by your company from companies controlling it or controlled by it. Based on our work, we believe the information provided is true and fair.

As required by law, we also verified that the requisite disclosures concerning interests and controlling interests and the identity of holders of share capital and voting rights were made in the management report.

Paris and Neuilly-sur-Seine, 6 May 2014

The Statutory Auditors

Saint-Honoré BK&A

Deloitte & Associés

Frédéric BURBAND

Joël ASSAYAH

CHAPTER VII: DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS OF 25 JUNE 2014

1. REPORT OF THE BOARD OF DIRECTORS ON THE PROPOSED RESOLUTIONS

The purpose of this report is to comment on the main points of the proposed resolutions submitted to the general meeting by your company's Board of Directors.

This report is not intended to be detailed nor can it replace a comprehensive reading of the full text of the proposed resolutions, which it is intended to supplement.

The full text of the proposed resolutions is attached to this report.

We have called this combined general meeting of shareholders for the approval of the resolutions relating to, in particular, the financial statements closed at 31 December 2013, the renewal of the authorisation to execute transactions with the Company's shares and the reappointment of one of the directors, as well as several financial resolutions.

In addition, three resolutions are submitted for your approval pursuant to paragraph 24.3 of the AFEP-MEDEF Code, voluntarily applied by the Company. They concern the consultation of shareholders in relation to the compensation of executive corporate officers.

Following the entry into force of the Act of 14 June 2013 on employment protection, you are asked to amend the Company's articles of association to introduce procedures to appoint one or more director(s) representing the employees within the Board. This draft amendment is covered in the 29th resolution.

Thus, the Board of Directors is submitting for your approval 31 resolutions.

RESOLUTIONS SUBMITTED TO THE ORDINARY GENERAL MEETING

I- APPROVAL OF THE STATUTORY AND CONSOLIDATED FINANCIAL STATEMENTS (1ST AND 2ND ORDINARY RESOLUTIONS)

In accordance with legal requirements we have called this meeting within six months from the end of the business year, for the review and approval of the Company's statutory and consolidated financial statements.

The object of the 1st resolution is the review and approval of Orpea's statutory accounts for the year ending 31 December 2013, showing a profit of €2,952,446.

The object of the 2nd resolution is the review and approval of Orpea's consolidated accounts for the year ending 31 December 2013, showing a net profit of €113,770,757.

For more information on these accounts and on the company's performance during 2013 please refer to the information given in the Board of Directors' management report, which is included in the 2013 Registration Document.

II- APPROPRIATION OF NET PROFIT/(LOSS) (3RD ORDINARY RESOLUTION)

With the 3rd resolution, the Board of Directors proposes the following allocations of the income for financial year 2013, which comes to a profit of €2,952,446.

- the profits, of	2,952,446
<u>to be allocated to the legal reserve</u> in the amount of	147,623
the remainder, i.e.	2,804,823
increased by:	
1) the "Retained earnings" item, i.e.	249,273
2) the "Share, merger and contribution premiums" item, amounting to	39,000,000
giving a total distributable amount of	42,054,096

payment of a cash dividend of €0.70 for each of the 55,476,991 shares comprising the share capital as of 1 January 2014, i.e. €38,833,893.70

- the balance of €3,220,202.30 to "Retained earnings".

The dividend would be paid on 11 July 2014, with the specification that the shares owned by the Company on the payment date will not receive a dividend and that the corresponding amounts will be allocated to "Retained earnings". In the event of a change in the number of shares eligible for dividends, compared to the 55,476,991 shares in the capital as of 1 January 2014, the Board may adjust the global dividend amount by making a withdrawal from the "Retained earnings" account.

The proposed dividend gives entitlement to the 40% tax allowance foreseen under article 158-3 paragraph 2 of the French General Tax Code applicable to individuals resident for tax purposes in France.

The table below indicates the dividend amount for the past three years:

Financial year	Dividend per share	Tax allowance
2010	€0.23	Yes
2011	€0.50	Yes
2012	€0.60	yes

III- APPROVAL OF REGULATED AGREEMENTS (4TH ORDINARY RESOLUTION)

The purpose of the 4th resolution is the approval of the agreements covered in the special report of the Statutory Auditors.

You are reminded that, in accordance with the law, only new agreements which are yet to be approved by the shareholders are subject to a vote by the General Meeting. The Statutory Auditors' special report makes reference to the existing agreements which continued during the year ended 31 December 2013, but have only been mentioned for the purposes of information to shareholders (they are not subject to another vote by the General Meeting).

1-Agreement concluded during FY 2013

The section of the special report concerning the agreements authorised in 2013 (and yet to be approved) covers three agreements authorised by the Board of Directors at the meetings of 11 December 2013 and 25 April 2013.

1-1- Agreements authorised by the Board of Directors on 11 December 2013

The agreements authorised by the Board of Directors on 11 December 2013 were entered into upon the off-market acquisition by CPPIB of 7,952,718 shares from Jean-Claude Marian (hereinafter "**the Acquisition**") and the capital increase of €100 million through a private placement made by the Company (hereinafter "**the Capital Increase**").

1-1-1- Investment agreement with CPPIB

Director concerned: Jean-Claude Marian

As part of CPPIB's acquisition of its share capital, the Company entered into an investment agreement with CPPIB aimed at establishing the main procedures for CPPIB's investment (the "**Investment Agreement**").

The main terms and conditions of the Investment Agreement are:

- The term of the Investment Agreement is 10 years;
- CPPIB may be represented in the Board of Directors by a director as long as CPPIB holds at least 8% of voting rights, and by two directors if CPPIB holds at least 16% of the voting rights. These directors will be entitled to be part of the Audit Committee, the Appointments and Remuneration Committee and any new committee that might be established;
- As long as CPPIB holds at least 5% of the Company's share capital, the Company shall endeavour to allow CPPIB to subscribe to any capital increases pro-rata of its stake in the Company's capital;
- CPPIB may not dispose of the shares acquired or subscribed as part of the Acquisition and the Capital Increase for a period of eighteen (18) months from the Acquisition date. After this time, CPPIB may ask for the Company's cooperation to complete the disposal of blocks of shares or significant private placements;
- CPPIB may continue to acquire Company shares, directly or indirectly, on and off market;
- The Company will not issue securities giving access to its capital at a price lower than €40.34 for nine months from the Acquisition date;
- The Company has given CPPIB the usual guarantees.

1-1-2- Guarantee Agreement with CPPIB

Director concerned: Alain Carrier, as director appointed upon proposal by CPPIB;

The Company and CPPIB entered into an agreement under which CPPIB undertakes to guarantee the Capital Increase for approximately €100 million, at a minimum price of €40.34 per share (the "Guarantee Agreement").

The main terms and conditions of the Guarantee Agreement are:

- CPPIB irrevocably undertakes to subscribe to the capital increase at a price of €40.34 per share up to the total value of the issuance (capped at €100 million) for any shares not subscribed by others following a private placement, so that the Capital Increase is subscribed to in its entirety in any circumstances;
- The Company has given CPPIB certain guarantees, in line with market practices for this type of transaction.

1-1- Agreement authorised by the Board of Directors on 25 April 2013

Director concerned: Jean-Claude Marian

The Board of Directors authorised the acquisition by IMMOBILIERE DE SANTE (a company held at 49.9% by ORPEA) of 100% of the share capital of SCI 128 RUE DANTON, a company of which Jean-Claude Marian was a manager, at a price of €1,000 with assumption of debt and reimbursement of the current account, for a total amount of €17 million.

2- Agreement authorised by the Board of Directors on 29 April 2014

Director concerned: Jean-Claude Marian

The Statutory Auditors' special report also covers an agreement that had not previously been authorised and was then authorised on 29 April 2014.

The agreement – whose main terms and conditions are listed below – concerns the current account advance granted by Jean-Claude Marian to the Company.

Jean-Claude Marian lent €70 million to ORPEA SA in December 2013. No interest was recorded in ORPEA SA's 2013 statutory financial statements against this agreement.

On 29 April 2014, the Board of Directors authorised this current account advance and set the reimbursement rate at the highest tax-deductible level from 1 January 2014.

IV- BOARD OF DIRECTORS (5TH TO 10TH ORDINARY RESOLUTIONS)

Ratification of the appointment of Alain Carrier

On 11 December 2013 the Board of Directors was informed of the resignation of company NeoGema, represented by Philippe AUSTRUY, from its role as director, and co-opted Alain Carrier as a replacement for the remainder of the term, i.e. until the conclusion of the Ordinary General Meeting convened in 2015 to approve the financial statements for the year closing on 31 December 2014.

This co-optation coincided with CPPIB's acquisition of Company shares, in accordance with the Investment Agreement.

Thus, the 5th resolution asks that you ratify Alain Carrier's co-optation executed during the meeting of the Board on 11 December 2013.

Reappointment of Director Jean-Patrick FORTLACROIX

The **6th resolution** proposes the reappointment of Jean-Patrick Fortlacroix, whose office is due to expire at the end of this General Meeting, for a term of four years ending at the closure of the General Meeting called to approve the 2017 financial statements.

Alain Carrier' and Jean-Patrick Fortlacroix' resumes are attached to this report.

Directors' fees

The 7th resolution asks that you set the overall amount of the Director's fees for the Board at €300,000 for the current financial year and each of the following years, with the specification that this amount will remain in force until a new decision is made by the General Meeting of Shareholders.

You are reminded that from 2012 the total amount of Directors' fees had been set at €225,000 per financial year.

Since then the Board has acquired a new member and the work of the Study Committees has increased.

Opinion on remuneration components due or awarded for 2013 to each of the executive corporate officers

In accordance with the recommendations of the AFEP-MEDEF Code as revised in June 2013 (section 24. 3), the corporate governance code the Company applies pursuant to article L. 225-37 of the French Commercial Code, the **8th, 9th and 10th** resolutions are aimed at consulting the General Meeting of Shareholders in relation to the remuneration components due or awarded for 2013 to each executive corporate officer, i.e.: Jean-Claude Marian, Chairman of the Board of Directors, Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Deputy CEO (all of these components are detailed in the Registration Document, section Corporate Governance, 2014 Report of the Chairman of the Board of Directors).

Remuneration components due or awarded for 2013 to Jean-Claude Marian, Chairman of the Board of Directors

Remuneration components	Amounts (gross and before tax)	Presentation
Fixed remuneration	€450,500 (paid in 2013)	At its meeting on 25 March 2013, the Board of Directors decided to keep the gross annual fixed remuneration of its Chairman for 2013 at €450,500.
Directors' fees	€25,000	The amount paid to each director is calculated in accordance with the Board of Directors' Rules of Procedure.
Jean-Claude Marian is not entitled to the following remuneration components: variable compensation, multiannual variable compensation, exceptional compensation, benefits in kind, stock options, bonus shares, supplementary pension, severance benefits clause, non-compete benefits.		

Remuneration components due or awarded for 2013 to Yves Le Masne, Chief Executive Officer

Remuneration components	Amounts (gross and before tax)	Presentation
<p><u>Fixed remuneration:</u></p> <p>-Under the employment contract</p> <p>-As corporate officer</p>	<p>€220,000 (paid in 2013)</p> <p>€500,000 (paid in 2013)</p>	<p>As a reminder, on 15 February 2011, the Board of Directors appointed Mr Le Masne as Chief Executive Officer, maintaining his employment contract. On the same date, his overall gross yearly remuneration was fixed at €720,000 (€520,000 for his services as a salaried employee, and €200,000 for his work as corporate officer).</p> <p>In accordance with the AFEP-MEDEF Code (paragraph 19), the Board of Directors on 25 March 2013 decided to terminate Mr Le Masne's employment contract and, given his length of service and contribution to the Group, authorised entering into an agreement to terminate his employment contract and award him severance pay, equal to the lawful amount, of €602,000.</p>

		<p>This commitment was approved by the General Meeting of Shareholders on 20 June 2013.</p> <p>As a consequence of terminating his employment contract, from 1 June 2013 Mr Le Masne is only paid compensation for his work as a corporate officer, fixed by the Board of Directors on 25 March 2013, with the following breakdown:</p> <ul style="list-style-type: none"> ■ a fixed component of €720,000 gross on a yearly basis; ■ a variable component of up to 40% of the gross yearly remuneration, but which may reach 70% in the event of transactions or circumstances deemed exceptional by the Board. <p>The criteria for evaluating the variable portion were defined as follows:</p> <ul style="list-style-type: none"> - three-quarters of the variable portion are measured against quantitative objectives determined with reference to business and financial objectives such as revenues, financial performance ratios and indebtedness; - the remainder is measured against qualitative criteria determined with reference to communications objectives.
Variable compensation:	€275,000 (paid in 2013)	Upon a proposal by the Appointments and Remuneration Committee and taking into account the performance in 2012, on 25 March 2013 the Board awarded Mr Le Masne a bonus of €275,000 gross.
Directors' fees	€25,000	The amount paid to each director is calculated in accordance with the Board of Directors' Rules of Procedure.
Severance benefits	No amount due or paid	In accordance with the decisions of the Board of Directors of 25 March 2013 and 25 April 2013, approved by the Combined General Shareholders' Meeting on 24 June 2013, Mr Le Masne is entitled to severance pay in case of termination of his office as CEO, for an amount equal to twenty-four (24) months of gross fixed and variable remuneration (as a multiple of a monthly average of compensation due and paid for the previous 2 years). Performance

		<p>conditions apply.</p> <p>This payment will be due in the event of:</p> <ul style="list-style-type: none"> • forced departure, at the initiative of the Board of Directors, irrespective of how this termination of office occurs, notably by revocation, requested resignation or non-renewal of mandate (excluding termination of office as a result of a serious offence); <p>or</p> <ul style="list-style-type: none"> • a change in the Company's control (this being understood as any change to the Company's legal form as a result of any merger, restructuring, disposal, public offering or exchange operation, notably following which a legal or physical person, acting alone or in concert, directly or indirectly, holds a fraction of the company's capital or voting rights giving him or her effective control of the Company) or its strategy, on the initiative of the Board of Directors or the corporate officer concerned. <p>The payment of this compensation will also be subject to the following condition: the average variable remuneration with respect to the two years preceding the termination year of the officer in question must have been equal to or greater than 75% of the non-extraordinary target variable compensation (i.e., excluding the extraordinary variable portion.)</p> <p>In the event that the average variable remuneration with respect to the two years preceding departure is between 74% and 50% of said target regular variable remuneration, the amount of benefits are reduced in proportion to the rate of completion of the above conditions. If the completion rate is under 50%, no benefits are paid.</p> <p>No payment will be due if Mr Le Masne is entitled to basic retirement benefits in the six months following termination of his office.</p>
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Supplementary pension scheme	None	On 25 March 2013, the Board of Directors authorised the application of the collective agreement regarding disability and related benefits and employer-reimbursed healthcare that are part of the Group's contract for Yves Le Masne. This commitment was approved by the General Meeting of Shareholders on 24 June 2013.
Benefits in kind	€3,551	Mr Le Masne has been given a company car.
Unemployment insurance	€1,695	On 25 April 2013, the Board of Directors renewed the authorisation to take out unemployment insurance, with the Company bearing the cost of the premiums.
Yves Le Masne does not receive the following remuneration components: multiannual variable compensation, exceptional compensation, stock options, bonus shares, supplementary pension, non-compete benefits		

Remuneration components due or awarded for 2013 to Jean-Claude Brdenk, Deputy CEO

Remuneration components	Amounts (gross and before tax)	Presentation
<p><u>Fixed remuneration:</u></p> <p>-Under the employment contract</p> <p>-As corporate officer</p>	<p>€205,000 (paid in 2013)</p> <p>€324,000 (paid in 2013)</p>	<p>On 26 March 2012, the Board of Directors set the overall yearly gross remuneration of Mr Brdenk at €529,000 (€205,000 for his services as a salaried employee and €324,000 for his work as corporate officer).</p> <p>In accordance with the AFEP-MEDEF Code (paragraph 19) the Board of Directors on 25 March 2013 decided to terminate Mr Brdenk's employment contract and, given his length of service and contribution to the Group, authorised entering into an agreement to terminate his employment contract and award him severance pay, equal to the lawful amount, of €535,300. This agreement was approved by the General Meeting of Shareholders on 20</p>

		<p>June 2013.</p> <p>As a consequence of terminating his employment contract, from 1 June 2013 Mr Brdenk is only paid compensation for his work as a corporate officer, fixed by the Board of Directors on 25 March 2013, with the following breakdown:</p> <ul style="list-style-type: none"> ■ a fixed component of €520,000 gross on a yearly basis; ■ a variable component of up to 50% of the gross yearly remuneration, but which may reach 70% in case of transactions or circumstances deemed exceptional by the Board. <p>The criteria for evaluating the variable portion were defined as follows:</p> <ul style="list-style-type: none"> - three-quarters of the variable portion are measured against quantitative objectives determined with reference to business and financial objectives such as revenues, financial performance ratios and indebtedness; - the remainder is measured against qualitative criteria determined with reference to largely managerial objectives.
<u>Variable compensation:</u>	<p>€200,000 (paid in 2013)</p>	<p>Upon a proposal by the Appointments and Remuneration Committee and taking into account the performance in 2012, on 25 March 2013 the Board awarded Mr Brdenk a bonus of €200,000 gross.</p>
Directors' fees	<p>None</p>	<p>Mr Brdenk does not receive any Directors' fees.</p>
Severance benefits	<p>No amount due or paid</p>	<p>In accordance with the decisions of the Board of Directors of 25 March 2013 and 25 April 2013, approved by the Combined General Shareholders' Meeting on 20 June 2013, Mr Brdenk is entitled to severance pay in case of termination of his office as Deputy CEO, for an amount equal to twenty-four (24) months of gross fixed and variable remuneration (as a multiple of a monthly average of compensation due and paid for the previous 2 years). Performance conditions apply.</p> <p>This payment will be due in the event of:</p>

		<ul style="list-style-type: none"> • forced departure, at the initiative of the Board of Directors, irrespective of how this termination of office occurs, notably by revocation, requested resignation or non-renewal of mandate (excluding termination of office as a result of a serious offence); <p style="text-align: center;">or</p> <ul style="list-style-type: none"> • a change in the Company's control (this being understood as any change to the Company's legal form as a result of any merger, restructuring, disposal, public offering or exchange operation, notably following which a legal or physical person, acting alone or in concert, directly or indirectly, holds a fraction of the company's capital or voting rights giving him or her effective control of the Company) or its strategy, on the initiative of the Board of Directors or the corporate officer concerned. <p>The payment of this compensation will also be subject to the following condition: the average monthly compensation received for the two financial years preceding the termination year of the officer in question must have been equal to or greater than 75% of the non-extraordinary target variable compensation (i.e., excluding the extraordinary variable portion.)</p> <p>In the event that the average variable remuneration with respect to the two years preceding departure is between 74% and 50% of said target regular variable remuneration, the amount of benefits are reduced in proportion to the rate of completion of the above conditions. If the completion rate is under 50%, no benefits are paid.</p> <p>No payment will be due if Mr Brdenk is entitled to basic retirement benefits in the six months following termination of his office.</p>
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Supplementary pension scheme	None	On 25 March 2013, the Board of Directors authorised the application of the collective agreement regarding disability and related benefits and employer-reimbursed healthcare that are part of the Group's contract for Mr Brdenk. This commitment was approved by the General Meeting of Shareholders on 20 June 2013.
Benefits in kind	€4,450	Mr Brdenk has been given a company car.
Unemployment insurance	None	On 25 March 2013, the Board of Directors approved an authorisation to take out unemployment insurance, with the Company bearing the cost of the premiums. The insurance will only be effective from 1 January 2014. This commitment was approved by the General Meeting of Shareholders on 20 June 2013.
Mr Brdenk does not receive the following remuneration components: multiannual variable compensation, exceptional compensation, stock options, bonus shares, supplementary pension, non-compete benefits.		

V- APPOINTMENT OF STATUTORY AUDITORS (11TH AND 12TH ORDINARY RESOLUTIONS)

The mandates of Saint-Honoré BK & A (formerly known as Burband Klinger & Associés), Joint Statutory Auditor, and Marc Tenaillon, Joint Alternate Statutory Auditor, will end upon closing of this Ordinary General Meeting.

With the **11th** and **12th** resolutions you are asked to reappoint Saint Honoré BK & A as Joint Statutory Auditor, for a term of six financial years, i.e. until the end of the Ordinary Shareholders' meeting called to approve the financial statements for the year ending on 31 December 2019, and to appoint Saint Honoré SEREG as new Joint Alternate Statutory Auditor, replacing Marc Tenaillon, for the duration of the term of Saint Honoré BK & A.

As a reminder, the appointments of Deloitte & Associés as Joint Statutory Auditor, and BEAS as Joint Alternate Statutory Auditor, will continue until the closing of the annual general meeting called to approve the financial statements of the year ending on 31 December 2015.

VI – AUTHORISATION FOR THE COMPANY TO BUYBACK AND, IF APPLICABLE, TO CANCEL ITS OWN SHARES (13TH AND 14TH ORDINARY AND EXTRAORDINARY RESOLUTIONS)

Buyback of the Company's own shares – 13th ordinary resolution

As of 31 December 2013, the Company held 0.02% of its own share capital (for further information on the implementation of the share buyback programme in 2013, please refer to chapter II, section 1.16 of the Registration Document).

As the authorisation granted by the General Shareholders' Meeting on 20 June 2013 will expire on 20 December 2014, the **13th resolution** proposes the renewal of the annual authorisation granted to the Board of Directors to buyback Company shares in accordance with articles L. 225-209 et seq. of the French Commercial Code, notably for the purpose of:

- to make a market or promote liquidity in the shares through an independent investment services provider acting under a liquidity contract that complies with a code of conduct approved by the Autorité des Marchés Financiers, with the understanding that the number of shares counted in the aforementioned 10% calculation shall equal the number of shares bought less the number resold within the time period of this authorisation;
- to allot all or some of the shares purchased to employees and/or officers of the Company and/or the Group under the terms and conditions set out by law, and particularly under employee profit-sharing plans, stock option plans, share award plans or employee share ownership plans;
- to allot shares upon the exercise of securities giving rights to shares of the Company by way of conversion, exercise, redemption, exchange or otherwise, in accordance with stock market regulations;
- to cancel all or some of the shares acquired in capital reductions under the terms and conditions set out in the French Commercial Code, subject to the fourteenth resolution being passed by the shareholders during the extraordinary portion of the meeting;
- to keep all or some of the shares purchased to tender in exchange, as payment or otherwise for future acquisitions, in compliance with practices authorised by the Autorité des Marchés Financiers; or
- more broadly, to undertake any hedging or other transaction that is authorised or might be authorised by regulations in force.

This authorisation would be granted for a period of 18 months and will replace the authorisation with the same effect granted by the shareholders on 20 June 2013.

It will enable the implementation of a share buyback programme with the following features:

- Maximum percentage of share capital that may be held:
 - 10% of the total number of shares forming the share capital of the Company, and
 - 5% of the total number of shares making up the Company's share capital if these are shares acquired by the Company for holding and subsequent use in payment or exchange as part of a merger, spin-off or capital contribution.
- Maximum purchase price: €100;
- Maximum amount of the programme: €554,769,900;
- Terms and conditions: The purchase, sale, transfer or exchange of these shares may be effected and settled by any means in accordance with the regulations in force, on one or more occasions, on or off the market, including over-the-counter, and by the purchase or sale of blocks (without limiting the portion of the buyback programme that may be executed by this means), by the use of options or other financial derivatives and at all events directly or through the intermediary of an investment services provider, and at such times as the Board of Directors shall deem proper, excluding at the time of a public offer on the Company's shares.

The shares purchased and kept by the Company will be stripped of their voting rights and will not be entitled to dividend payments.

Cancellation of shares acquired by the Company – 14th extraordinary resolution

Under the **14th resolution**, we are seeking an 18-month renewal of the authorisation granted at the combined general meeting of 20 June 2013, to cancel all or part of the shares in the Company purchased under the share buyback programme.

In accordance with legal requirements the shares can only be cancelled up to the limit of 10% of the share capital per 24-month period.

Cancellation of shares will entail a reduction of the share capital and consequently an amendment to the articles of association; this resolution is subject to the quorum and majority requirements for extraordinary business.

We would point out that to date no shares have been cancelled.

VII – RENEWAL OF FINANCIAL POWERS AND AUTHORISATIONS TO ISSUE SHARES OR TRANSFERABLE SECURITIES GIVING ACCESS TO THE CAPITAL (15TH TO 27TH EXTRAORDINARY RESOLUTIONS)

Resolutions 15 to 25 concern financial powers and authorisations to issue transferable securities giving access to the capital and taken into account towards the overall limit set out by the **26th resolution**. The **27th resolution**, which is not included in the overall cap, concerns the delegation of power to increase the capital by way of capitalisation of reserves, profits or share premiums.

The Board of Directors seeks to be given the power and authorisation – with the option to sub-delegate – to issue shares or transferable securities giving access to the capital and select the most appropriate method for the financing of the Group, according to market conditions. As a matter of fact, these powers and authorisations would afford the Board the required flexibility to proceed with the most favourable funding transaction for the Group's development, based on market conditions.

Accordingly, under resolutions 15 to 22, you are asked to renew the Board of Director's financial authorisations, both maintaining the shareholders' preferential subscription rights and eliminating the preferential subscription rights.

In addition, **resolutions 23 to 25** seek the renewal of the powers and authorisations granted to employees and corporate officers (capital increase reserved to members of employee savings plans, award of bonus shares, allocation of share purchase or subscription options).

The new authorities will cancel and replace, for the unused portion, the previous authorisations granted at the general meeting of 20 June 2013 in relation to the same object. Please note that details of all the authorisations voted by the combined general meeting of 20 June 2013, and the uses of those authorisations, are given in the 2013 Registration Document filed with the AMF and made available to you in accordance with applicable laws and regulations, notably on the Company's website.

FINANCIAL POWERS COUNTING TOWARDS THE OVERALL CEILING (15TH TO 25TH EXTRAORDINARY RESOLUTIONS)

Resolutions 15 to 25 concern the granting of powers and authorisations subject to specific caps, which are applied together towards the overall ceiling set by the **26th resolution**.

► OVERALL CEILING:

The 26th resolution establishes the overall ceiling for the authorisations relating to resolutions 15 to 25. The ceiling breaks down as follows:

- the maximum par value of capital increases that may be executed may not exceed €30 million in total;
- the maximum par value of debt securities that may be issued may not exceed €650 million.

The following table summarises financial resolutions 15 to 25, falling under the overall ceiling and each having its own sub-ceiling:

Type of authorisation	Maximum global par value	Term
15th resolution - Rights issues of shares in the company and/or securities carrying rights to shares.	<ul style="list-style-type: none"> - Total par value of capital increases: €30,000,000 - Maximum par value of debt securities: €500,000,000 	26 months
16th resolution - Non-rights issues of shares and/or securities carrying rights to shares by public offer	<ul style="list-style-type: none"> - Total par value of capital increases: €6,900,000 - Maximum par value of debt securities: €500,000,000 	26 months
17th resolution - Non-rights issues of Company shares and/or securities carrying rights to Company shares through private placements governed by paragraph 2 of article L. 411-2 of the French Monetary and Financial Code	<ul style="list-style-type: none"> - Total par value of capital increases: €6,900,000 per annum - Maximum par value of debt securities: €500,000,000 	26 months
18th resolution - Non-rights issues under the 15th and 16th resolutions, with the issue price being set as determined by the General Shareholders' Meeting	Within the limit of 10% of the capital per year;	26 months
19th resolution - Capital increase to pay for contributions in kind made to the Company in the form of equity instruments or other securities, up to a maximum of 10% of the share capital, through non-right issues .	<ul style="list-style-type: none"> Within the limit of 10% of the capital Maximum par value of debt securities: €500,000,000 	26 months
20th resolution - Issue of financial securities and/or transferable securities giving access to capital in a public exchange offer initiated by the Company, without preferential subscription rights	Within the limit of 10% of the capital	26 months
21st resolution - Increase in the amount of a rights or non-rights issue (over-allotment clause).	<ul style="list-style-type: none"> Within the limit of 15% of the initial issue Amount deducted from each of the issues decided under the 15th to 18th resolutions 	26 months
22nd resolution - Non-rights issues of ordinary shares following the issuance of securities carrying rights to the Company's ordinary shares by the Company's subsidiaries	<ul style="list-style-type: none"> Total par value of capital increases: €6,900,000 	26 months
23rd resolution - Issue of equity securities reserved for members of an employee share ownership plan, without shareholders' preferential rights .	Maximum par value: €400,000	26 months
24th resolution - Allocation of bonus shares, existing	Total number of shares that can be	26

or to be issued, to corporate officers and employees without preferential subscription rights	granted: 0.5% of the Company's capital on the day of the Board's decision	months
25th resolution – Award of share subscription and/or purchase options to corporate officers and employees, without preferential subscription rights in the event they are subscribed	Total number of shares that can be acquired: 300,000 shares	26 months
26th resolution – Overall ceiling on capital increases carried out under Resolutions 15 to 25	– maximum par value: €30,000,000 – maximum par value of debt securities: €650,000,000	

► **MAIN CHARACTERISTICS OF PLANNED TRANSACTIONS**

► **Rights issues of ordinary shares in the company or of securities carrying rights to Company shares, maintaining the shareholders' preferential subscription rights (15th resolution).**

Under the **15th resolution**, you are asked to authorise the Board of Directors to decide, within 26 months from the date of this General Shareholders' Meeting, to proceed with one or more issuances of ordinary shares or any transferable securities giving access, immediately or in the long term, to a share of the capital of the Company or of an entity in which the Company holds more than half of the share capital, in accordance, in particular, with articles L. 225-129-2 and L. 228-92 of the French Commercial Code.

The capital increases that may be carried out shall not exceed an overall ceiling of €30 million, corresponding to 43.26% of the Company's capital at 31 December 2013.

In addition, the maximum par value of debt securities that may be issued may not exceed €500 million.

These amounts will be included in the global ceilings set in the **26th resolution**.

The shareholders may exercise their preferential subscription rights under the legal conditions, as of right, and if applicable on a scale-back basis under the conditions determined by the Board of Directors.

This decision to issue transferable securities giving access to the capital will eliminate the shareholders' preferential subscription rights for the equity securities they would be entitled to pursuant to article L. 225-132 of the French Commercial Code.

► **Rights issues of ordinary shares in the company or of securities carrying rights to ordinary shares of the Company or one of its subsidiaries, without shareholders' preferential subscription rights (16th to 22nd resolution).**

✓ 16th and 17th resolutions

The Board of Directors proposes to the general meeting the approval of an authorisation to issue ordinary shares or securities carrying immediate or future rights to ordinary new or existing shares in the Company or a subsidiaries, without preferential subscription rights, within the context of a public offer (**16th resolution**) and/or through offers mentioned in article L. 411-2 of the French Monetary and Financial Code, i.e. through private placements for the benefit of qualified investors or for a restricted group of investors (**17th resolution**). These authorisations will be valid for 26 months.

Any capital increases under each of these resolutions may not exceed an overall share capital ceiling of €6.9 million, equal to 10% of the Company's capital at 31 December 2013.

In addition, the maximum par value of debt securities that may be issued may not exceed €500 million.

These amounts will be included in the global ceilings set in the **26th resolution**.

In order to mitigate the consequences of a capital increase with the elimination of preferential subscription rights, the **16th resolution** (an issue connected to a public offer) provides that the Board may grant the shareholders a priority period within which to subscribe to the issued shares.

The share issue price will be at least equal to the minimum price stipulated by the applicable laws and regulations on the price fixing date, which currently stipulate a price at least equal to the weighted average of the last three trading sessions prior to the price-fixing, which may be reduced by a maximum discount of 5% (article R 225-119 of the French Commercial Code).

✓ 18th resolution

In accordance with article L. 225-136 of the French Commercial Code, with the **18th resolution**, the Board of Directors seeks an authorisation to issue, within the limit of 10% of the share capital for each 12-month period, ordinary Company shares and/or securities giving access, immediately or in the future, to the capital of the Company or of a Subsidiary, without preferential subscription rights, under the **sixteenth** or **seventeenth resolution** for this meeting, notwithstanding the price-fixing conditions established by said resolutions, and to determine the price as follows: either the weighted average of the Company's share price on the day before the issue price is fixed, or the weighted average of the share price chosen amongst the last sixty trading days or part thereof on NYSE-Euronext Paris before the issue price is set; in both cases, a maximum 10% discount may be applied. In any case, the sums received for each share will be at least equal to the par value.

The par value of the increase in the Company's capital resulting from implementation of the **18th resolution** will be deducted from the ceiling stipulated, as the case may be, in the **15th** or **16th resolutions** of the general meeting.

- ✓ 19th and 20th resolutions

It is also necessary to take into account possible acquisitions paid in financial securities:

– either to remunerate contributions in kind permitted to the Company and consisting of equity instruments or securities, in a context in which the shares allocated to ORPEA are not traded on a regulated market or equivalent market (**19th resolution**); such issues of Company shares and/or securities giving access to the Company's capital, which may be conducted through contributions in kind, are limited to 10% of the capital (the ratio is to be assessed on the date on which Board of Directors utilises its authorisation) for capital increases, and to €500 million for the total maximum par value of debt securities;

– or in connection with a public exchange offer initiated by the Company (**20th resolution**). The total par value of any capital increases that may be carried out may not exceed the regulatory limit of 10% of the Company's capital and the maximum par value of the debt securities that may be issued may not exceed €500 million.

The maximum capital increase that may result from each of these resolutions will be deducted from the global ceiling stipulated in the **26th resolution**.

These authorities will entail the elimination, for the benefit of the holders of shares or securities relating to contributions in kind or public exchange offers, of the shareholders' preferential rights of subscription to such shares or securities.

▶ **Additional rights or non-rights issues by application of the over-allotment clause (21st resolution).**

With the **21st resolution**, and in accordance with article L. 225-135-1 of the French Commercial Code, the Board of Directors seek the authorisation to increase the initial value of a capital increase (with or without preferential subscription rights, that is to say pursuant to the **15th to 18th resolutions**), within the limit of 15% of the initial issuance and at the same price of said issuance. This authorisation may be applied, in particular, where the Board of Directors notes a surplus demand for subscriptions and thus decides to grant an over-allotment (green shoe) option in accordance with market practice. The additional amount of the capital increase which may result from the implementation of the **21st resolution** will be included in the ceilings in the **15th to 18th resolutions**. This authority, granted to the Board of Directors, may under no circumstances result in an increase of the ceilings described above.

▶ **Non-rights issues of ordinary shares following the issuance of securities carrying rights to the Company's ordinary shares by the Company's subsidiaries (22nd resolution).**

Under the **22nd resolution**, the Board of Directors asks the shareholders to grant it the power to issue ordinary Company shares to which the securities issued by a Subsidiary give an entitlement.

These securities may be issued by the Subsidiaries only with the consent of the Company's Board of Directors and, in accordance with article L.228-93 of the French Commercial Code, they may give access, immediately or in the future, to ordinary Company shares. They may be issued in one or more transactions, in France or abroad.

The total par value of the capital increases that may be carried out under this authorisation may not exceed six million and nine hundred thousand euros (6,900,000), with the specification that this amount will be applied towards the overall ceiling set by the **26th resolution**.

► **AUTHORISATIONS BENEFITING GROUP EMPLOYEES AND CORPORATE OFFICERS (23rd to 25th resolutions)**

1. The Group believes it is important to involve its employees and corporate officers in its development and to foster a sense of belonging by ensuring their interests match those of the Company's shareholders. As a consequence, you are asked to authorise the Board to issue equity securities reserved to members of a company savings plan and/or to award options and/or bonus shares.

- ✓ Authorisation to the Board of Directors to issue equity securities in accordance with article L. 3332-18 of the French Labour Code (23rd resolution)

Under the **23rd resolution**, you are asked to grant the Board of Directors, for a period of 26 months, the power to increase the Company's share capital by issuing ordinary shares, with a maximum par value of €400,000, ordinary Company shares reserved:

- within the limits of the applicable laws and regulations, for employees and corporate officers of the Company and/or of companies or groupings that are related to it within the meaning of article L. 225-180 of the French Commercial Code;
- provided that the employees and/or corporate officers are members of a company savings plan and also meet any other conditions which may be imposed by the Board of Directors.

This decision will eliminate the shareholders' preferential subscription rights for the benefit of the above-mentioned beneficiaries, resulting in the shareholders' waiver of their preferential rights to subscribe to the shares to be issued to which the instruments issued pursuant to this authority give an entitlement.

The subscription price of the shares issued under this authority will be established in accordance with the provisions of articles L. 3332-19 et seq. of the French Labour Code.

The subscription price of the shares issued under this authorisation will be established in accordance with the provisions of articles L. 3332-19 of the French Labour Code, it being understood that the discount applied – pursuant to the aforementioned articles – to the average of the Company's share prices listed on NYSE Euronext Paris during the twenty trading days preceding the day the start date of the subscription is set, may not exceed 20%.

This authorisation would be granted for 26 months from this General Shareholders' Meeting and would render null and void the powers granted by the Combined General Meeting of 20 June 2013. You are reminded that the powers granted by the Combined General Meeting of 20 June 2013 have not been used.

- ✓ Authorisation for the Board of Directors to carry out the free allocation of existing or new shares (24th resolution).

Under the **24th resolution**, the Board of Directors may allocate existing or new bonus shares to an employee or executive corporate officer.

The allotment of such shares to the beneficiaries will become final at the end of a minimum two-year acquisition period; the beneficiaries must retain the shares for a minimum of two years with effect from the definitive date on which they are granted.

In accordance with the law, the Board of Directors has also decided, with regard to the executive beneficiaries, as defined by law, that either freely-allotted shares cannot be sold by the interested parties before they have terminated their duties, or that the quantity of shares they are required to retain until termination of their duties will be fixed.

The total number of bonus shares that would be awarded may not exceed 0.5% of the Company's share capital.

This authorisation would be granted for 26 months from this General Shareholders' Meeting and would render null and void the powers granted by the Combined General Meeting of 20 June 2013. You are reminded that the powers granted by the Combined General Meeting of 20 June 2013 have not been used.

- ✓ Authorisation for the Board of Directors to grant subscription and/or share purchase options to employees and corporate officers of the Company (25th resolution).

With the **25th resolution**, the Board of Directors proposes that it be authorised to grant the salaried employees, the corporate officers of the Company and/or its connected entities, options which give an entitlement, at its discretion, either to the subscription of new shares in the Company to be issued following a capital increase, or to the purchase of existing shares in the company, resulting from buybacks.

The maximum number of options that may be allocated in connection with this authorisation may not exceed 300,000 shares.

This authorisation would be granted for a period of 26 months.

The subscription price will be set by the Board of Directors on the date on which the option is granted, and it may not be lower than the minimum amount stipulated in either case by the laws in force on that date.

FINANCIAL AUTHORITY NOT INCLUDED IN THE OVERALL CEILING: CAPITAL INCREASE THROUGH THE CAPITALISATION OF RESERVES, PROFITS OR SHARE PREMIUMS (27TH EXTRAORDINARY RESOLUTION)

With the **27th resolution**, the Board of Directors asks the General Shareholder's Meeting, voting under the quorum and majority conditions required for ordinary business, to renew its power to increase the share capital by way of capitalisation of reserves, benefits or share premiums, up to a maximum par value of thirty million euros (€30,000,000).

The existence of a separate ceiling is justified as these increases do not entail any dilutive effects for the shareholders and would not change the volume of the Company's equity capital (these increases take place either through the free allocation to shareholders of new shares, or through the increase in the par value of the existing shares).

This authorisation would have a duration of 26 months and would terminate the previous authority granted at the combined general meeting of 20 June 2013.

VIII – AUTHORITY TO ISSUE TRANSFERABLE SECURITIES NOT GIVING ACCESS TO THE SHARE CAPITAL (28TH EXTRAORDINARY RESOLUTION)

With the **28th resolution** you are asked to renew the authority to issue transferable securities giving access to the allotment of debit instruments, with no increase in the Company's share capital, for a maximum par value of €500 million.

This ceiling is separate and independent from the **15th, 16th and 17th resolutions**, and from the global ceiling stipulated in the **26th resolution**.

This authority covers securities giving the right to the allocation of debt securities, such as bonds with warrants for the subscription of bonds, convertible bonds or bonds redeemable for a different debt security.

Such an authority would also extend the framework of the Group's financial policy.

If this resolution is approved, the Board will be able to determine the characteristics of the issued securities and debt instruments to which the securities would give the right of allocation, and in particular their par value and vesting date (including retroactive), their issue price, with premium if applicable, the interest rate (fixed or variable), the date of payment or – in the case of variable-rate securities – the conditions for determining the interest rate, and also the conditions for the capitalisation of interest.

This authorisation will be valid for 26 months.

IX – AMENDMENTS TO THE ARTICLES OF ASSOCIATION (29TH AND 30TH EXTRAORDINARY RESOLUTIONS)

ADDITION OF ARTICLE 11–5 CONCERNING THE APPOINTMENT OF ONE (OR MORE) DIRECTOR(S) REPRESENTING THE EMPLOYEES WITHIN THE BOARD OF DIRECTORS (29TH RESOLUTION).

In accordance with the Act of 14 June 2013 on employment protection, the Board of Directors proposes to the shareholders to amend the Company's Articles of Association with the addition of a new article, 11–5, to introduce procedures to appoint one or more director(s) representing the employees within the Board.

Under the **29th resolution**, the Board of Directors proposes that the first director representing the employees be appointed by the Group Works Council or, if not available, by the Works Council. In the event that the maximum number of 12 directors on the Board is exceeded, a second director representing the employees will also be appointed by the Group Works Council or, if not available, by the Works Council.

The director(s) representing employees will remain in office for a term of three years.

On 11 March 2014 and pursuant to the applicable laws, the Company's Works Council issued a favourable opinion in relation to the conditions for the appointment of employee representative director(s).

AMENDMENT OF ARTICLE 16 OF THE ARTICLES OF ASSOCIATION (30TH RESOLUTION)

In addition, the **30th resolution** seeks to amend, in a purely formal manner, article 16 of the Articles of Association concerning shares held by directors, to include clarifications regarding employee representative directors and to align the Articles of Association with the laws governing the period of time granted to comply with the requirements for shares held by a director (paragraph 2 of article L. 225–25 sets a period of six months from the director's appointment to become compliant).

X – POWERS FOR FULFILMENT OF FORMALITIES (31ST RESOLUTION)

Under this last resolution, you are asked to grant the powers needed to fulfil any formalities required pursuant to the resolutions passed at this general meeting.

2. PROPOSED RESOLUTIONS PRESENTED BY THE BOARD OF DIRECTORS

2.1 – ORDINARY RESOLUTIONS

FIRST RESOLUTION *(Approval of the 2013 statutory financial statements)*

Having considered the Board of Directors' management report and its attachments, the report of the Chairman of the Board of Directors under article L. 225-37 of the French Commercial Code, and the reports of the Statutory Auditors, and voting under the quorum and majority conditions required for ordinary business, the shareholders approve the financial statements for the year ended on 31 December 2013 as presented, recording a profit of €2,952,446.

SECOND RESOLUTION *(Approval of the 2013 consolidated financial statements)*

Having considered the Group's management report and the Statutory Auditors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders approve the consolidated financial statements for the year ended 31 December 2013 as presented, showing a net profit of €113,770,757.

THIRD RESOLUTION *(Appropriation of net profit)*

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders resolve to appropriate the net profit for the year, amounting to €2,952,446, as follows:

– the profits, of	2,952,446
<u>to be allocated to the legal</u> reserve in the amount of	147,623
the remainder, i.e.	2,804,823

increased by:

1) the "Retained earnings" item, i.e.	249,273
2) the "Share, merger and contribution premiums" item, amounting to	39,000,000
giving a total distributable amount of	42,054,096

payment of a cash dividend of €0.70 for each of the 55,476,991 shares comprising the share capital as of 1 January 2014, i.e. €38,833,893.70,

– the balance of €3,220,202.30 to "Retained earnings".

The dividend will be paid on 11 July 2014.

The shareholders give the Board of Directors full powers, with the ability to sub-delegate in accordance with the provisions of the law, to determine the total amount of the dividend payout and the resulting balance to be transferred to retained earnings, particularly in light of the number of shares held by the Company on the dividend payment date and the number of shares, if any, cancelled before that date.

The shareholders also authorise the Board of Directors, with the ability to sub-delegate in accordance with the provisions of the law, to deduct from retained earnings the sums required to pay the dividend in respect of shares issued upon the exercise of stock options between 1 January 2014 and the dividend payment date.

The sum of the proposed annual dividend is eligible for the 40% tax-allowance available to private shareholders resident in France for tax purposes, in accordance with the provisions of article 158-3 paragraph 2 of the French General Tax Code.

The shareholders duly note the dividends paid in the three previous financial years, as summarised in the table below:

Financial year	Net dividend received (€)	Distributed income giving entitlement to 40% reduction (€)*	Distributed income not giving entitlement to 40% reduction (€)	Total (€)
2010	0.23	0.23	None	0.23
2011	0.50	0.50	None	0.50
2012	0.60	0.60	None	0.60

* The annual dividend was eligible for the tax relief available to private shareholders resident in France for tax purposes, in accordance with the provisions of article 158.3, paragraph 2 of the French General Tax Code.

FOURTH RESOLUTION *(Presentation of the Statutory Auditors' Report on the agreements covered under articles L. 225-38 et seq. of the French Commercial Code – Approval of said Agreements)*

Having considered the Statutory Auditors' special report on the agreements covered under articles L. 225-38 et seq. of the French Commercial Code, and voting under the quorum and majority conditions required for ordinary business, the shareholders approve the agreements covered in said report.

FIFTH RESOLUTION *(Ratification of the co-optation of Alain Carrier as new Director)*

The shareholders, voting under the quorum and majority conditions required for ordinary business, upon a proposal by the Board of Directors and under the conditions set by article 15 of the Articles of Association, hereby ratify the provisional co-optation of Alain Carrier by the Board, to replace NEO GEMA, which resigned, for the remainder of the latter's term of office, i.e. until the annual general meeting called in 2015 to approve the financial statements for the year closing on 31 December 2014.

SIXTH RESOLUTION *(Reappointment of Jean-Patrick Fortlacroix as director for a term of 4 years)*

Voting under the quorum and majority conditions required for ordinary business, the shareholders renew, for four years, Jean-Patrick Fortlacroix's term of office as Director, whose mandate was due to expire after this general meeting.

The directorship thus renewed will expire on the date of the general meeting called in 2017 to approve the accounts for the year ending on 31 December 2016.

SEVENTH RESOLUTION *(Directors' fees)*

After reviewing the Board of Directors' report, the shareholders decide to set the overall amount of the Directors' fees allocated to the Board of Directors for the current year to €300,000, with the specification that this amount will remain in force until a new decision by the General Shareholders' Meeting.

EIGHTH RESOLUTION *(Opinion on remuneration components due or awarded to Jean-Claude Marian, Chairman of the Board of Directors)*

Having reviewed the Board of Directors' report, the shareholders issue a favourable opinion on the remuneration components due or awarded to Jean-Claude Marian, Chairman of the Board of Directors, for the financial year ended on 31 December 2013, as set out in the 2013 Registration Document and included in the Board's report.

NINTH RESOLUTION *(Opinion on remuneration components due or awarded to Yves Le Masne, Chief Executive Officer)*

Having reviewed the Board of Directors' report, the shareholders issue a favourable opinion on the remuneration components due or awarded to Yves Le Masne, Chief Executive Officer, for the financial year ended on 31 December 2013, as set out in the 2013 Registration Document and included in the Board's report.

TENTH RESOLUTION *(Opinion on remuneration components due or awarded to Jean-Claude Brdenk, Deputy CEO)*

Having reviewed the Board of Directors' report, the shareholders issue a favourable opinion on the remuneration components due or awarded to Jean-Claude Brdenk, Deputy CEO, for the financial year ended on 31 December 2013, as set out in the 2013 Registration Document and included in the Board's report.

ELEVENTH RESOLUTION *(Reappointment of Saint Honoré BK&A, Joint Statutory Auditor)*

The shareholders, voting under the quorum and majority conditions required for ordinary business, acknowledge that the mandate of Joint Statutory Auditor Saint Honoré BK&A will expire at the end of this General Meeting.

The shareholders decide to renew the mandate of Joint Statutory Auditor Saint Honoré BK&A, having its registered office at 140 rue du Faubourg Saint-Honoré 75008 Paris, for six financial years, i.e. until the ordinary shareholders' meeting called to approve the financial statements for the year ending on 31 December 2019.

TWELFTH RESOLUTION *(Acknowledgement of the expiration of Marc Tenaillon's mandate as Joint Alternate Statutory Auditor, and appointment of SAINT HONORE SEREG to replace him)*

The shareholders, voting under the quorum and majority conditions required for ordinary business, acknowledge that the mandate of Marc Tenaillon as Alternate Statutory Auditor will expire at the end of this General Meeting.

The shareholders decide to appoint SAINT HONORE SEREG, a company having its registered office at 140 rue du Faubourg Saint-Honoré, 75008 Paris, to replace Marc Tenailon as Alternate Statutory Auditor, for six financial years, i.e. until the ordinary shareholders' meeting called to approve the financial statements for the year ending 31 December 2019.

THIRTEENTH RESOLUTION *(Authorisation given to the Board Directors to trade in the Company's shares)*

Voting under the quorum and majority conditions required for ordinary business and having considered the Board of Directors' report and the presentation of the share buyback programme established in accordance with articles 241-1 et seq. of the AMF General Regulations, the shareholders hereby authorise the Board of Directors pursuant to article L. 225-209 et seq. of the French Commercial Code to trade in the Company's shares in compliance with the legal and regulatory requirements applicable at the time of trading and under the conditions set out below, notably:

- a) to make a market or promote liquidity in the shares through an independent investment services provider acting under a liquidity contract that complies with a code of conduct approved by the Autorité des Marchés Financiers, with the understanding that the number of shares counted in the aforementioned 10% calculation shall equal the number of shares bought less the number resold within the time period of this authorisation;
- b) to allot all or some of the shares purchased to employees and/or officers of the Company and/or the Group under the terms and conditions set out by law, and particularly under employee profit-sharing plans, stock option plans, share award plans or employee share ownership plans;
- c) to allot shares upon the exercise of securities giving rights to shares of the Company by way of conversion, exercise, redemption, exchange or otherwise, in accordance with stock market regulations;
- d) to cancel all or some of the shares acquired in capital reductions under the terms and conditions set out in the French Commercial Code, subject to the fourteenth resolution being passed by the shareholders during the extraordinary portion of the meeting;
- e) to keep all or some of the shares purchased to tender in exchange, as payment or otherwise for future acquisitions, in compliance with practices authorised by the Autorité des Marchés Financiers; or
- f) more broadly, to undertake any hedging or other transaction that is authorised or might be authorised by regulations in force.

The purchase, sale, transfer or exchange of these shares may be effected and settled by any means in accordance with the regulations in force, on one or more occasions, on or off the market, including over-the-counter, and by the purchase or sale of blocks (without limiting the portion of the buyback programme that may be executed by this means), by the use of options or other financial derivatives and at all events directly or through the intermediary of an investment services provider, and at such times as the Board of Directors shall deem proper, excluding at the time of a public offer on the Company's shares.

The shareholders set the following limits on the Board of Directors' use of this authority:

At any time the maximum number of Company shares that may be purchased may not exceed:

- 10% of the total number of shares forming the share capital of the Company;

- and 5% of the total number of shares making up the Company's share capital if these are shares acquired by the Company for holding and subsequent use in payment or exchange as part of a merger, spin-off or capital contribution.

These percentages apply when appropriate to a number adjusted for transactions that may impact the share capital subsequently to this Shareholders Meeting.

The maximum purchase price, excluding transaction costs, may not exceed €100 (one hundred euros) per share.

As an indication, at 25 March 2014, the maximum theoretical amount the Company could use to buyback its own shares under this resolution, without taking into account shares already owned, would equal five hundred fifty-four million, seven hundred sixty-nine thousand, nine hundred (554,769,900) euros, corresponding to 5,547,699 shares, to be purchased at the maximum unit price of €100, excluding fees, as established above and based on the share capital as set out in the Articles of Association at 16 December 2013.

These limits are subject to any adjustments for capital transactions made by the Company in accordance with the provisions of the laws and regulations.

These transactions may in no instance lead the Company to owning more than 10% of its share capital at any time.

This authorisation is given for a period of 18 months from the date of this meeting.

The shareholders give the Board of Directors full powers, with the ability to sub-delegate in accordance with the laws and regulations, to place trading orders, sign purchase, exchange or transfer documents, enter into agreements, issue declarations and execute formalities, make any of the adjustments listed above, allocate or reallocate the shares bought back to the various goals in accordance with the applicable legal and regulatory requirements and, in general, to do what is required to carry out this authority.

This resolution cancels and supersedes the unused portion of any previous authorisation given for the same purpose.

2.2 – EXTRAORDINARY RESOLUTIONS

FOURTEENTH RESOLUTION *(Renewal of the authorisation granted to the Board of Directors to reduce the share capital by cancelling treasury shares held by the Company)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the provisions of article L. 225-209 of the French Commercial Code:

1. Authorise the Board of Directors to cancel any number of treasury shares that it shall deem fit, in one or more transactions, to the extent and at the times it shall choose, within the legal limits, i.e. currently a maximum of 10% of the Company's share capital per 24-month period, with the specification that this limit applies to an amount of the Company's capital which, if required, will be adjusted to take into account transactions impacting the share capital after this General Meeting; and to reduce the share capital accordingly.

2. Give this authorisation for a period of 18 months from the date of this meeting.

3. Decides that the Board of Directors has full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law, and in particular, to:

- cancel the shares and reduce the share capital accordingly;
- determine the final amount and set the terms and conditions of the capital reductions and place them on record;
- transfer the difference between the carrying amount and par value of the shares cancelled from any reserve or share premium accounts, including the legal reserve for up to 10% of the cancelled share capital; and
- amend the articles of association accordingly and, more generally, do everything necessary in accordance with the law in force at the time of using this authorisation.

4. Duly note that this authorisation cancels and supersedes – for the unused period – the authorisation given under the tenth resolution passed at the combined general meeting of 20 June 2013.

FIFTEENTH RESOLUTION *(Delegation of authority to the Board to decide on a capital increase, through the issue – with preferential subscription rights – of shares and/or securities giving access to the capital of the Company or one of its subsidiaries)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report and the Statutory Auditors' special report, notably in accordance with the provisions of articles L. 225-127, L. 225-129 et seq. of the French Commercial Code, and in particular articles L. 225-129-2 and L. 225-132 of the Code and the provisions of articles L. 228-91 et seq. of the French Commercial Code:

1. Authorise the Board of Director, with the option to sub-delegate in accordance with the applicable laws and regulations, to proceed with one or more capital increases, to the extent, at the time and under the terms and conditions it may choose, in France or abroad, through the issuance, with

preferential subscription rights, of ordinary Company shares and/or transferable securities giving access through any means, immediately and/or in the future, at any time or at a chosen date, to the capital of the Company or, in accordance with article L. 228-93 of the French Commercial Code, of a company in which it holds more than 50% of the share capital, directly or indirectly (a "Subsidiary"), subject to the authorisation of the Extraordinary General Meeting of the Subsidiary's shareholders where the rights will be exercised.

The transferable securities giving access to the Company's or Subsidiary's equity thus issued may consist of debt securities or be associated with their issue, or even enable their issuance as intermediate securities. More in particular, they may be issued as subordinated or non-subordinated securities, with fixed or open-ended maturity, issued in euros, foreign currencies or any monetary unit set as reference for multiple currencies.

The issue of preferential shares and the issue of any securities or shares giving access to such preferential shares are ruled out.

2. Decide that:

a) the total par value of any immediate or future capital increases generated by issuances executed under the aforementioned authority, may not exceed thirty million (30,000,000) euros, it being specified that, if applicable, the par value of the additional shares to be issued to preserve the rights of security holders or other rights giving access to the equity, in accordance with the applicable laws and regulations and, if applicable, with the contractual clauses establishing other cases of adjustment, will be included in this cap; and

b) the maximum global par value of the debt securities able to be issued in exercise of the above authority, at 500,000,000 (five hundred million) euros, or its counter value in any other authorised currency or monetary unit, on the understanding that this amount does not include any redemption premium above par, if such a premium was established.

These amounts will be included in the global ceilings set in the 26th resolution.

3. Decide that the shareholders may, in proportion to the number of shares held, have a preferential right of subscription to the shares and securities issued under this resolution and that the Board of Directors may establish, for the shareholders' benefit, a scale-back right of subscription to any such shares or securities issued, to be exercised in proportion to their rights of subscription, within the limits of their requests.

4. Decide, as required by the provisions of article L. 225-134 of the French Commercial Code, that if the subscriptions taken up as of right and on a scale-back basis, if applicable, do not account for the entirety of an issue as defined above, the Board of Directors may, with the right to sub-delegate in accordance with legal and regulatory provisions in force, use one of the following options in the order it deems appropriate:

– it may, in accordance with the conditions stipulated by law, limit the issue to the amount of subscriptions received provided that the subscription value reaches at least three-quarters of the issue in question, or any other threshold stipulated by law;

– freely allocate all or part of the unsubscribed shares;

– offer the public all or part of the unsubscribed shares.

5. Acknowledge that this authority carries with it by operation of law the waiver by the shareholders of their preferential subscription rights to the shares to which the transferable securities likely to be issued under this resolution give an entitlement, in favour of the holders of said securities.

6. Decide that the issues of warrants for the subscription of shares in the Company may take place by means of an offer of subscription but also by free allocation to the existing holders of shares, on the understanding that the Board of Directors may decide that fractional allotment rights will not be negotiable and that the corresponding securities will be sold.

7. Decide that the Board of Directors has full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law, and in particular, to:

– determine the conditions of the issue(s) and in particular the form and characteristics of the securities, the amount to be issued up to the limits mentioned above, the issue price and the issue premium;

– where the issued securities consist of or are associated with debt securities, determine their issue price, their fixed or open-ended maturity, whether they are subordinated or non-subordinated and their yield;

– decide whether or not the equity instruments not subscribed as of right will be allocated to shareholders having subscribed a higher number of shares than that which they could have expected to subscribe on a preferential basis, in proportion to their subscription rights and in any case, up to the limit of their requests;

– provide for an option to suspend, if necessary, the exercise of rights attached to the securities in accordance with the regulations in force;

– make any adjustments needed to take into account the impact of the transaction on the Company's capital and to determine the conditions under which the preservation of the rights of the holders of securities or other rights giving access to the capital will be secured, in accordance with the applicable laws and regulations, and, where necessary, with the contractual provisions relating to other adjustments;

– determine, where necessary, the conditions for the exercise of the rights attached to new issues of shares or securities giving access to the capital and in particular determine the vesting date (including retroactive) of the new shares, determine the conditions for the exercise of any rights to conversion, exchange or redemption, and any other terms and conditions involved in carrying out of the capital increase;

– at its sole discretion, attribute the costs of the capital increases to the amount of the corresponding premiums, and deduct from said amount the sums needed to bring the legal reserve up to a tenth of the new capital after each increase;

– in general, authorise any agreement, take any measure and fulfil any formality relating to the issue and listing of shares, to the successful conclusion and financial servicing of the securities issued under

this authority as well as the exercise of the corresponding rights, to the recognition of the completion of each capital increase and to making any related amendments to the articles of association.

8. The Board of Directors, in the supplementary document certified by the Statutory Auditors, will report on the use of this authority and in particular will describe the final terms of the operation, and provide details of the impact on the shareholders' position.

9. Give this authorisation – which supersedes the unused part of any preceding authority relating to the same object – for a period of 26 months from the date of this general meeting.

SIXTEENTH RESOLUTION *(Delegation of authority to the Board to decide on a capital increase, through the issue – without preferential subscription rights – of shares and/or securities giving access to the capital of the Company or one of its subsidiaries, by means of a public offer)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report and the Statutory Auditors' special report, notably in accordance with the provisions of articles L. 225-127, L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136 and the provisions of articles L. 228-91 et seq. of the French Commercial Code:

1. Authorise the Board of Director, with the option to sub-delegate in accordance with the applicable laws and regulations, to proceed with one or more capital increases as part of a public offer, to the extent, at the time and under the terms and conditions it may choose, in France or abroad, through the issuance, without preferential subscription rights, of ordinary Company shares and/or transferable securities giving access through any means, immediately and/or in the future, at any time or at a chosen date, to the capital of the Company or, in accordance with article L. 228-93 of the French Commercial Code, of a company in which it holds more than 50% of the share capital, directly or indirectly (a "Subsidiary"), subject to the authorisation of the Extraordinary General Meeting of the Subsidiary's shareholders where the rights will be exercised.

The transferable securities giving access to the Company's or Subsidiary's equity thus issued may consist of debt securities or be associated with their issue, or even enable their issuance as intermediate securities. More in particular, they may be issued as subordinated or non-subordinated securities, with fixed or open-ended maturity, issued in euros, foreign currencies or any monetary unit set as reference for multiple currencies.

The issue of preferential shares and the issue of any securities or shares giving access to such preferential shares are ruled out.

2. Decide that:

a) the total par value of any immediate or future capital increases generated by issuances executed under the aforementioned authority, may not exceed six million nine hundred thousand (6,900,000) euros, it being specified that, if applicable, the overall par value of the additional shares to be issued to preserve the rights of security holders or other rights giving access to the equity, in accordance with the applicable laws and regulations and, if applicable, with the contractual clauses establishing other cases of adjustment, will be included in this cap; and

b) the maximum global par value of the debt securities able to be issued in exercise of the above authority, may not exceed 500,000,000 (five hundred million) euros, or its counter value in any other authorised currency or monetary unit, on the understanding that this amount does not include any redemption premium above par, if such a premium was established.

These amounts will be included in the global ceilings set in the 26th resolution.

3. Decide to eliminate the shareholders' preferential rights of subscription to the ordinary shares and securities to be issued and to authorise the Board of Directors to establish a preferential subscription right in favour of the shareholders, as of right and/or on a scale-back basis, in relation to the issuance made by means of a public offer under this resolution or part thereof, for a period of time and under the terms and conditions it shall establish, in accordance with the applicable laws and regulations. These preferential subscription rights will not create negotiable rights.

4. Decide that if the subscriptions do not account for the whole of an issue of the shares or financial instruments mentioned above, the Board of Directors may use one of the following options, in the order it deems appropriate:

- it may limit the issue to the amount of subscriptions received provided that the subscription value reaches at least three-quarters of the issue in question;

- freely allocate all or part of the unsubscribed shares;

- offer the public all or part of the unsubscribed shares.

5. Acknowledge that this authority carries with it by operation of law the waiver by the shareholders of their preferential subscription rights to the shares to which the transferable securities likely to be issued under this resolution give an entitlement, in favour of the holders of said securities.

6. Decide (i) that the issue price of the new shares issued under this resolution will be at least equal to the legal minimum and (ii) that the issue price of the transferable securities issued under this resolution, other than the shares, will be such that the amount immediately received by the Company, with the addition, where applicable, of any amounts that the Company may receive at a later stage, will be at least equal to the amount set out in the preceding item (i), for each share issued as a consequence of the issuance of these securities.

7. Decide that the Board of Directors has full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law, and in particular, to:

- determine the conditions of the issue(s) and in particular the form and characteristics of the securities, the amount to be issued up to the limits mentioned above, the issue price and the issue premium;

- where the issued securities consist of or are associated with debt securities, determine their issue price, their fixed or open-ended maturity, whether they are subordinated or non-subordinated and their yield;

- make any adjustments needed to take into account the impact of the transaction on the Company's capital and to determine the conditions under which the preservation of the rights of the holders of securities or other rights giving access to the capital will be secured, in accordance with the applicable laws and regulations, and, where necessary, with the contractual provisions relating to other adjustments;

- determine, where necessary, the conditions for the exercise of the rights attached to new issues of shares or securities giving access to the capital and in particular determine the vesting date (including retroactive) of the new shares, determine the conditions for the exercise of any rights to conversion, exchange or redemption, and any other terms and conditions involved in carrying out of the capital increase;

- at its sole discretion, attribute the costs of the capital increases to the amount of the corresponding premiums, and deduct from said amount the sums needed to bring the legal reserve up to a tenth of the new capital after each increase;

- in general, authorise any agreement, take any measure and fulfil any formality relating to the issue and listing of shares, to the successful conclusion and financial servicing of the securities issued under this authority as well as the exercise of the corresponding rights, to the recognition of the completion of each capital increase and to making any related amendments to the articles of association.

8. Give this authorisation – which supersedes the unused part of any preceding authority relating to the same object given in the 12th resolution of the combined general meeting of 23 June 2013 – for a period of 26 months from the date of this general meeting.

9. Acknowledge, where required, that this authority does not have the same purpose as the seventeenth resolution of this general meeting, which is limited to the increase in the share capital by means of an issuance without preferential subscription rights to the Company's shares and/or transferable securities giving access to the capital of the Company or one of its Subsidiaries as part of the offer covered in article L. 411-2, II of the Financial and Monetary Code; consequently, acknowledge that the approval of the seventeenth resolution will not affect the validity and duration of this authority.

SEVENTEENTH RESOLUTION *(Delegation of authority to the Board to decide on a capital increase, through the issue – without preferential subscription rights – of shares and/or securities giving access to the capital of the Company or one of its subsidiaries), by means of private placements as set out in section II of article L. 411-2 of the French Monetary and Financial Code).*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report and the Statutory Auditors' special report, notably in accordance with the provisions of articles L. 225-127, L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136 and the provisions of articles L. 228-91 et seq. of the French Commercial Code, and section II of article L. 411-2 of the French Monetary and Financial Code:

1. Grant the Board of Directors, with the right to sub-delegate under the legal and regulatory conditions in force, the power to carry out – to the extent, at a time and under the terms and conditions it may deem appropriate, in France or abroad – one or more capital increases as part of the offers covered in section II of article L. 411-2 of the Financial and Monetary Code, by means of an issuance, without preferential subscription rights, of ordinary Company shares and/or transferable securities giving access, by any means, immediately or in the future, to the capital of the Company, or pursuant to article L. 228-93 of the French Commercial Code, of a company in which it holds more

than 50% of the share capital, directly or indirectly (a "Subsidiary"), subject to the authorisation of the Extraordinary General Meeting of the Subsidiary's shareholders where the rights will be exercised.

The transferable securities giving access to the Company's or Subsidiary's equity thus issued may consist of debt securities or be associated with their issue, or even enable their issuance as intermediate securities. More in particular, they may be issued as subordinated or non-subordinated securities, with fixed or open-ended maturity, issued in euros, foreign currencies or any monetary unit set as reference for multiple currencies.

The issue of preferential shares and the issue of any securities or shares giving access to such preferential shares are ruled out.

2. Decide that:

a) the total par value of the capital increases, whether immediate or future, generated by all the issuance made under this resolution, may not exceed six million nine hundred thousand (6,900,000) euros over a period of 12 months, on the understanding that the overall par value of the additional shares to be issued to preserve the rights of the holders of securities or other rights to equity, in accordance with the applicable laws and regulations and, where applicable, to any contractual clauses providing for other adjustments, will be added to this ceiling.

b) the maximum global par value of the debt securities able to be issued in exercise of the above authority, may not exceed 500,000,000 (five hundred million) euros, or its counter value in any other authorised currency or monetary unit, on the understanding that this amount does not include any redemption premium above par, if such a premium was established.

These amounts will be included in the global ceilings set in the 26th resolution.

3. Decide to eliminate the shareholders' preferential rights of subscription to the ordinary shares and securities to be issued.

4. Decide that if the subscriptions do not account for the whole of an issue of the shares or financial instruments mentioned above, the Board of Directors may use one of the following options, in the order it deems appropriate:

– it may limit the issue to the amount of subscriptions received provided that the subscription value reaches at least three-quarters of the issue in question;

– freely allocate all or part of the unsubscribed shares.

5. Acknowledge that this authority carries with it by operation of law the waiver by the shareholders of their preferential subscription rights to the shares to which the transferable securities likely to be issued under this resolution give an entitlement, in favour of the holders of said securities.

6. Decide (i) that the issue price of the new shares issued under this resolution will be at least equal to the legal minimum and (ii) that the issue price of the transferable securities issued under this resolution, other than the shares, will be such that the amount immediately received by the Company, with the addition, where applicable, of any amounts that the Company may receive at a later stage, will be at least equal to the amount set out in the preceding item (i), for each share issued as a consequence of the issuance of these securities.

7. Decide that the Board of Directors will have full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law, and in particular, to:

- determine the conditions of the issue(s) and in particular the form and characteristics of the securities, the amount to be issued up to the limits mentioned above, the issue price and the issue premium;
- where the issued securities consist of or are associated with debt securities, determine their issue price, their fixed or open-ended maturity, whether they are subordinated or non-subordinated and their yield;
- make any adjustments needed to take into account the impact of the transaction on the Company's capital and to determine the conditions under which the preservation of the rights of the holders of securities or other rights giving access to the capital will be secured, in accordance with the applicable laws and regulations, and, where necessary, with the contractual provisions relating to other adjustments;
- determine, where necessary, the conditions for the exercise of the rights attached to new issues of shares or securities giving access to the capital and in particular determine the vesting date (including retroactive) of the new shares, determine the conditions for the exercise of any rights to conversion, exchange or redemption, and any other terms and conditions involved in carrying out of the capital increase;
- at its sole discretion, attribute the costs of the capital increases to the amount of the corresponding premiums, and deduct from said amount the sums needed to bring the legal reserve up to a tenth of the new capital after each increase;
- in general, authorise any agreement, take any measure and fulfil any formality relating to the issue and listing of shares, to the successful conclusion and financial servicing of the securities issued under this authority as well as the exercise of the corresponding rights, to the recognition of the completion of each capital increase and to making any related amendments to the articles of association.

8. Give this authorisation – which supersedes the unused part of any preceding authority relating to the same object given in the 13th resolution of the combined general meeting of 23 June 2013 – for a period of 26 months from the date of this general meeting.

9. Take note, as necessary, that as this authority is limited to a capital increase through the issuance, without preferential subscription rights and as part of an offer as set out in section II of article L. 411-2 of the Financial and Monetary Code, of shares and or securities giving access to the capital of the Company or one of its Subsidiaries, this resolution does not have the same purpose as the preceding one.

EIGHTEENTH RESOLUTION *(Authorisation granted to the Board of Directors, in the event of an issuance without preferential subscription rights by means of a public offer or private placement, to set the issue price as determined by the general meeting, within the limit of 10% of the share capital per annum).*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the provisions of article L. 225-136 of the French Commercial Code:

1. Authorise the Board of Directors, in the event of an issuance of ordinary shares and/or any transferable securities giving access, by any means, immediately or in the long term, to the capital of the Company or of an entity in which the Company holds more than half of the share capital, directly or indirectly (a "Subsidiary"), without preferential subscription rights under the 16th or 17th resolution of this general meeting, to waive the conditions set by said resolutions to set the price and to determine the price based on the following conditions.

2. Decide that the total amount of capital increases which may be thus made immediately and/or in the future may not exceed 10% of the capital per 12-month period (as existing on the date of this general meeting).

3. Decide that the price of the equity securities will be set by the Board of Directors in the following manner: either the weighted average of the Company's share price on the day before the issue price is fixed, or the weighted average of the share price chosen amongst the last sixty trading days or part thereof on NYSE-Euronext Paris before the issue price is set; in both cases, a maximum 10% discount may be applied. In any case, the sums received for each share will be at least equal to the par value.

The issue price of any securities other than the shares will be such that the amount immediately received by the Company plus, if applicable, the amount likely to be received at a later stage by the Company, is at least equal to the amount mentioned in the paragraph above for each share issued as a consequence of the issuance of these securities.

4. Decide that the par value of the increase in the Company's capital resulting from implementation of this resolution will be included in the ceiling stipulated, as the case may be, in the 16th or 17th resolutions of this general meeting.

5. Take note that the Board of Directors, in the supplementary document certified by the Statutory Auditors, will report on the use of this authority and in particular will describe the final terms of the operation, and provide details of the impact on the shareholders' position.

6. Decide that the Board of Directors has full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law.

7. Give this authorisation – which supersedes the unused part of any preceding authority relating to the same object given in the 14th resolution of the Company's combined general meeting of 23 June 2013 – for a period of 26 months from the date of this general meeting.

NINETEENTH RESOLUTION *(Authority to the Board of Directors to execute a capital increase by means of an issuance of Company shares and/or equity securities, to pay for contributions in kind made to the Company in the form of equity instruments or other securities, up to a maximum of 10% of the share capital, through non-right issues excluding in the event of a public exchange offer launched by the Company).*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the provisions of articles L. 225-147, L. 228-91 and L. 228-92 of the French Commercial Code:

1. Grant the Board of Directors – with the right to sub-delegate in accordance with the applicable laws and regulations – the required powers to issue, based on the Statutory Auditors' report, ordinary Company shares and/or transferable securities giving access to the Company's capital, immediately or in the future, to pay for contributions in kind made to the Company in the form of shares or other securities giving access to the capital by any means, when the provisions of article L. 225-148 of the French Commercial Code do not apply.

The transferable securities giving access to the Company's equity thus issued may consist of debt securities or be associated with their issue, or even enable their issuance as intermediate securities. More in particular, they may be issued as subordinated or non-subordinated securities, with fixed or open-ended maturity, issued in euros, foreign currencies or any monetary unit set as reference for multiple currencies.

The issue of preferential shares and the issue of any securities or shares giving access to such preferential shares are ruled out.

2. Decide that:

a) the total par value of the capital increases, whether immediate or future, generated by all the issuances carried out under the authority above, may not exceed the legal limit of 10% of the Company's share capital at the date the Board of Directors exercises this authority, on the understanding that, if applicable, the par value of any additional shares to be issued to preserve the rights of the holders of securities or of other rights giving access to capital, in accordance with the applicable laws, and, where necessary, any other contractual provisions relating to adjustments, will be added to this ceiling.

b) the maximum global par value of the debt securities able to be issued in exercise of the above authority, may not exceed 500,000,000 (five hundred million) euros, or its counter value in any other authorised currency or monetary unit, on the understanding that this amount does not include any redemption premium above par, if such a premium was established.

These amounts will be included in the global ceilings set in the 26th resolution.

3. Decide to cancel the shareholders' preferential subscription rights to the ordinary shares and financial securities to be issued in favour of the holders of the shares or other securities included in the contributions in kind.

4. Acknowledge that this authority carries with it by operation of law the waiver by the shareholders of their preferential subscription rights to the shares to which the transferable securities likely to be issued under this resolution give an entitlement, in favour of the holders of said securities.

5. Decide that the Board of Directors has full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law, and in particular, to:

– approve, based on the Statutory Auditors' report, the assessment of the contributions and the award of any specific benefits on their securities;

– fix the exchange rate and if necessary the amount of the cash payment to be made; establish the dates and terms and conditions of the issue;

– provide for an option to suspend the exercise of rights attached to the securities in accordance with current regulations;

– make any adjustments needed to take into account the impact of the transaction on the Company's capital and to determine the conditions under which the preservation of the rights of the holders of securities or other rights giving access to the capital will be secured, in accordance with the applicable laws and regulations, and, where necessary, with the contractual provisions relating to other adjustments;

– determine, where necessary, the conditions for the exercise of the rights attached to new issues of shares or securities giving access to the capital and in particular determine the vesting date (including retroactive) of the new shares, determine the conditions for the exercise of any rights to conversion, exchange or redemption, and any other terms and conditions involved in carrying out of the capital increase;

– at its sole discretion, attribute the costs of the capital increases to the amount of the contribution premium, and deduct from that premium the sums necessary in order to bring the legal reserve up to a tenth of the new capital after each increase;

– in general, authorise any agreement, take any measure and fulfil any formality relating to the issue and listing of shares, for the successful conclusion and financial servicing of the securities issued under this authorisation, and, upon the exercise of the related rights, place on record the completed capital increase and make any related amendments to the articles of association.

6. Give this authorisation – which supersedes the unused part of any preceding authority relating to the same object – for a period of 26 months from the date of this general meeting.

TWENTIETH RESOLUTION *(Delegation of authority to the Board of Directors to issue financial instruments and/or transferable securities giving access to the capital in the event of a public exchange offer initiated by the Company, without preferential subscription rights).*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the provisions of articles L. 225-129 to L. 225-129-6, L. 225-148 and L. 228-91 and L. 228-92 of the French Commercial Code:

1. Authorise the Board of Directors, with the option to sub-delegate in accordance with the applicable laws and regulations, to issue ordinary Company shares and/or transferable securities giving access, immediately or in the future, to the Company's capital, to pay for the securities contributed to any public offer including an exchange launched by the Company on the stock of a company whose shares are traded in one of the markets listed in article L. 225-148 of the French Commercial Code, and decide, as necessary, to cancel the shareholders' preferential subscription rights to the ordinary shares and financial securities to be issued.

The transferable securities giving access to the Company's equity thus issued may consist of debt securities or be associated with their issue, or even enable their issuance as intermediate securities. More in particular, they may be issued as subordinated or non-subordinated securities, with fixed or open-ended maturity, issued in euros, foreign currencies or any monetary unit set as reference for multiple currencies.

The issue of preferential shares and the issue of any securities or shares giving access to such preferential shares are ruled out.

2. Decide that:

a) the total par value of the capital increases, whether immediate or future, generated by all the issuances carried out under the authority above, may not exceed the legal limit of 10% of the Company's share capital at the date the Board of Directors exercises this authority, on the understanding that, if applicable, the overall par value of any additional shares to be issued to preserve the rights of the holders of securities or of other rights giving access to capital, in accordance with the applicable laws, and, where necessary, any other contractual provisions relating to adjustments, will be added to this ceiling.

b) the maximum global par value of the debt securities able to be issued in exercise of the above authority, may not exceed 500,000,000 (five hundred million) euros, or its counter value in any other authorised currency or monetary unit, on the understanding that this amount does not include any redemption premium above par, if such a premium was established.

These amounts will be included in the global ceilings set in the 26th resolution.

3. Acknowledge, as necessary, that this authority carries with it by operation of law the waiver by the shareholders of their preferential subscription rights to the shares to which the transferable securities likely to be issued under this resolution give an entitlement, in favour of the holders of said securities.

4. Decide that the Board of Directors has full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law, and in particular, to:

- fix the exchange rate and if necessary the amount of the cash payment to be made;
- verify the number of shares contributed to the exchange;
- determine the dates, terms of issue (in particular the price and vesting date) of the equity instruments or if applicable the securities giving immediate and/or future access to the capital;

- take all the necessary steps to protect the rights of the holders of securities issued under this authority, in accordance with the laws and regulations in force, and, where necessary, the contractual provisions relating to other cases of adjustment;
- determine, where necessary, the conditions for the exercise of the rights attached to new issues of shares or securities giving access to the capital and in particular determine the vesting date (including retroactive) of the new shares, determine the conditions for the exercise of any rights to conversion, exchange or redemption, and any other terms and conditions involved in carrying out of the capital increase;
- enter, under the balance sheet liability heading "Contribution premium", which will be covered by the rights of all the shareholders, the difference between the equity instruments' issue price and their par value;
- at its sole discretion, attribute the costs and fees of all issues to the amount of the contribution premium, and to deduct from that premium the sums necessary in order to bring the legal reserve up to a tenth of the Company's share capital; and
- in general, authorise any agreement, take any measure and fulfil any formality relating to the issue and listing of shares, for the successful conclusion and financial servicing of the securities issued under this authorisation, and, upon the exercise of the related rights, place on record the completed capital increase and make any related amendments to the articles of association.

This authority supersedes the unused portion of any preceding authority relating to the same object, and is granted for a period of 26 months from the date of this general meeting.

TWENTY-FIRST RESOLUTION *(Authorisation granted to the Board to increase the number of shares issued, with or without the shareholders' preferential subscription rights)*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the provisions of articles L. 225-135-1 of the French Commercial Code, authorise the Board of Directors, with the right to sub-delegate in accordance with the applicable laws and regulations, to decide to increase the number of securities to be issued for each of the issuances authorised under the preceding 15th to 18th resolutions, within the timeframe and limits set by the laws and regulations applicable at the day of the issue (currently within 30 days from the closing of the subscription, within the limit of 15% of the initial issue and at the same price), subject to the ceiling set out in the resolution under which the issue has been decided.

This authority supersedes the unused portion of any preceding authority relating to the same object, and is granted for a period of 26 months from the date of this general meeting.

TWENTY-SECOND RESOLUTION *(Authority granted to the Board of Directors to issue ordinary shares without shareholders' preferential subscription rights, as a consequence of the issuance by the Company's subsidiaries of securities giving access to said ordinary Company shares).*

The shareholders, acting pursuant to the quorum and majority requirements applicable to extraordinary general meetings and having reviewed the Board of Directors' report and the Statutory Auditors' special report, and in accordance with articles L. 225-129-2 and L. 228-93 of the French Commercial Code, hereby:

1. Grant the Board of Directors, with the right to sub-delegate in accordance with the law, the power to issue the ordinary Company shares to which the securities issued by one or more entities in which the Company holds more than 50% of the share capital, directly or indirectly (a "Subsidiary") would give right.

These securities may be issued by the Subsidiaries only with the consent of the Company's Board of Directors and, in accordance with article L. 228-93 of the French Commercial Code, they may give access, by any means, immediately or in the future, to ordinary Company shares. They may be issued in one or more transactions, in France or abroad.

The total par value of the capital increases that may be carried out under this authorisation may not exceed six million and nine hundred thousand (6,900,000) euros, with the specification that this amount will be applied towards the overall ceiling set by the 26th resolution.

If applicable, the par value of any additional shares issued in order to preserve the rights of the holders of securities or of other rights giving access to capital, in accordance with the applicable laws, and, where necessary, any other contractual provisions relating to adjustments, will be added to this ceiling.

In any case, the amount paid to the Company upon the issuance or at a later date must be at least equal to the minimum legal amount after adjustment, if applicable, to take into consideration the different entitlement date, for each ordinary share issued as a consequence of the issuance of said securities.

2. Take note that the Company's shareholders do not have any preferential subscription rights to either the aforementioned securities issued by the Subsidiaries or the ordinary Company shares to which these securities may give right.

3. Decide that the Board of Directors has full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law and in agreement with the boards of directors, management boards or other management or executive bodies of the Subsidiaries issuing the securities covered hereunder, and in particular:

- decide the amounts to be issued;
- set the conditions of the issues and the features of the securities to be issued under this resolution;
- set the vesting date of the securities to be issued, including retroactively;
- take all the required measures to protect the rights of holders of the securities or other rights giving access to the share capital, in accordance with the applicable laws and regulations and, where required, any contractual provisions providing for adjustments;
- if required, attribute the costs of the capital increases to the amount of the corresponding premiums, and, if it deems it appropriate, deduct from said premium the sums needed to bring the legal reserve up to a tenth of the new capital after each increase;
- take all the necessary steps and execute all the contracts and agreements to ensure the issues are successful, within the framework of the applicable French and, where required, foreign laws and regulations;

- if required, ensure the ordinary shares, securities to be issued or shares that would be issued through the exercise of securities giving access to the capital to be issued are admitted for trading on a regulated market;
- verify the execution of the capital increases hereunder and modify the articles of association accordingly, as well as carry out any formalities, issue any statements and request any authorisations that may be required for these issues.

This authorisation is given for a period of 26 months from the date of this meeting.

TWENTY-THIRD RESOLUTION *(Authority granted to the Board to increase the share capital under the conditions set out in articles L. 3332-18 et seq. of the French Labour Code, entailing the shareholders' waiver of their preferential subscription rights to the shares issued due to the subscription of shares by the Group's employees and corporate officers).*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the provisions of articles L. 3332-18 to L. 3332-24 and L. 3332-1 to L. 3332-9 of the French Labour Code and article L. 225-138-1 of the French Commercial Code, and in accordance with articles L. 225-129, L. 225-129-2 and L. 225-129-6 of the French Commercial Code:

1. Grant the Board of Directors, with an option to sub-delegate in accordance with the applicable laws and regulations, the power to increase the Company's share capital with one or more transactions and at its sole discretion, to the extent and at the times it may deem appropriate, through the issue of ordinary Company shares reserved:

- within the limits of the applicable laws and regulations, for employees and corporate officers of the Company and/or of companies or groupings that are related to it within the meaning of article L. 225-180 of the French Commercial Code;
- provided that the employees and/or corporate officers are members of a company savings plan and also meet any other conditions which may be imposed by the Board of Directors;

2. The total par value of any immediate or future capital increases generated by issuances executed under the aforementioned authority, may not exceed four hundred thousand (400,000) euros, it being specified that, if applicable, the overall par value of the additional shares to be issued to preserve the rights of security holders or other rights giving access to the equity, in accordance with the applicable laws and regulations and, if applicable, with the contractual clauses establishing other cases of adjustment, will be included in this cap.

This ceiling will be applied towards the overall ceiling fixed under the terms of the 26th resolution.

3. Decide to cancel the shareholders' preferential subscription rights to the securities to be issued in favour of the aforementioned members of an employee savings plan, to any free ordinary shares awarded hereunder; under this resolution, the shareholders waive their preferential subscription rights to the shares to which the securities issued under this authority entitle them.

4. Decide that the subscription price of the shares issued under this authority will be established in accordance with the provisions of articles L. 3332-19 of the French Labour Code, it being understood that the discount applied – pursuant to the aforementioned articles – to the average of the Company's share prices listed on NYSE Euronext Paris during the twenty trading days preceding the day the start date of the subscription is set, may not exceed 20%. The shareholders expressly authorise the Board of Directors to reduce or eliminate the aforementioned discount if it deems it appropriate, in particular to take into account, where required, the legal, accounting, tax and social security rules applicable in the countries of residence of the members of an employee savings scheme benefiting from the capital increase.

5. Decide that the Board of Directors may allocate free shares as employer's contributions and/or in lieu of the discount, on the understanding that the overall benefit generated by said award as discount and/or employer's contribution may not exceed the legal or regulatory limits.

6. Decide that the Board of Directors has full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law, and in particular, to:

- determine the companies whose employees can benefit from the offer of subscription to the issues covered by this authority;
- determine the conditions, notably with regard to length of service, to be fulfilled by the beneficiaries of such subscription offers;
- determine the terms and conditions for the issue(s), the number of shares to be issued (up to the above mentioned ceiling) and the number allocated to each beneficiary, verify the completion of the resulting capital increase and make the corresponding amendments to the articles of association;
- decide whether the subscriptions can be carried out directly and/or indirectly through a mutual investment fund;
- determine, for the issues covered by this authority, the terms and conditions for membership of the company savings plans, and draw up the regulations, or amend the regulations of existing plans;
- at its sole discretion, attribute the costs of the capital increases to the amount of the corresponding premiums, and deduct from said amount the sums needed to bring the legal reserve up to a tenth of the capital after each increase;
- make all the adjustments required to comply with the legal and/or contractual provisions and set the conditions for securing, where necessary, the rights of the holders of securities or rights giving access to capital existing on the issue date under consideration;
- in general, take any measure, conclude any agreement, fulfil any formality and do anything needed to ensure the successful completion of the planned issues.

7. Give this authorisation – which supersedes the unused part of any preceding authority relating to the same object – for a period of 26 months from the date of this general meeting.

TWENTY-FOURTH RESOLUTION *(Authority granted to the Board of Directors to award existing or new free shares, without preferential subscription rights, to the corporate officers or employees of the Company or related companies).*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the provisions of articles L. 225-197-1 et seq. of the French Commercial Code:

1. Authorise the Board of Directors, with an option to sub-delegate in accordance with the applicable laws and regulations, to allocate existing or new free shares (excluding preferential shares), in one or more transactions, to the beneficiaries or categories of beneficiaries it may choose amongst the salaried staff of the Company or its related groups pursuant to article L. 225-197-2 of the Code and the corporate officers of the Company or its related companies or groups, who meet the conditions established by section II of article L. 225-197-1 of the Code, under the following conditions;

2. Decide that the total number of free shares allocated hereunder, whether existing or to be issued, may not exceed 0.5% of the Company's capital as of the day of the Board's decision, it being understood that the par value of any additional shares issued in order to preserve the rights of the holders of securities or of other rights giving access to capital, in accordance with the applicable laws and regulations, and, where necessary, any other contractual provisions relating to adjustments, will be added to this ceiling.

This amount will be applied towards the overall ceiling established in the 26th resolution.

3. Decide that said shares will be vested to their beneficiaries at the end of a vesting period determined by the Board of Directors, on the understanding that this period may not be shorter than two years and that the beneficiaries will be required to retain the shares for a minimum of two years from their vesting, with the specification that the shares will be vested before the end of the aforementioned vesting period in the event of invalidity of the beneficiary in category 2 or 3 as defined in article L. 341-4 of the French Social Security Code and that the beneficiaries will be free to dispose of the shares in case of invalidity in the aforementioned categories under the French Social Security Code.

4. Authorise the Board of Directors to proceed, if necessary, with adjustments to the number of freely-allocated shares necessary in order to preserve the rights of the beneficiaries, in view of any operations that might take place in relation to the Company's capital. Any shares allocated in application of the above adjustments will be deemed to have been allocated on the same date as those initially allocated.

5. Acknowledge that in the event of the free allocation of new shares this authority will entail, to the extent the shares are definitively allocated, an increase in capital through the incorporation of reserves, earnings or share premiums for the benefit of the shares' beneficiaries, and the corresponding waiver by the shareholders, for the benefit of said beneficiaries, of the preferential rights of subscription to those shares and the portion of the reserves, earnings and premiums thus incorporated.

6. Take note that shares may be awarded to the executive officers covered under section II of article L. 225-197-1 of the French Commercial Code, only in compliance with article L. 225-197-6 of the same Code.

7. Take note that, should the Board of Directors exercise this authority, every year it will inform the ordinary general meeting of the transactions carried out under articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code, under the conditions set out in article L. 225-197-4 of the same Code.

8. Decide that the Board of Directors has full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law, and in particular, to:

- determine whether the freely allocated shares are existing or newly-issued shares;
- determine the identity of the beneficiaries or categories of beneficiaries, the allocation of shares among the personnel and corporate officers of the Company or of the above-mentioned companies or groupings, and the number of shares allocated to each of them;
- stipulate the conditions and if applicable the criteria for allocation of the shares (including, if necessary, individual or collective performance), and in particular the minimum acquisition period and the conservation period required for each beneficiary under the conditions provided for above, on the understanding that as the shares are granted free of charge to corporate officers, the Board of Directors must either (a) decide that the freely-granted shares cannot be transferred by the interested parties before termination of their duties, or (b) stipulate the quantity of freely-granted shares they are required to retain in registered form until the termination of their duties;
- include a provision to temporarily suspend the rights of allocation;
- verify the definitive allocation dates, and the date from which the shares can be freely transferred, taking into account the legal restrictions;
- where new shares are issued, stipulate the amount and type of the reserves, earnings or premiums to be incorporated and if necessary allocate to those reserves, earnings or premiums the sums necessary for the payment of said shares, verify and carry out the capital increases made in application of this authority, make the corresponding amendments to the articles of association, and in general carry out all the necessary acts and formalities.

9. Give this authorisation – which supersedes the unused part of any preceding authority relating to the same object – for a period of 26 months from the date of this general meeting.

TWENTY-FIFTH RESOLUTION *(Authorisation given to the Board of Directors to grant options for the subscription and/or purchase of shares in the Company, by corporate officers and employees of the Company or of Group companies, entailing the shareholders' waiver of their preferential rights of subscription to shares issued as a result of the exercise of subscription options).*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the provisions of articles L. 225-177 to L. 225-186-1 of the French Commercial Code:

1. Authorise the Board of Directors to award all or some salaried employees and corporate officers of the Company and/or directly or indirectly related companies or groupings under article L. 225-180 of the French Commercial Code, eligible in accordance with the applicable laws and regulations, options

with the right, at its discretion, to subscribe new Company shares to be issued through a capital increase, or to purchase existing Company shares acquired by the Company in compliance with the law, one or more times.

2. Decide that the total number of options which may be granted in connection with this authorisation may not give rights to subscribe or purchase more than three hundred thousand (300,000) shares on the allotment date, with the understanding that, if applicable, the par value of any additional shares issued in order to preserve the rights of the holders of securities or of other rights giving access to capital, in accordance with the applicable laws and regulations, and, where necessary, any other contractual provisions relating to adjustments, will be added to this ceiling.

This amount will be applied towards the overall ceiling established in the 26th resolution.

3. Decide that, where subscription options are granted, the subscription price will be set by the Board of Directors on the date on which the option is granted, and it may not be lower than the minimum amount stipulated in either case by the laws in force on that date.

The price can only be modified if, over the period during which the options granted can be exercised, the Company carries out one of the financial or share-related operations provided for by law.

In the last case, the Board Directors will proceed, according to the provisions of regulations in force, to adjust the number and price of the shares included in the options granted, in order to take into account the impact of the operation in question.

4. Decide that the duration of the period for the exercise of the options granted, as approved by the Board Directors, may not exceed five years from the allocation date.

5. Acknowledge that, pursuant to article L. 225-178 of the French Commercial Code, this authority carries with it, ipso jure, for the benefit of the holders of subscription options, the shareholders' express waiver of their preferential right of subscription to the shares that will be issued as the subscription options are exercised.

6. Take note that options may be awarded to the executive officers covered under paragraph 4 of article L. 225-185 of the French Commercial Code, only in compliance with article L. 225-186-1 of the same Code.

7. Decide that the Board of Directors has full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law, and in particular, to:

- draw up the list of beneficiaries of the options and stipulate the conditions under which the options will be granted and exercised by their beneficiaries, including, where necessary, performance criteria;
- determine, where necessary, the length-of-service conditions to be fulfilled by the beneficiaries of the options within the limits of the applicable laws and regulations;
- stipulate the period(s) for the exercise of the options and, if necessary, draw up clauses prohibiting the immediate re-sale of all or some of the shares;

- determine the vesting date, including retroactively, of new shares resulting from the exercise of the options;
- for the options granted to the corporate officers of the Company, ensure that the options may only be exercised prior to the termination of their duties, or set the number of shares that must be kept until termination of their duties;
- provide an option to temporarily suspend the exercise of options in the event of financial or share-related operations;
- limit, restrict or prohibit the exercise of options during certain periods, or after certain events, its decision possibly relating to all or some of the shares, and involving all or some of the beneficiaries;
- authorise any agreement, take any measure, carry out or arrange the completion of any steps or formalities needed to render definitive the capital increase(s) which might be conducted by virtue of this authorisation; amend the articles of association accordingly and generally do all other things necessary;
- at its sole discretion, attribute the costs of the capital increases to the amount of the corresponding premiums, and deduct from said premium the sums needed to bring the legal reserve up to a tenth of the new capital after each increase.

8. Give this authorisation – which supersedes the unused part of any preceding authority relating to the same object – for a period of 26 months from the date of this general meeting.

TWENTY-SIXTH RESOLUTION *(Overall ceilings of capital increases and issuances of debt securities).*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report, and consequently the adoption of the resolutions numbered 15 to 25, hereby set, in accordance with article L. 225-129-2 of the French Commercial Code:

- at thirty million (30,000,000) euros – or the equivalent amount in foreign currencies – the maximum overall par value of the immediate or future increases of the share capital that may be carried out under the aforementioned resolutions, on the understanding that, if applicable, the par value of the additional shares to be issued to preserve the rights of security holders or other rights giving access to the equity, in accordance with the applicable laws and regulations and, if applicable, with the contractual clauses establishing other cases of adjustment, will be included in this cap; and
- at six hundred fifty million (650,000,000) euros – or the equivalent amount in foreign currencies – the maximum overall par value of the debt securities that may be issued under the aforementioned resolutions.

TWENTY-SEVENTH RESOLUTION *(Delegation of authority to the Board of Directors to increase the share capital through the capitalisation of premiums, reserves, earnings or other).*

The shareholders, having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary business, and in accordance with the provisions relating to commercial companies, in particular articles L. 229-129, L. 225-129-2 and L. 225-130 of the French Commercial Code:

1. Grant the Board of Directors, with the right to sub-delegate in accordance with the applicable laws and regulations, the power to increase the Company's share capital, in one or more transactions, at its own discretion and to the extent and at the times it may deem appropriate, through the capitalisation of reserves, profits or share premiums or any other amount that may be capitalised under legal and statutory requirements, to be executed by allocating new free equity securities and/or by increasing the nominal value of the existing shares.

2. Resolve that the maximum par value of the capital increases that may follow the issues made under this resolution, may not exceed the value of existing accounts related to share premiums, reserves, profits or other at the time of the capital increase, nor the amount of thirty million (30,000,000) euros. This ceiling is independent from the overall ceiling established in the 26th resolution. It is further specified that, if applicable, the overall par value of any additional shares issued in order to preserve the rights of the holders of securities or of other rights giving access to capital, in accordance with the applicable laws, and, where necessary, any other contractual provisions relating to adjustments, will be added to this ceiling.

3. Decide that the Board of Directors has full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law, and in particular, to:

- fix the value and nature of the amounts to be capitalised;
- fix the number of securities to be issued and/or the amount by which the existing shares' nominal value will be increased;
- set the vesting date of the new shares, including retroactively, or the effective date of the shares' nominal value increase;
- if applicable, decide that fractional allotment rights will not be negotiable or disposable and that the corresponding securities will be sold, with the revenue from the sale allocated to the holders of the rights within the timeframe set out by the applicable regulations;
- make any adjustments which may be necessary in relation to capital transactions made by the Company;
- at its sole discretion and if applicable, post the expenses relating to the corresponding capital increase under one or more available reserve items and to withdraw from this amount the funds required to ensure the legal reserve is equal to one tenth of the new share capital after each increase;

– in general, authorise any agreement, take any measure and fulfil any formality relating to the issue and listing of shares, for the successful conclusion and financial servicing of the shares under this authority, and, upon the exercise of the related rights, place on record the completed capital increase and make any related amendments to the articles of association.

4. Give this authorisation – which supersedes the unused part of any preceding authority relating to the same object – for a period of 26 months from the date of this general meeting.

TWENTY-EIGHTH RESOLUTION *(Delegation of authority to the Board of Directors to issue securities conferring a right to the allocation of debt securities, and not leading to an increase in the Company's capital).*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the provisions of articles L. 225–129 to L. 225–129–6, L. 228–91 and L. 228–92 of the French Commercial Code:

1. Grant the Board of Directors the power to authorise the issue, on one or more occasions, in France or abroad and/or on the international market, in euros, foreign currencies or any other monetary unit established by reference to several currencies, bonds with warrants for the subscription of bonds and in general any securities conferring a right to the allocation, immediately or in the future, of debt instruments such as bonds, equivalent securities, subordinated securities with or without a fixed term and any other securities which give, in the same issue, the same debt claims on the Company.

The maximum par value for which all the above-mentioned securities can be denominated may not exceed 500,000,000 (five hundred million) euros, or the counter value of said amount in other currencies or other monetary units established by reference to several currencies, on the understanding that said maximum par value is independent of the total debt securities issued on the basis of the 15th, 16th, 17th and 18th resolutions, and of the global ceiling stipulated in accordance with the 26th resolution, and that this amount will be increased by any redemption premium above par.

2. Decide that the Board of Directors has full powers, with the right of sub delegation under the legal and regulatory conditions in force, to implement this resolution, and in particular to:

– carry out the issues up to the stipulated limit, determining the date, type, amounts and currency of issue;

– determine the characteristics of the issued securities and debt instruments to which the securities would give the right of allocation, and in particular their par value and vesting date (including retroactive), their issue price, with premium if applicable, the interest rate (fixed and/or variable), the date of payment or, in the case of variable-rate securities, the conditions for determining the interest rate and also the conditions for the capitalisation of interest;

– set, according to market conditions, the terms and conditions of amortisation and/or early redemption of the securities to be issued and of the debt instruments to which the securities confer the right of allocation, if applicable with a fixed or variable premium, or even of buyback by the Company;

- if applicable, decide to grant a guarantee or surety on the securities issued, and on the debt instruments to which the securities would confer the right of allocation, and determine the nature and characteristics of that guarantee or surety;

- in general, determine all the terms and conditions of each of the issues, authorise any agreement, and reach any arrangement with any banks and any institution, take any measures and fulfil any formalities required, and in general do anything necessary.

This authorisation is given for a period of 26 months from the date of this meeting.

TWENTY-NINTH RESOLUTION *(Amendment to the articles of association through the introduction of a new article 15-1 concerning the appointment of one (or more) employee representative director(s) on the Board).*

The shareholders, having reviewed the Board of Directors' report and the favourable opinion of the Company's Works Council issued on 11 March 2014, resolve to introduce article 15-1 in the Company's articles of association to determine the rules for the appointment of the employee representative director(s) in accordance with Act no. 2013-504 of 14 June 2013 on employment protection.

Consequently, article 15-1 will read:

Article 15-1 – Employee representative directors

In addition to the directors whose number and appointment procedures are set out in article 15 hereof, the Board of Directors includes employee representative directors in accordance with Act no. 2013-504 of 14 June 2013, whose appointment is governed by the applicable laws and these articles of association.

The number of employee representative directors is set at two if the number of directors mentioned in articles L. 225-17 and L. 225-18 of the French Commercial Code exceeds 12, or otherwise at one.

If only one director is required, he/she will be appointed by the Group Works Council, or if not available, by the Works Council.

If two directors are required, the second one is also appointed by the Group Works Council, or if not available, by the Works Council.

If during the financial year the number of directors covered under articles L. 225-17 and L. 225-18 of the French Commercial Code exceeds 12, the Chairman of the Board will convene the Group Works Council, or if not available, the Works Council, within a reasonable timeframe, to appoint a second employee representative director who will take office on the first Board meeting after the appointment.

If during the financial year the number of directors covered under articles L. 225-17 and L. 225-18 of the French Commercial Code drops to 12 or less, the appointed employee representative director will remain in office until the end of his/her term. However, he/she will not be reappointed if the number of directors remains equal to 12 or less at the reappointment date.

The directors representing employees will remain in office for a term of three years. They take office once the term of their predecessors comes to an end. Their term in office ends upon the closing of the general shareholders' meeting called to approve the financial statements of the prior year, held during the year of expiry of their term. As an exception, the first employee representative directors will take office upon the first meeting of the Board of Directors to be held after their appointment.

The term of office of the employee representative directors end by operation of law in the event of termination of their employment contract, of dismissal in accordance with article L.225-32 of the French Commercial Code, or in case of incompatibility under article L.225-30 of the French Commercial Code.

Subject to the provisions of this article or to the Law, the employee representative directors have the same status, the same powers and the same responsibilities as the other directors.

Notwithstanding the provisions of article 16 hereof, the employee representative directors are not required to hold a minimum number of Company shares during their term in office.

If one of the employee representative directors' posts becomes vacant due to death, resignation, dismissal, termination of the employment contract or any other cause, it will be filled in accordance with article L.225-34 of the French Commercial Code. The Board of Directors may meet and deliberate validly until the replacement date of the employee representative director (or directors, if applicable).

The provisions hereof shall not apply if, at the end of a financial year, the Company no longer meets the prerequisites for the appointment of employee representative directors, and the mandate of any employee representative director appointed hereunder will end upon expiry of their term.

THIRTIETH RESOLUTION *(Amendment to article 16 of the Company's articles of association concerning directors' shareholdings).*

Having reviewed the Board of Directors' report, the shareholders resolve to amend article 16 of the Company's articles of association regarding shareholdings, in the following manner:

"With the exception of directors appointed by staff and holding shares and employee representative directors each director must own at least one share in the Company.

If, at the date of their appointment, a director does not own the required number of shares, or if, during their term of office, ceases to own them, they will be deemed to have resigned if they have not remedied the situation within six months."

2.3 – ORDINARY RESOLUTIONS

THIRTY-FIRST RESOLUTION *(Powers for filings and formalities)*

The shareholders, voting under the quorum and majority conditions required for extraordinary general meetings, give full powers to a bearer of an original, a copy or excerpt of the minutes of this meeting, to carry out any legal or administrative formalities and any filings or communications required by the laws in force.

3. STATUTORY AUDITORS' REPORT ON FINANCIAL AUTHORISATIONS AND DELEGATED AUTHORITIES

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

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Statutory Auditors' Report on the capital transactions proposed in the resolutions submitted to the vote of the Extraordinary general meeting of 25 June 2014

Dear Shareholders,

In our capacity as Statutory Auditors of your company and in accordance with the assignments entrusted to us by the French Commercial Code, we hereby present our report on the capital transactions submitted for your approval.

1 – Reduction of capital by cancellation of treasury shares (fourteenth resolution)

In accordance with article L. 225-209 of the French Commercial Code concerning reductions in share capital through the cancellation of shares, we have prepared this report to inform you of our assessment of the reasons for and terms and conditions of the proposed reduction in share capital.

Your Board of Directors requests that you delegate to it, for a period of 18 months, all powers to cancel treasury shares purchased under the share buyback programme, up to a maximum limit of 10% of its share capital per 24-month period, pursuant to the provisions of the above-mentioned article.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. These procedures include assessing whether the reasons for and terms and conditions of the proposed capital reduction, which will not affect equality between shareholders, are due and proper.

We have no matters to report as to the reasons for or terms and conditions of the proposed capital reduction.

2 – Issues of shares and/or securities carrying rights to shares with and/or without preferential subscription rights (fifteenth to the twenty-second resolutions)

In accordance with the French Commercial Code, and notably articles L. 225-135, L. 225-136 and L. 228-92, we submit our report on the proposed granting of authorities to the Board of Directors for several issuances of shares and transferable securities, for which your vote is sought.

The Board of Directors requests, based on its report:

- To be granted the power, with the right to sub-delegate, to decide the following transactions and set the final conditions of these issuances, for a period of 26 months, and that the shareholders waive their preferential subscription rights where applicable:
 - Rights issuance, in one or more transactions, of ordinary shares or transferable securities giving immediate or future access to ordinary shares of the Company or, pursuant to article L. 228-93 of the French Commercial Code, of a company it owns at more than 50%, directly or indirectly, or giving right to debt securities (15th resolution);
 - Non-rights issuance, by means of a public offer, in one or more transactions, of ordinary shares or transferable securities giving immediate or future access to ordinary shares of the Company or, pursuant to article L. 228-93 of the French Commercial Code, of a company it owns at more than 50%, directly or indirectly, or giving right to debt securities (16th resolution);
 - Non-rights issuance, through a private placement as defined in section II of article L. 411-2 of the Financial and Monetary Code, in one or more transactions, of ordinary shares or transferable securities giving immediate or future access to ordinary shares of the Company or, pursuant to article L. 228-93 of the French Commercial Code, of a company it owns at more than 50%, directly or indirectly, or giving right to debt securities (17th resolution);
 - Non-rights issuance, in one or more transactions, of ordinary shares and transferable securities giving access to a stake in the Company's share capital or giving right to debt securities, in the event of a public exchange offer launched by the Company (20th resolution);
 - Non-rights issue of ordinary Company shares enabling the issuance by the Company's subsidiaries of transferable securities (22nd resolution);
- That you authorise it, under the 18th resolution, in accordance with the authorisations granted by the 16th and 17th resolutions, to set the issue price within the annual legal limit of 10% of share capital per twelve-month period.
- That you authorise it, under the 19th resolution, for a period of 26 months, to determine the terms and conditions of the issue of ordinary shares or securities carrying rights to ordinary shares, to pay for contributions in kind made to the Company in the form of equity instruments or other securities carrying rights to shares, within the limit of 10% of the share capital.

The overall par value of the capital increases that may be carried out immediately or in the future under resolutions 15 to 22 and 23 to 25 as detailed below, may not exceed 30 million euros, with the specification that the individual ceiling of the par value of the capital increases that may be carried out under the 16th, 17th and 22nd resolution is 6.9 million euros and may not exceed 10% of the share capital under the 19th and 20th resolutions.

The overall par value of the debt securities that may be issued may not exceed 650 million euros under resolutions 15 to 22 and 23 to 25 as detailed below, with the specification that the individual ceiling of the par value of the debt securities that may be issued under resolution 15 to 19 is 500 million euros.

These limits take into account the additional number of securities to be created in accordance with the authorisations granted by resolutions 15 to 18 under the conditions laid down in article L. 225-235-1 of the French Commercial Code, should you adopt the twenty-first resolution.

The Board of Directors is responsible for drawing up a report in accordance with articles R. 225-113 et seq. of the French Commercial Code. It is our responsibility to report on the fairness of the financial information taken from the financial statements, on the proposed cancellation of preferential subscription rights and other information relating to these transactions, provided in the report.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. These procedures consisted of verifying the information contained in the report of the Board of Directors relating to these transactions and the methods used to determine the share issue price.

Subject to further review of the terms and conditions of issues that might be decided upon, we have no matters to report on the methods used to determine the share issue price given in the report of the Board of Directors under the 16th, 17th, 18th and 22nd resolutions.

Moreover, as this report does not specify the methods used to determine the issue price of shares to be issued pursuant to the 15th, 19th and 20th resolutions, we cannot express an opinion on the choice of factors used to calculate the share issue price.

As the final terms and conditions of the share issues have not been set, we are not in a position to comment on them and, consequently, on the proposed cancellation of preferential subscription rights that is submitted for your approval under resolutions 16 to 20 and 22.

In accordance with article R. 225-116 of the French Commercial Code, we will prepare an additional report, where applicable, should your Board of Directors decide to make use of these authorisations to issue securities carrying rights to shares and/or entitling holders to the allotment of debt securities, and to carry out issues without preferential subscription rights.

3 – Issue of shares and/or securities carrying rights to shares reserved for members of employee savings plans (23rd resolution)

In accordance with article L. 225-135 of the French Commercial Code, we hereby present our report on the proposal to authorise the Board of Directors to approve one or more capital increases by issuing, without preferential subscription rights, shares and/or securities carrying rights to shares in the Company reserved for employees and/or corporate officers who are members of an employee savings plan, of the Company and/or of French or foreign companies or groups affiliated with it pursuant to article L. 225-180 of the French Commercial Code, which is submitted for your approval.

The maximum par value of the capital increases is set at 400,000 euros, it being specified that this amount will be included in the overall ceiling set under the terms of the twenty-sixth resolution of this meeting.

This capital increase is submitted for your approval pursuant to the provisions of articles L. 225-129-6 of the French Commercial Code and L. 3332-18 et seq. of the French Labour Code.

Your Board of Directors requests, based on its report, that you authorise it, for a period of twenty-six months, to approve one or more capital increases and to cancel your preferential subscription rights. Where applicable, it will be responsible for determining the final terms and conditions of this transaction.

Your Board of Directors is responsible for preparing a report in accordance with articles R. 225-113 and R. 225-114 of the French Commercial Code. It is our responsibility to report on the fairness of the financial information taken from the financial statements, on the proposed cancellation of preferential subscription rights and other information relating to the issue, provided in the report.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. These procedures consisted of verifying the information contained in the report of the Board of Directors relating to this transaction and the methods used to determine the share issue price.

Subject to further review of the terms and conditions of capital increases that might be decided upon, we have no matters to report on the methods used to determine the share issue price given in the report of the Board of Directors.

As the issue price has not been set, we are not in a position to comment on the final conditions of the capital increases and, consequently, on the proposed cancellation of preferential subscription rights that is submitted for your approval.

In accordance with article R. 225-116 of the French Commercial Code, we will prepare an additional report, where applicable, should your Board of Directors decide to make use of this authorisation.

4 – Authorisation to allocate new or existing shares free of charge to some or all salaried employees and/or corporate officers (24th resolution)

In accordance with article L. 225-197-1 of the French Commercial Code, we have drafted this report on the proposed allocation of free, existing or new ordinary shares to the beneficiaries or categories of beneficiaries the Board of Directors will choose amongst the salaried staff of the Company or its related companies or groupings pursuant to article L. 225-197-2 of the Code and the corporate officers of the Company or its related companies or groups, who meet the conditions established by article L. 225-197-2 of the same Code.

The number of free shares allocated may not account for more than 0.5% of the Company's share capital at the date of the Board's decision, with the specification that this amount will be applied towards the overall ceiling set out in the 26th resolution of this meeting.

Your Board of Directors requests that you authorise it, for a period of 26 months, to allocate existing or new shares, free of charge, in one or more transactions. It is the Board's responsibility to prepare a report on the proposed transaction. It is our responsibility to report, if necessary, on the information provided to you on the proposed transaction.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. These procedures consisted of verifying that the methods proposed and set out in the report of the Board of Directors comply with the provisions of French law.

We have no matters to report as to the information given in the report of the Board of Directors relating to the proposed authorisation to allocate free shares.

5 – Proposal to grant stock options to employees and corporate officers (25th resolution)

In accordance with articles L. 225-177 and R. 225-144 of the French Commercial Code, we have drafted this report on the award to all or some employees and corporate officers of subscription or purchase options for shares in the Company or its related companies or groupings under article L.225-180 of the Code.

The stock options granted under this authority may not entitle to more than 300,000 shares in total on the date of the Board's decision, with the specification that this amount will be applied towards the overall ceiling established in the 26th resolution of this meeting.

Your Board of Directors is responsible for preparing a report on the reasons for the proposal to grant stock options, on one or more occasions, and on the proposed methods used to set the subscription and/or exercise price. It is our responsibility to report on the proposed methods used to set the share subscription or exercise price.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. These procedures consisted of verifying that the proposed methods used to set the subscription or exercise price are specified in the report of the Board of Directors that they comply with the provisions laid down by laws and regulations, that they are not manifestly inappropriate, and that the required information has been given to the shareholders.

6 – Issue of securities carrying rights to the allotment of debt securities and not giving rise to a capital increase (28th resolution)

In accordance with article L. 228-92 of the French Commercial Code, we hereby present our report on the proposal to authorise the Board of Directors to approve an issue of bonds with bond warrants attached and, more generally, securities carrying rights to the allocation, immediately or in the future, of debt securities such as bonds and related instruments, perpetual or fixed-term debt instruments, and all other securities giving, in a single issue, the same claims on the Company, of a maximum amount of 500 million euros, which is submitted for your approval.

Your Board of Directors requests, based on its report, that you authorise it, for a period of 26 months, to approve this transaction. Where applicable, it will be responsible for determining the final terms and conditions of the issue.

The Board of Directors is responsible for drawing up a report in accordance with articles R. 225-113 et seq. of the French Commercial Code. It is our responsibility to report on the fairness of the financial information taken from the financial statements and on other information relating to the issue, provided in the report.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. These procedures consisted of verifying the contents of the report of the Board of Directors relating to this transaction.

As the final terms and conditions of this issue have not been set, we are not in a position to comment on them.

In accordance with article R. 225-116 of the French Commercial Code, we will prepare an additional report, where applicable, should your Board of Directors decide to make use of this authorisation.

Paris and Neuilly-sur-Seine, 15 May 2014

The Statutory Auditors

Saint-Honoré BK&A

Deloitte & Associés

Frédéric BURBAND

Joël ASSAYAH

CHAPTER VIII: PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

1. PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Dr Jean-Claude Marian, Chairman of the Board of Directors
Yves Le Masne, Chief Executive Officer

2. STATEMENT BY THE PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Having taken all reasonable care to ensure that such is the case, to the best of our knowledge, all of the information contained in the registration document is in accordance with the facts and contains no omissions likely to affect its import.

To the best of our knowledge, we certify that the financial statements 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 management report provided on pages 140 to 236 presents a true and fair view of the business trends, results and financial position of the Company and all consolidated companies, as well as a description of the main risks and uncertainties to which they are exposed.

I have received an audit completion letter (letter de fin de travail) from the Statutory Auditors, in which they state that they have verified the information relating to the Group's financial position and financial statements contained in this registration document and that they have read through the document in its entirety.

Puteaux, 16 May 2014

3. INVESTOR CONTACTS

ORPEA

Yves Le Masne – Chief Operating Officer – Tel.: +33 (0)1 47 75 78 07

Steve Gobbet – Investor Relations Officer – Tel.: +33 (0)1 47 75 74 66 – s.grobet@orpea.net

CHAPTER IX: STATUTORY AUDITORS

1. PRINCIPAL STATUTORY AUDITORS

- **Saint-Honoré BK & A**
Represented by Frédéric Burband
140 rue du Faubourg Saint-Honoré, 75008 Paris

Saint-Honoré BK & A was first appointed at the annual general meeting of 27 June 2008 for a term of six years ending at the conclusion of the annual general meeting held to approve the 2013 financial statements.

- **Deloitte & Associés**
Represented by Joël Assayed
185 avenue Charles-de-Gaulle, 92200 Neuilly-Sur-Seine

Deloitte & Associés was first appointed at the annual general meeting of 29 June 2006 to replace Vademecum, which stood down for personal reasons. Its term of office ran from 1 January 2006 until the end of its predecessor's term that is until the conclusion of the annual general meeting held to approve the 2009 financial statements.

Deloitte & Associés was re-appointed at the annual general meeting of 25 June 2010 for a term of six years ending at the conclusion of the annual general meeting held to approve the 2015 financial statements.

2. ALTERNATE STATUTORY AUDITORS

- **Marc Tenailon**
Alternate to Saint-Honoré BK & A
Address: Immeuble Somag, 16 rue Ampère, 95307 Cergy Pontoise

Appointed at the same time and for the same term as Saint-Honoré BK & A

- **BEAS**
Alternate to Deloitte & Associés
Address: 7-9 Villa Houssay, 92200 Neuilly-Sur-Seine

Appointed at the same time and for the same term as Deloitte & Associés, replacing Mrs Françoise Vainqueur, joint alternate statutory auditor, who resigned for personal reasons.

3. STATUTORY AUDITORS' FEES

(in thousands of euros)	Deloitte & Associés				Saint-Honoré BK & A			
	2013		2012		2013		2012	
	€	%	€	%	€	%	€	%
1. Audit								
1.1 Statutory and contractual audit services								
– Issuer	996	60%	1,102	75%	828	87%	762	87%
– Fully-consolidated subsidiaries	524.5	32%	370	25%	129	13%	110	13%
1.2 Other audit-related services								
– Issuer	60	4%						
– Fully-consolidated subsidiaries	73	4%						
Sub-total	1,653.5	100%	1,472	100%	957	100%	872	100%
2. Other services provided to fully-consolidated subsidiaries								
2.1 Legal, tax and employment advice								
2.2 Other								
Sub-total	0	0%	0	0%	0	0	0	0
Total	1,653.5	100%	1,472	100%	957	100%	872	100%

CHAPTER X: DOCUMENTS ON DISPLAY

This list comprises the annual information document published on 7 May 2014 pursuant to article 451-1-1 of the French Monetary and Financial Code and article 221-1-1 of the AMF's General Regulation, supplemented by the Orpea Group's latest publications.

1. PUBLICATIONS ON THE AMF'S WEBSITE

Published in the database of financial decisions and information (BDIF) of the French Financial Markets Authority (www.amf-france.org).

Publication date	Type of document
23/12/2013	Directors' Declaration no. 2013D279753
23/12/2013	Directors' Declaration no. 2013D279714
23/12/2013	Directors' Declaration no. 2013D279709
21/12/2013	Directors' Declaration no. 2013D279357
21/12/2013	Directors' Declaration no. 2013D279356
19/12/2013	Crossing of Threshold Declaration no. 213C1979
19/12/2013	Crossing of Threshold Declaration no. 213C1976
18/12/2013	Crossing of Threshold Declaration no. 213C1972
04/10/2013	Declaration of sales and purchases during a public offering no. 213C1492
04/10/2013	Outcome of the simplified public tender offer of 2009 share warrants no.213C1495
03/10/2013	Declaration of sales and purchases during a public offering no. 213C1482
02/10/2013	Declaration of sales and purchases during a public offering no. 213C1468
26/09/2013	Declaration of sales and purchases during a public offering no. 213C1434
19/09/2013	Opening and schedule of the simplified public tender offer of 2009 share warrants no. 213C1397
18/09/2013	Crossing of Threshold Declaration no.213C1390
18/09/2013	Crossing of Threshold Declaration no.213C1389
17/09/2013	Decision on compliance of the simplified public tender offer of 2009 share warrants no. 213C1383
30/08/2013	Filing of a proposal for a simplified public tender offer on the 2009 share warrants no. 213C1312
18/07/2013	Directors' Declaration no. 2013D255900
11/07/2013	Fixed-rate ordinary bond prospectus approval no.13-0357
09/07/2013	ORNANE prospectus approval no. 13-0338
14/05/2013	2012 Registration Document filing no. D.13-0525

2. PUBLICATIONS IN THE BALO

Published on the website of the Journal Officiel's French Legal Announcements Bulletin (Bulletin des Annonces Légales Obligatoires, www.journal-officiel.gouv.fr)

Publication date	Type of document
08/11/2013	Notice to attend the AGM of 27 November 2013
23/10/2013	Notice of AGM of 27 November 2013
02/08/2013	Notice of adjustment of OCEANE and ORNANE's exchange ratios
28/06/2013	Final 2012 financial statements
05/06/2013	Notice to attend the CGM of 20 June 2013
15/05/2013	Notice of the CGM of 20 June 2013

3. PUBLICATIONS ON THE COMPANY'S WEBSITE

Published on the ORPEA website (www.orpea-corp.com)

Publication date	Heading	Type of document
07/05/2014	Documentation / Other regulated info	Number of shares and voting rights at 30/04/2014
30/04/2014	Press releases	Strong revenue growth in Q1 2014: +11.3% to €428.1 million
28/04/2014	Documentation / Presentations	Presentation of Silver Care
28/04/2014	Press releases	Strategic acquisition of Silver Care in Germany
08/04/2014	Documentation / Other regulated info	Number of shares and voting rights at 31/03/2014
26/03/2014	Press releases	Strong growth of profitability in 2013
26/03/2014	Documentation / Presentations	Presentation of 2013 annual results
06/03/2014	Press releases	Strategic acquisition of Senevita, a leading player in the Swiss retirement home market
06/03/2014	Documentation / Presentations	Presentation of Senevita
06/03/2014	Documentation / Other regulated info	Number of shares and voting rights at 28/02/2014
12/02/2014	Press releases	Another year of robust revenue growth in 2013: +12.5% to €1,608 million
05/02/2014	Documentation / Other regulated info	Number of shares and voting rights at 31/01/2014
09/01/2014	Documentation / Other regulated info	Number of shares and voting rights at 31/12/2013
02/01/2014	Documentation / Other regulated info	Annual report on the liquidity contract

11/12/2013	Press releases	Successful €100 million capital increase through a private placement
11/12/2013	Press releases	Acquisition of stake in share capital by CPPIB and launch of a private placement for €100 million
11/12/2013	Documentation / Presentations	Presentation of CPP IB
03/12/2013	Documentation / Other regulated info	Number of shares and voting rights at 29/11/2013
28/11/2013	Shareholders / General meetings	Outcome of votes at GM of 27.11.2013
08/11/2013	Documentation / Other regulated info	Number of shares and voting rights at 31/10/2013
08/11/2013	Shareholders / General meetings	Notice to attend the GM of 27 November 2013
06/11/2013	Press releases	Robust growth in Q3 2013
06/11/2013	Shareholders / General meetings	Press release announcing availability of information relating to the GM of 27.11.2013
07/10/2013	Documentation / Other regulated info	Number of shares and voting rights at 30/09/2013
02/10/2013	Documentation / Financial Reports	2013 Interim Financial Report
02/10/2013	Press releases	Press release announcing availability of the interim financial statements at June 2013
19/09/2013	Share warrant offer	Press release announcing availability of documentation
17/09/2013	Share warrant offer	Information document approved by the AMF on 17 September 2013
11/09/2013	Documentation / Presentations	Presentation of 2013 Interim results
11/09/2013	Press releases	Strong growth in H1 2013 results
03/09/2013	Documentation / Other regulated info	Number of shares and voting rights at 30/08/2013
30/08/2013	Share warrant offer	Draft information document drawn up by ORPEA
29/08/2013	Press releases	Proposal of simplified public tender offer for all outstanding 2009 share warrants
02/08/2013	Documentation / Other regulated info	Number of shares and voting rights at 31/07/2013
02/08/2013	Press release + Documentation / Other regulated info	Adjustment of OCEANE's and ORNANE's ratios and conversion rates
11/07/2013	Documentation / Other regulated info	Euro PP prospectus, AMF approval no. 13-357 (€20 million)
11/07/2013	Press releases	ORNANE: full exercise of over-allotment option
09/07/2013	Documentation / Other regulated info	AMF approval of ORNANE's securities note no. 13-338 (€198 million)
09/07/2013	Press releases	ORNANE: AMF approval granted
09/07/2013	Press releases	Resounding success of ORNANE issue (setting of terms and conditions)
09/07/2013	Press releases	Launch of an ORNANE issue for approximately €200 million

09/07/2013	Press releases	Strong revenue growth in H1 2013 to €782.7 million (+14.3%)
03/07/2013	Documentation / Other regulated info	Number of shares and voting rights at 28/06/2013
02/07/2013	Documentation / Other regulated info	Interim report on the liquidity contract
21/06/2013	Shareholders / General meetings	Outcome of votes at GM of 20 June 2013
20/06/2013	Shareholders / General meetings	Presentation projected at General Meeting
14/06/2013	Shareholders / General meetings	Total number of voting rights at 14 June 2013
05/06/2013	Shareholders / General meetings	Notice to attend the CGM of 20 June 2013
05/06/2013	Press release + Shareholders / General meetings	Availability of information regarding CGM of 20 June 2013
04/06/2013	Documentation / Other regulated info	Number of shares and voting rights at 31/05/2013
15/05/2013	Shareholders / General meetings	Number of shares and voting rights at 30 April 2013
15/05/2013	Shareholders / General meetings	Notice of the CGM of 20 June 2013
14/05/2013	Press releases	Publication of the 2012 Registration Document
14/05/2013	Documentation / Financial Reports	2012 Registration Document

4. PUBLICATIONS ON AN AMF-APPROVED NEWSWIRE

Published on the newswire (www.businesswire.fr/portal/site/fr)

Publication date	Type of document
07/05/2014	Monthly information on the total number of voting rights and shares comprising the share capital
30/04/2014	Strong revenue growth in Q1 2014: +11.3% to €428.1 million
28/04/2014	Continued international expansion with a strategic acquisition in Germany
08/04/2014	Monthly information on the total number of voting rights and shares comprising the share capital
26/03/2014	2013: Strong growth of profitability
06/03/2014	Monthly information on the total number of voting rights and shares comprising the share capital
12/02/2014	Another year of robust revenue growth in 2013: +12.5% to €1,608 million
05/02/2014	Monthly information on the total number of voting rights and shares comprising the share capital
09/01/2014	Monthly information on the total number of voting rights and shares comprising the share capital
02/01/2014	Annual report on the liquidity contract signed with the stockbroker Gilbert Dupont

11/12/2013	Success of €100 million capital increase
11/12/2013	New shareholder (15% of capital) and launch of a €100 million capital increase
03/12/2013	Monthly information on the total number of voting rights and shares comprising the share capital
08/11/2013	Monthly information on the total number of voting rights and shares comprising the share capital
06/11/2013	Procedures for making available the information concerning the ordinary general meeting of 27 November 2013
06/11/2013	Continued strong revenue growth in Q3 2013: +11% to €407 million
07/10/2013	Monthly information on the total number of voting rights and shares comprising the share capital
02/10/2013	Press release announcing availability of the interim financial statements at 30 June 2013
02/10/2013	2013 Interim Financial Report
19/09/2013	Simplified public tender offer
11/09/2013	H1 2013: Strong growth of profitability
03/09/2013	Monthly information on the total number of voting rights and shares comprising the share capital
30/08/2013	Filing of a proposal of simplified public tender offer by Orpea
29/08/2013	Proposal of simplified public tender offer for all outstanding 2009 share warrants
02/08/2013	Monthly information on the total number of voting rights and shares comprising the share capital
11/07/2013	Exercise of the over-allotment option taking the value of the ORNANE issue to €198.4 M
09/07/2013	Strong revenue growth in H1 2013 to €782.7 million (+14.3%)
09/07/2013	ORNANE issue by ORPEA expiring on 1 January 2020 – Full exercise of the over-allotment option
09/07/2013	Resounding success of ORNANE issue, with demand 4 times higher than offer
09/07/2013	Launch of an ORNANE issue for an initial par value of approximately €150 M, which could be increased to a maximum par value of around €200 M
04/07/2013	Monthly information on total number of voting rights
05/06/2013	Procedures for making available or viewing the information concerning the combined general meeting of 20 June 2013
04/06/2013	Monthly information on the total number of voting rights and shares comprising the share capital
14/05/2013	Publication of the 2012 Registration Document

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<i>21.2.3. rights, preferences and restrictions attaching to each class of the existing shares.</i>	II	13 to 14
<i>21.2.4. action necessary to change the rights of holders of the shares, indicating where the conditions are more significant than is required by law.</i>	N/A	
<i>21.2.5. conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are called.</i>	II	11 to 12
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