



SA ORPEA *Société Anonyme* [public limited company] with share capital of €75,342,114  
Registered on the Nanterre Trade and Companies Registry under no. 401 251 566/APE Code 853 D

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

## INCOME STATEMENT OF ORPEA SA

(in euros)	2016	2015
<b>- Revenue</b>	<b>723,748,182</b>	<b>687,048,320</b>
- Production transferred to inventories	(36,172,563)	(25,084,224)
- Other operating income	56,950,045	28,712,323
- Purchases and other external charges	272,569,229	251,155,413
- Taxes other than on income	37,981,337	36,773,221
- Staff costs	345,975,374	323,580,191
- Depreciation, amortisation and charges to provisi	22,407,167	23,915,430
- Other operating expenses	1,443,473	1,331,444
<b>Operating profit</b>	<b>64,149,083</b>	<b>53,920,720</b>
- Financial income	92,950,147	78,961,651
- Financial expenses	110,138,451	106,412,146
<b>Net finance cost</b>	<b>(17,188,304)</b>	<b>(27,450,495)</b>
<b>Pre-tax profit on ordinary activities</b>	<b>46,960,778</b>	<b>26,470,225</b>
- Net non-recurring items	(10,568,119)	(10,118,919)
- Employee profit-sharing		
- Income tax	6,483,743	5,112,712
<b>Net profit</b>	<b>29,908,916</b>	<b>11,238,594</b>

## BALANCE SHEET OF ORPEA SA

Assets (in euros)	31 Dec. 2016			31 Dec. 2015
	Gross	Deprec., amort. and ch. to provisions	Net	Net
<b>Non-current assets</b>				
- Intangible assets	271,445,691	1,940,795	269,504,896	283,350,875
- Property, plant and equipment	378,031,953	139,992,479	238,039,474	181,116,630
- Financial assets	1,072,713,391	18,371,627	1,054,341,764	1,104,018,634
<b>Total non-current assets</b>	<b>1,722,191,034</b>	<b>160,304,901</b>	<b>1,561,886,133</b>	<b>1,568,486,140</b>
<b>Current assets</b>				
- Inventories and work-in-progress	43,837,841	1,188,655	42,649,186	58,522,245
- Advances and downpayments made	4,030,636		4,030,636	4,389,475
- Trade receivables	18,297,065	6,085,835	12,211,230	13,532,457
- Other receivables	1,991,003,484	13,461,368	1,977,542,116	1,720,834,842
- Short-term investments	19,232,763		19,232,763	11,232,763
- Cash and cash equivalents	327,191,402		327,191,402	265,272,241
- Prepaid expenses	10,039,006		10,039,006	9,254,733
<b>Total current assets</b>	<b>2,413,632,197</b>	<b>20,735,858</b>	<b>2,392,896,339</b>	<b>2,083,038,756</b>
- Deferred expenses				-
<b>Unrealised foreign currency losses</b>				
<b>Total assets</b>	<b>4,135,823,232</b>	<b>181,040,760</b>	<b>3,954,782,475</b>	<b>3,651,524,897</b>

Equity and liabilities (in euros)	31 Dec. 2016	31 Dec. 2015
<b>Equity</b>		
- Share capital	75,342,114	75,342,114
- Share premiums and reserves	526,953,669	569,526,433
- Retained earnings	466,713	901,676
- Net profit for the period	29,908,916	11,238,594
- Tax-regulated provisions	7,069,252	6,391,832
<b>Total equity</b>	<b>639,740,663</b>	<b>663,400,650</b>
<b>Provisions for liabilities and charges</b>	<b>39,016,945</b>	<b>34,907,689</b>
<b>Financial liabilities</b>		
- Borrowings and financial liabilities	2,661,957,944	2,278,936,390
- Advances and downpayments received	4,418,048	5,143,947
- Trade payables	42,967,781	45,385,852
- Tax and payroll liabilities	97,760,664	79,636,509
- Other liabilities	429,646,414	518,146,888
- Prepaid income	37,451,087	25,966,970
<b>Total financial liabilities</b>	<b>3,274,201,939</b>	<b>2,953,216,557</b>
<b>Unrealised foreign currency gains</b>	<b>1,822,928</b>	
<b>Total equity and liabilities</b>	<b>3,954,782,475</b>	<b>3,651,524,896</b>

## Notes to the parent company financial statements

### I - SIGNIFICANT ACCOUNTING PRINCIPLES, MAJOR EVENTS OF THE YEAR AND SUBSEQUENT EVENTS

#### I.1 BASIS OF PREPARATION

The Company applies the provisions of ANC regulation no. 2016-07 amending regulation no. 2014-03 concerning the French general chart of accounts.

Generally accepted accounting principles have been adopted, in accordance with the conservatism principle and based on the following basic assumptions:

- the going concern basis of accounting
- consistency of accounting methods from one financial year to the next except where changes are required by introduction of the new regulations (see the Change in accounting methods section)
- the accrual principle
- and the general rules for preparing and presenting financial statements.

Historical cost is the basic method used to measure items recorded in the financial statements. As an exception to the above, the operating licences and investments in subsidiaries held prior to that date were revalued in connection with the mergers of 1998.

#### Changes in accounting methods:

The changes made to the French general chart of accounts by ANC regulation no. 2015-06 are applicable for the first time in periods beginning on or after 1 January 2016.

These changes largely relate to the amortisation of commercial goodwill, and the reclassification and amortisation of losses arising on mergers.

The useful lives of the commercial goodwill were reviewed, but this review did not cause the presumption of an unlimited useful life introduced by the new regulation to be called into question. Accordingly, commercial goodwill is still not amortised.

Conversely, an impairment test now needs to be carried out on an annual basis on all unamortised commercial goodwill. This testing did not reveal any impairment requiring a loss to be recognised.

The technical losses arising on mergers were reclassified at 1 January 2016 under headings corresponding to the underlying assets to which they were assigned. This allocation to individual assets was carried out in line with the existing off-balance sheet allocation.

Following this reclassification, technical losses arising on mergers are now amortised, impaired or recognised in profit or loss based on the same rules and in the same manner as the underlying assets to which they are assigned.

The impact of the reallocation of these merger losses is presented in the Non-current assets paragraph of Intangible assets, in section II.1-1. The impact on amortisation during the financial year is not material.

## I.2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used are as follows:

### I.2-1 INTANGIBLE ASSETS

Intangible assets mainly comprise:

- Licences to operate nursing home facilities, shown under Commercial goodwill

These licences are considered to have an indefinite useful life, which is consistent with the Group's leading position within the industry. This status is underpinned by the Group's observations and past experience that the probability of licences being withdrawn or not renewed is limited, since ORPEA operates its facilities in strict compliance with the terms and conditions and the standards set by the various healthcare authorities, and since the costs incurred in maintaining these licences are not material.

- Technical merger losses, shown under Other intangible assets

Technical losses arising on mergers reflect unrealised gains on assets, which may or may not be recognised in the absorbee's financial statements less any unrecognised liabilities in the absorbee's financial statements. They are recognised as the difference between the carrying amount of the previously held investment and the absorbed subsidiary's net assets.

Pursuant to Article 745-5 of ANC regulation no. 2015-06 amending ANC regulation no. 2014-03 on the French general chart of accounts, technical losses are assigned in proportion to reliably estimated unrealised gains, with any remaining portion allocated to business goodwill.

These technical losses are then amortised or impaired using the same methods as are applicable to the underlying assets to which they are assigned.

The Other intangible assets heading includes technical losses assigned to the licences to operate nursing home beds and any other unallocated technical losses.

Groups of assets to which unamortised commercial goodwill and/or a technical loss have been assigned are tested annually for impairment, which consists in comparing their carrying amount with the higher of:

- i) value in use, which is determined by discounting expected future cash flows from each of the facilities in which these assets are operated.

The discount rate used for this impairment testing is the ORPEA Group's weighted average cost of capital, and the terminal value is determined using a perpetual growth rate reflecting the growth outlook for the Company in the light of likely trends in its sector of activity (respectively 7.5 % and 1.5% as at 31 December 2016).

- ii) fair value less costs to sell, where appropriate.

An impairment loss is recognised in respect of the difference if the carrying amount is higher than value in use or fair value less costs to sell.

Other intangible assets are amortised on a straight-line basis over a period of 1 to 5 years.

### 1.2-2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, comprising land, buildings, fixtures and fittings, equipment and furnishings, is measured at cost (purchase price plus transaction costs), production cost or contribution value.

These assets are depreciated on a straight-line basis. Depreciation is calculated based the expected useful life of each asset or each of its components having different useful lives in line with the following criteria:

- Buildings, fixtures and fittings: 12 to 60 years
- Plant and equipment: 3 to 10 years
- Other: 3 to 10 years

Other property, plant and equipment includes the technical merger losses assigned to property, plant and equipment, which are depreciated using the same rules and useful lives as the underlying assets.

### 1.2-3 INVESTMENTS IN SUBSIDIARIES, LONG-TERM INVESTMENTS AND RELATED RECEIVABLES

This item reflects the value of the equity securities 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 long-term investments and securities held for sale as part of the cost of the acquisition.

Expenses related to investments in subsidiaries are amortised on an accelerated basis over a period of 5 years for tax purposes.

Investments in subsidiaries are measured at cost or contribution value.

Other financial assets include the technical merger losses assigned to investments in subsidiaries.

An impairment loss is recognised if the value in use of investments in subsidiaries and of the associated technical merger losses 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:

- firstly, future cash flows expected to be generated by its continued operation (see section 1.2-1)
- and secondly, any realisable value net of selling costs.

Impairment losses are also recognised in respect of any related receivables.

### 1.2-4 INVENTORIES AND WORK IN PROGRESS

This item includes various supplies, materials, small items of equipment and work in progress on property projects, which are all measured at cost.

Work in progress on property projects comprises land and construction costs incurred to support the expansion of the Company and of its subsidiaries.

Cost includes 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 recognised in expenses at the date of completion of the property.

Property development programmes are:

- either transferred to third parties as a block or in lots
- or transferred 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 in profit or loss under Production transferred to inventories.

Inventories are written down if their estimated value in use falls below their carrying amount.

#### *1.2-5 TRADE AND OTHER RECEIVABLES*

Receivables and liabilities are measured at nominal value. Receivables are written down if their estimated fair value falls below their nominal value.

An impairment loss is recognised on doubtful trade receivables when there is objective evidence that the Company may be unable to recover the full amount on the original terms and conditions due under the transaction. The age of a receivable and failure to pay within the usual payment period are indicators of impairment.

Based on past experience, the following impairment rates are applied:

- Receivables more than 6 months past due: 50% or less depending on the resident's financial status (joint and several guarantee, own assets, etc.)
- Receivables more than 1 year past due: 100% or less depending on the resident's financial status (joint and several guarantee, own assets, etc.)

However, amounts due from residents receiving social support are impaired as follows:

- Receivables more than 2 years past due: 50%
- Receivables more than 3 years past due: 100%

#### *1.2-6 CASH AND CASH EQUIVALENTS*

Cash and cash equivalents consist of cash at bank and risk-free, short-term investments such as term deposits.

#### *1.2-7 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.

Where this liability is not probable and the amount of the obligation cannot be measured sufficiently reliably, but an outflow may be required to settle the obligation, the Company recognises a contingent liability.

Provisions for employee-related disputes are estimated by the employee affairs department based on the Company's exposure and the status of any proceedings.

Provisions for tax disputes are estimated by the finance department after a full review of any tax audits in progress.

Where applicable, a provision may be set aside for certain investments in subsidiaries depending on the investee's net assets and its commitments to the Company at the end of the reporting period.

Tax-regulated provisions relate to accelerated depreciation for acquisition-related expenses on investments in subsidiaries.

### 1.2-8 BORROWINGS

Borrowings and financial liabilities are recognised at their nominal value net of any associated issue costs, which are recognised in operating profit.

Where future interest expense is hedged, the hedged future liability is still measured at amortised cost.

Financial liabilities include short- and long-term borrowings, and property bridging loans, which are bank loans allocated specifically to finance operating properties recently acquired or under construction.

Borrowing costs are recognised over the term of the corresponding liability, except where they are directly attributable to the acquisition, construction or production of an asset. In this case, they are included in the cost of the asset.

### 1.2-9 FINANCIAL INSTRUMENTS AND DERIVATIVES

The Company's financial liabilities mainly comprise floating-rate domestic debt, and it is therefore exposed to the risk of an increase in short-term rates in the euro zone.

As part of its risk management policy, the Company uses derivatives such as interest-rate swaps and options under which it receives the Euribor rate and pays a fixed rate specific to each contract and linked to the Euribor rate.

The purpose of these transactions is to convert floating-rate into fixed-rate liabilities and to optimise the risk profile of the Company's debt based on expected trends in interest rates.

During 2016, the Company continued its interest rate risk management policy, which is to build up a portfolio of financial instruments that qualify for hedge accounting.

### 1.2-10 FOREIGN CURRENCY TRANSACTIONS

Foreign currency assets and liabilities are translated at year-end exchange rates when they are not covered by a specific hedge. Any exchange gains and losses are recognised under the relevant balance sheet headings. Unrealised foreign exchange losses are provided for.

### 1.2-11 REVENUE

Revenue mainly derives from:

1) Accommodation and care services provided to residents. This revenue is recognised when the service is provided.

The per diem rate is payable as follows:

- the accommodation component is paid for by the resident
- the long-term care allowance component is paid for by the resident and the local authority (the daily charge is set by the local authority depending on the level of care required and forecast expenses)
- the medical care component is paid for by the regional health insurance fund (the daily charge is set according to the level of care required and forecast expenses)

2) Sales to third parties of properties built or developed by the Company. Corresponding changes in work in progress are recognised in profit or loss under Production transferred to inventories.



### 1.2-12 INCOME TAX

ORPEA is the head of a tax consolidation group formed with subsidiaries that are at least 95%-owned.

ORPEA, like each subsidiary in the tax group, pays income tax calculated on its own earnings.

### 1.2-13 TAX CREDIT FOR COMPETITIVENESS AND EMPLOYMENT (CICE)

The 3<sup>rd</sup> Amending Finance Law for 2012 introduced the CICE (tax credit for competitiveness and employment) from 1 January 2013. This tax credit is recognised in the parent company financial statements as a deduction in staff costs.

The CICE tax credit was sufficient in size to maintain the level of investment required for the renovation and restructuring of existing facilities, plus the construction and opening of new facilities. In turn, this helped to create new jobs and ensure their sustainability. It also helped to cover the cost of setting up a mutual health insurance insurer providing cover for most of the Company's employees.

### 1.3 INTERNAL RESTRUCTURING

To streamline its organisation structure, the Company merged at the end of the year with two of its subsidiaries, namely SA Gerone Corp. and SAS Rive Ardente.

The various assets and liabilities of these subsidiaries were absorbed and recognised in ORPEA's financial statements at the effective date of their contribution in 2016.

Accordingly, a total of €4,579 thousand in merger losses were recognised, of which €1,834 thousand were assigned to Other intangible assets and €2,745 thousand to Property, plant and equipment.

### 1.4 SIGNIFICANT EVENTS OVER THE YEAR

Since 1 January 2016, the Company has continued its development by opening three new facilities following the completion of construction projects launched in previous years. These facilities are chiefly located in the Paris region.

ORPEA also continued its strategy of growth through acquisitions, chiefly:

- the acquisition of a company in France operating a facility in Croisilles, plus the purchase of an additional 57.46% interest in the Familisanté group (five facilities), lifting the Group's stake to 98.41%
- the acquisition in Poland of the Medisystem group, which has 7 facilities (704 beds)

Lastly, the Company also made some *ad hoc* acquisitions, directly or via companies, of individual assets necessary for its expansion, such as intangible property and operating rights.

As part of a reorganisation of its corporate structure, ORPEA SA sold its shareholding in Swiss subsidiary Senevita to the ORPEA Suisse sub-group.

In 2016, the Company raised €291.5 million by issuing new Schuldscheindarlehen-type loans.

### 1.5 - SUBSEQUENT EVENTS

The ORPEA Group continued its international expansion with the acquisition of the Anavita Group with its 6 facilities in the Czech Republic (932 beds) and the DR DR Wagner Group with its 18 facilities in Austria (1,812 beds).

## II - COMMENTARY ON THE FINANCIAL STATEMENTS

*N.B. Amounts are stated in euros unless expressly stated otherwise.*

### II.1 BALANCE SHEET

#### II.1-1 NON-CURRENT ASSETS

##### Intangible assets:

Movements in gross intangible assets were as follows:

Gross	Beginning of period	Increase	Decrease	Reclassification	Merger	End of period
Start-up costs	2,910				9,039	11,949
Concessions, patents	1,307,872	8,423	462		9,711	1,325,544
Commercial goodwill	280,568,063	5,174,715		-218,677,250	4,916,684	71,982,211
Other intangible assets	1,515,985	730,704		194,171,328		196,418,016
Advances on intangible assets	1,781,789			-73,822		1,707,967
<b>Total</b>	<b>285,176,619</b>	<b>5,913,842</b>	<b>462</b>	<b>-24,579,744</b>	<b>4,935,434</b>	<b>271,445,691</b>

The €218,677 thousand in technical losses were assigned to underlying assets as follows:

- €194,171 thousand in full to commercial goodwill under Other intangible assets
- €5,090 thousand to buildings under Other property, plant and equipment
- €19,415 thousand to investments in subsidiaries under Other financial assets

Amortisation of gross intangible assets broke down as follows:

Amortisation	Beginning of period	Increase	Decrease	Merger	End of period
Start-up costs	201	68		9,039	9308
Concessions, patents	1,106,657	46,797	72	8,962	1,162,345
Commercial goodwill	0				0
Other intangible assets	718,885	50,256			769,141
Advances on intangible asset	0				0
<b>Total</b>	<b>1,825,743</b>	<b>97,123</b>	<b>72</b>	<b>8,962</b>	<b>1,940,795</b>

## Property, plant and equipment:

Movements in gross property, plant and equipment were as follows:

Gross	Beginning of period	Increase	Decrease	Reclassification	Merger	End of period
Land	7,098,643	21,120		1,614,497	1,131,177	9,865,437
Buildings	197,319,344	4,878,873	1,756,799	38,704,468	4,484,456	243,630,343
Plant and facilities	50,654,887	3,047,108	63,663		551,089	54,189,422
Vehicles	499,567					499,567
Property, plant and equipment in	17,405,964	21,145,957	921,719	-8,963,853	172,038	28,838,387
Other property, plant and equipm	33,553,653	3,846,405	459,662	3,651,440	416,963	41,008,797
<b>Total</b>	<b>306,532,058</b>	<b>32,939,463</b>	<b>3,201,843</b>	<b>35,006,552</b>	<b>6,755,723</b>	<b>378,031,953</b>

Depreciation of gross property, plant and equipment was as follows:

Depreciation	Beginning of period	Increase	Decrease	Reclassification	Merger	End of period
Land	24,306	-4,364				19,942
Buildings	61,494,506	9,347,713	700,829	267,664	190,078	70,063,804
Plant and facilities	39,032,985	3,871,137	50,271		432,344	43,286,195
Vehicles	392,828	36,569				429,397
Other property, plant and eq	24,470,801	1,858,227	399,679		263,793	26,193,141
<b>Total</b>	<b>125,415,425</b>	<b>15,109,282</b>	<b>1,150,779</b>	<b>267,664</b>	<b>886,215</b>	<b>139,992,479</b>

## Financial assets:

Movements in gross financial assets were as follows:

Gross	Beginning of period	Increase	Decrease	Reclassification	Merger	End of period
Investments in subsidiaries	1,050,906,986	42,480,329	101,647,246	365	-8,044,938	983,695,496
Other investments	6,985					6,985
Receivables related to investments in subsidiaries	55,791,126	8,000,000				63,791,126
Loans	8,684,260	1,073,622	15,987		58,448	9,800,343
Other financial assets	4,000,905	49,737,407	57,734,324	19,415,453		15,419,441
<b>Total</b>	<b>1,119,390,262</b>	<b>101,291,358</b>	<b>159,397,557</b>	<b>19,415,818</b>	<b>-7,986,490</b>	<b>1,072,713,391</b>

The change in investments in subsidiaries derived primarily from:

- a €42 million increase arising chiefly on the acquisition of the Medisystem group in Poland for €20 million and the purchase of an additional interest in Familisanté for €19 million
- a €102 million decrease arising from the sale of securities in the Swiss subsidiary Senevita to the ORPEA Suisse sub-group

The changes in Other financial assets derived primarily from movements in treasury shares and the reassignment of the merger losses.

Loans and Other financial assets break down as follows:

	31 Dec. 2016	up to 1 year	over 1 year
Loans	9,800,343	24,238	9,776,105
Deposits and guarantees	3,055,862		3,055,862
Allocation of technical losses	8,515,216		8,515,216
Treasury shares	3,848,364	3,848,364	
<b>Total</b>	<b>25,219,784</b>	<b>3,872,602</b>	<b>21,347,182</b>

The General Meeting of the Shareholders of 29 June 2006 authorised a share repurchase programme. This programme has a number of aims, including to allow the Company to provide liquidity and stimulate trading in its shares, and to optimise its capital management.

A total of 56,819 shares with a carrying amount of €3.8 million were held in treasury at 31 December 2016.

Movements in provisions for financial assets were as follows:

Provisions	Beginning of period	Increase	Decrease	Merger	End of period
Investments in subsidiari	15,332,520	3,000,000			18,332,520
Loans	39,107				39,107
<b>Total</b>	<b>15,371,627</b>	<b>3,000,000</b>	<b>0</b>	<b>0</b>	<b>18,371,627</b>

II. 1 - 2 LIST OF SUBSIDIARIES AND INVESTMENTS

Company	Share capital	Percentage ownership	Profit or loss for the last financial year	Equity 2016	Carrying amount of investments 2016	
					Gross	Net
SCI Route des Ecluses	303,374	99%	184,996	2,454,280	303,374	303,374
SCI Les Rives d'Or	1,524	99%	42,377	1,919,003	933,755	933,755
SCI du Château	1,524	99%	374,590	3,357,453	1,353,340	1,353,340
SCI Tour Pujols	1,524	99%	366,180	2,700,235	1,364,795	1,364,795
SCI La Cerisaie	1,524	99%	48,403	2,235,204	47,224	47,224
SCI Val de Seine	1,524	99%	-566,706	-3,752,187	711,307	711,307
SCI Cliscouet	1,524	99%	437,439	2,217,544	1,494	1,494
SCI Age d'Or	2,549,161	99%	27,277	12,246,157	6,234,540	6,234,540
SCI Gambetta	1,524	99%	143,662	5,513,080	1,509	1,509
SCI Croix Rousse	1,524	99%	126,077	4,708,543	1,509	1,509
SCI Les Dornets	1,524	99%	-17,223	1,221,278	1,494	1,494
SCI Château d'Angleterre	1,646	99%	287,285	8,326,740	1,763,577	1,763,577
SCI Montchenot	1,524	99%	73,922	10,897,669	1,286,933	1,286,933
SCI 115 rue de la Santé	1,524	90%	-1,960,482	9,657,283	1,372	1,372
SCI Abbaye	1,524	90%	-787,515	-5,564,164	344,410	344,410
SCI Les Tamaris	1,524	99%	87,474	2,361,947	1,357	1,357
SCI Passage Victor Marchand	1,524	99%	-626,171	2,424,927	1,509	1,509
SCI Fauriel	1,524	99%	1,859,142	-9,724,340	1,618,841	1,618,841
SCI Port Thureau	1,524	99%	-1,396	1,230,438	63,708	63,708
SCI de l'Abbaye	1,524	99%	327,134	1,227,529	1,509	1,509
SCI Les Maraichers	1,524	99%	522,133	2,599,684	99,595	99,595
SCI Bosguerard	1,524	99%	121,885	1,266,990	1,274,306	1,274,306
SCI Le Vallon	1,524	90%	-1,984,757	2,519,790	2,033,228	2,033,228
SCI Brest Le Lys Blanc	1,524	98%	-1,048,698	-14,777,496	1,494	1,494
SCI Bel Air	1,524	99%	-130,865	-223,827	335,837	335,837
SAS CLINEA	194,008,608	100%	45,864,270	323,452,617	203,855,563	203,855,563
SARL Les Matines	7,622	100%	-109,188	-3,691,974	7,622	7,622
SARL Bel Air	1,265,327	100%	287,383	4,434,038	840,604	840,604
SARL Amarmau	7,622	100%	-36,864	-1,135,566	7,622	7,622
SARL 94 Niort	231,000,000	100%	13,361,956	278,646,968	231,000,000	231,000,000
SARL 95	7,700	100%	-92,817	-809,120	7,700	0
SCI Sainte Brigitte	1,525	100%	-29,668	-694,511	1,524	1,524
SARL VIVREA	150,000	100%	78,928	-3,406,672	150,000	150,000
SA LES CHARMILLES	76,225	98%	234,457	4,475,501	3,094,117	3,094,117
SCI KOD'S	22,650	100%	60,771	646,426	68,116	68,116
SARL LA BRETAGNE	277,457	100%	19,536	-1,409,306	41,300	41,300
SARL RESIDENCE LA VENITIE	13,300	100%	-62,524	-636,521	796,267	796,267
SARL L'ATRIUM	7,622	100%	98,168	-524,867	985,140	985,140
SA BRIGE	9,200,000	100%	-83,783	7,758,251	670,000	670,000
SRLORPEA ITALIA	3,350,000	5%	-5,079,876	4,258,792	682,862	682,862
SCI LES TREILLES	15,245	99.99%	57,902	2,298,436	2,363,698	2,363,698
SCI LES MAGNOLIAS	1,525	99%	-342,523	-3,373,255	1,510	1,510
SCI le Barbaras	182,939	100%	174,696	6,679,475	821	821
SARL DOMEA	100,000	100%	-6,324	173,106	100,000	100,000
SARL 96	7,700	90%	-1,906,944	894,430	6,930	6,930
SCI BEAULIEU	3,049	100%	-20,894	-80,705	30,490	0
SAS LA SAHARIENNE	1,365,263	100%	-242,008	-1,270,068	5,712,440	5,712,440
SARL ORPEA DEV	100,000	100%	-1,164	873,640	100,000	100,000
SAS ORGANIS	37,000	100%	175,154	96,397	11,775,946	9,825,946
GRUPO CARE	63,921	100%	1,646,956	52,627,350	19,228,321	19,228,321
DINMORPEA	5,000	100%	468,191	677,621	5,000	5,000
SRL CASA MIA IMMOBILIARE	20,000,000	100%	564,088	14,897,860	13,089,120	13,089,120
SA ORPEA BELGIUM	81,500,000	99.99%	4,683,819	175,771,564	65,479,233	65,479,233
SA DOMAINE DE CHURCHILL	815,012	100%	77,538	17,357,774	12,135,729	12,135,729
SA DOMAINE DE LONGCHAMP	65,026	10%	-69,184	11,957,173	1,414,449	1,414,449

Company	Share capital	Percentage ownership	Profit or loss for the last financial year	Equity 2016	Carrying amount of investments 2016	
					Gross	Net
SA LONGCHAMPS LIBERTAS	600,000	100%	-3,373,937	-2,323,399	554,719	554,719
SA RS DOMAINE DE CHURCHILL	265,039	100%	-77,825	302,644	3,075,311	3,075,311
TRANSAC CONSULTING CORPORATION	3,009	100%	23,494	14,021	1,823,231	1,823,231
SAS Résidence St Luc	37,200	100%	-55,263	-4,441,462	2,644,007	0
SARL Benian	1,000	20%	-372	-42,276	300,200	0
SCI JEM II	152	90%	62,601	556,501	883,500	883,500
SARL La Doyenne de Santé	8,000	50%	473,896	144,075	1,267,425	1,267,425
SCI Douarnenez	1,500	100%	-171,320	-1,645,634	1,485	1,485
SCI Barbacane	1,524	1%	25,951	977,775	15	15
SCI Selika	10,671	0.14%	-17,768	5,640,291	15	15
SCI SLIM	762	100%	91,470	981,254	1,830	1,830
SCI SAINTES BA	1,524	1%	-279,256	3,046,313	15	15
SCI Les Anes	1,000	0.10%	92,603	-1,897,056	1	1
SARL L'Ombrière	8,000	100%	29,902	-762,542	822,027	0
SAS MDR La Cheneraie	254,220	2%	131,378	-824,246	146,044	146,044
SARL IDF resid Ret. Le Sophora	7,622	10%	276,369	-1,184,350	80,000	80,000
SNC les Jardins d'Escudie	100,000	100%	-149,493	-4,648,034	824,310	824,310
SA Résidence du Moulin	38,112	100%	-247,521	-3,098,545	2,100,466	0
SC Les Praticiens	87,600	0.08%	1,580	67,106	67,009	0
SAS Résidence La cheneraie	2,537,040	100%	100,897	6,330,821	7,324,746	7,324,746
SA EMCEJIDEY	293,400	100%	66,657	2,754,200	4,419,887	4,419,887
SARL Résidence du Parc	18,560	100%	-14,083	-29,397	5,810	5,810
SCI du Fauvet	1,524	10%	-234,976	-1,828,791	68,306	68,306
OPCI	5,301,885	5.02%	236,080	5,269,666	479,732	479,732
SAS SFI France	4,000,000	51%	-32,385	856,126	23,305,520	23,305,520
SCI Ansi	22,867	0.1%	129,661	5,501,125	40,399	40,399
SARL Viteal les Cedres	50,000	100%	-79,273	-1,662,469	85,039	0
SA Le Vieux Château	50,000	100%	-20,693	-1,572,943	367,647	367,647
SAS Home La Tour	40,600	100%	298,733	-113,917	2,797,720	0
SAS MEDITER	69,650,000	100%	2,640,445	130,808,881	169,198,343	169,198,343
SNC des Parrans	7,622	100%	-15,165	-385,280	1,399,856	0
SAS Holding Mandres	8,000	100%	115,865	966,068	3,325,832	3,325,832
SNC Les Acanthes	7,622	100%	-99,998	-413,458	1,468,434	0
SA Le Clos St Grégoire	38,173	100%	-349,912	1,683,577	4,676,964	4,676,964
SA Immobilière de Santé	7,828,400	49%	11,063,000	16,289,201	13,210,000	13,210,000
SARL Domidom	4,992,525	100%	-898,103	-2,875,878	12,566,082	9,566,082
GCS	100,000	12.50%	0	1,016,576	23,300	23,300
SAS Immo Nevers	5,000	100%	-59,747	4,277,941	5,000	5,000
SCI Castelviel	152	50%	-436,464	-2,965,125	763,650	0
SAS St Jean	16,000	100%	352,146	166,684	3,135,916	3,135,916
SCI Super Aix	228,674	13%	-57,431	1,876,011	478,537	478,537
SAS Actiretraite Montgeron	4,000	100%	-86,703	-1,342,967	746,843	0
Groupe SILVERCARE	4,975,000	100%	6,251,624	54,039,921	65,552,324	65,552,324
SCI Parc st Loup	150,000	100%	-26,428	-467,077	149,079	0
SCI Larry	150,000	100%	-8,542	3,335,937	150,621	150,621
SA China Holding	1,000,000	100%	-106,243	672,603	1,000,000	1,000,000
SARL Résidence de Balbigny	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Parc de Royat	10,000	100%	0	10,000	10,000	10,000
SARL Maison de l'AAR	10,000	100%	0	10,000	10,000	10,000
SARL Résidence de L'Ambène	10,000	100%	0	10,000	10,000	10,000

Company	Share capital	Percentage ownership	Profit or loss for the financial year	Equity 2016	Carrying amount of investments 2016	
					Gross	Net
SARL Résidence L'Angelique	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Saint Martial	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Marquisat	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Parce des Noues	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Les Pergolas	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Du Lac	10,000	100%	0	10,000	10,000	10,000
SARL Résidence Saint Honorat	10,000	100%	0	10,000	10,000	10,000
SARL Résidence L'Atrium	10,000	100%	0	10,000	10,000	10,000
SARL Les Jardins d'Aurillac	10,000	100%	0	10,000	10,000	10,000
CEECFH	20,008,100	100%	-1,101,066	17,912,466	13,845,500	13,845,500
CHINA CO.	4,413,091	51%	-1,209,098	474,035	2,250,794	2,250,794
MEDI-SYSTEME	80,750	100%	263,018	7,888,506	20,225,193	20,225,193
SARL Primavera St Marc	100,000	100%	-470,766	2,177,852	18,002	18,002
Gevea Senior	nc	49%	0	0	682,251	682,251
Gevea Immo	nc	49%	0	0	406,945	406,945
SCT SENIOR +	nc	49%	0	0	490	490
SAS Familisante	4,851,200	57.46%	105,366	-2,117,105	18,771,865	18,771,865
SAS Résidence Normandie	7,700	100%	-133,042	91,382	1,694,170	1,694,170
SARL La Pergola	7,622	100%	-49,741	74,530	368,649	368,649
Other securities					335,790	335,790
Other securities (access)					194,505	194,505
<b>Total</b>					<b>983,695,496</b>	<b>965,362,976</b>

## II. 1 - 3 INVENTORIES AND WORK IN PROGRESS

	Gross at 31 Dec. 2016	Provisions at 31 Dec. 2016	Net at 31 Dec. 2016	Net at 31 Dec. 2015
Small items of equipment and supplies	1,798,282		1,798,282	1,764,449
Property projects in progress	42,039,559	1,188,655	40,850,904	56,757,797
<b>Total</b>	<b>43,837,841</b>	<b>1,188,655</b>	<b>42,649,186</b>	<b>58,522,245</b>

The €40,850,904 in net property projects in progress include borrowing costs incurred over the construction period, which amounted to €3,884,697, compared with €4,708,676 at 31 December 2015.

These borrowing costs were capitalised at an average rate of 4.15% in 2015.

## II. 1 - 4 RECEIVABLES

	Gross 31 Dec. 2016	Impairment 31 Dec. 2016	Net 31 Dec. 2016	Net 31 Dec. 2015
Trade receivables	18,297,065	6,085,835	12,211,230	13,532,457
Tax and payroll receivables	50,422,264		50,422,264	68,596,576
Group and associates	1,684,383,859		1,684,383,859	1,430,399,233
Other receivables	256,197,362	13,461,368	242,735,994	221,839,034
<b>Total</b>	<b>2,009,300,549</b>	<b>19,547,203</b>	<b>1,989,753,346</b>	<b>1,734,367,300</b>

All receivables are due in less than one year.

Movements in impairment of receivables were as follows:

	Beginning of period	Charges in the year	Reversals in the year	Mergers	End of period
Trade receivables	5,668,795	2,771,889	2,369,847	14,997	6,085,835
Other receivables	5,477,739	8,049,284	65,655		13,461,368
<b>Total</b>	<b>11,146,533</b>	<b>10,821,173</b>	<b>2,435,502</b>	<b>14,997</b>	<b>19,547,203</b>

## II. 1 - 5 SHORT-TERM SECURITIES

Carrying amount	31 Dec. 2015	Acquisitions	Sales	Impairment Merger	31 Dec. 2016
Term deposits (1)	11,139,882	42,000,000	34,000,000		19,139,882
Shares reserved for employees (number)	92,881 (2,711)				92,881 (2,607)

(1) No impairment was recognised in respect of these accounts as their fair value was higher than their carrying amount.

## II. 1 - 6 COMPOSITION OF THE SHARE CAPITAL

	Number of shares issued	Share capital	Share premiums and reserves	Retained earnings	Net profit for the period	Tax-regulated provisions	Dividends	Total equity
At 31 Dec. 2014	55,567,893	69,459,866	425,097,055	3,220,202	7,511,357	4,815,761	0	510,104,241
Appropriation of net profit			-34,624,431	-2,318,526	-7,511,357		44,454,314	0
Exercise of share warrants	169,210	211,513	5,827,996					6,039,509
Exercise of OCEANE convertibles	4,536,588	5,670,735	173,225,810					178,896,545
Dividend payments							-44,454,314	-44,454,314
Tax-regulated provisions						1,576,071		1,576,071
Net profit at 31 December 2015					11,238,594			11,238,594
At 31 Dec. 2015	60,273,691	75,342,114	569,526,433	901,676	11,238,594	6,391,832	0	663,400,650
Appropriation of net profit			-42,572,764	-434,963	-11,238,594		54,246,322	0
Dividend payments							-54,246,322	-54,246,322
Tax-regulated provisions						677,420		677,420
Net profit at 31 December 2016					29,908,916			29,908,916
At 31 Dec. 2016	60,273,691	75,342,114	526,953,669	466,713	29,908,916	7,069,252	0	639,740,663

The share capital stood at €75,342,114 at the end of the year. It consisted of 60,273,691 shares each with a par value of €1.25.

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



## II. 1 - 7 PROVISIONS

	Beginning of period	Merger	Charges in the year	Reversals in the year (prov. used)	Reversals in the year (prov. not used)	End of period
<i>Labour disputes</i>	4,469,713	19,223	3,267,831	807,389	1,046,579	5,902,799
<i>Other</i>	30,437,976	164,542	2,673,821	20,193	142,000	33,114,146
<b>Provisions for liabilities and charges</b>	<b>34,907,686</b>	<b>183,765</b>	<b>5,941,652</b>	<b>827,582</b>	<b>1,188,579</b>	<b>39,016,945</b>

Other provisions for liabilities and charges are set aside mainly to cover the risk arising from the fact that the Company and the tax authorities may arrive at different results in the application of rules to calculate VAT pro rata. This provision amounted to €27 million at 31 December 2016.

In October 2016, the Conseil d'Etat issued a ruling confirming the Group's calculation method. Even so, in agreement with its advisors, the Group has decided to maintain the provisions it has already set aside pending a definitive ruling by the tax authorities in the review of its dispute.

ORPEA and certain of its subsidiaries in its tax consolidation group are undergoing tax audits. Most of the reassessments notified by the tax authorities have been challenged, and so no provisions have been set aside for these reassessments. Tax reassessments that are not challenged are recognised in the year in which they are received.

## II.1 -8 FINANCIAL LIABILITIES

	31 Dec. 2016	31 Dec. 2016	31 Dec. 2015	31 Dec. 2015
Borrowings and financial liabilities	2,661,957,944		2,278,936,390	
<i>Financial liabilities maturing in 1 year or less</i>		413,325,449		417,240,820
<i>Financial liabilities maturing in more than 1 year and less than 5 years</i>		1,705,645,424		1,425,635,161
<i>Financial liabilities maturing in over 5 years</i>		542,987,071		436,060,410
Trade payables	42,967,781		45,385,852	
<i>Financial liabilities maturing in 1 year or less</i>		42,967,781		45,385,852
<i>Financial liabilities maturing in more than 1 year and less than 5 years</i>				
<i>Financial liabilities maturing in over 5 years</i>				
Tax and payroll liabilities	97,760,664		79,636,509	
<i>Financial liabilities maturing in 1 year or less</i>		97,760,664		79,636,509
<i>Financial liabilities maturing in more than 1 year and less than 5 years</i>				
<i>Financial liabilities maturing in over 5 years</i>				
Group and associates	344,396,371		438,869,143	
<i>Financial liabilities maturing in 1 year or less</i>		344,396,371		438,869,143
<i>Financial liabilities maturing in more 1 one year and less than 5 years</i>				
<i>Financial liabilities maturing in over 5 years</i>				
Other liabilities	85,250,043		79,277,745	
<i>Financial liabilities maturing in 1 year or less</i>		50,617,597		47,571,472
<i>Financial liabilities maturing in more than 1 year and less than 5 years</i>		34,632,446		31,706,273
<i>Financial liabilities maturing in over 5 years</i>				
<b>Total</b>	<b>3,232,332,804</b>	<b>3,232,332,804</b>	<b>2,922,105,640</b>	<b>2,922,105,640</b>

New borrowings arranged during the year amounted to €750,699 thousand and borrowings of €229,200 thousand were repaid.

Group and associates comprise advances to the Group's subsidiaries.

Other financial liabilities chiefly comprise security deposits provided by residents (€35 million) and development-related liabilities (€36 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.

## Bond issues

**ORNANE:** On 9 July 2013, ORPEA issued bonds with an option for redemption in cash and/or in new or existing shares (ORNANE) carrying dividend rights from 17 July 2013. The maturity date of the ORNANE bonds is 1 January 2020. The 4,260,631 bonds have a nominal value of €46.56 each, putting their total nominal value at €198 million.

The coupon payable is a fixed rate of 1.75% p.a. throughout the life of the bonds, payable semi-annually in arrears.

Bondholders have a contractual option to convert their bonds into cash or new shares, in line with the arrangements set forth in the securities note, from the issue date up until the 18<sup>th</sup> trading day (exclusive) prior to 1 January 2020. ORPEA may, however, exercise a right of early redemption if the share price exceeds 130% of the par value of the bond, but solely on or after 1 February 2017.

A total of 12 ORNANE bonds were converted in 2015 and 100 in 2016. No new shares were issued, since existing shares held in treasury were remitted instead.

**Other non-convertible bond issues:** During 2016, ORPEA raised €13 million by issuing 130 bonds, each for a unit price of €100,000.

Lastly, the Company raised €291.5 million during the year through the issue of new *Schuldscheindarlehen* type loans.

## Bank covenants

Various loans arranged by the Company are conditional on compliance with financial ratios that are assessed based on the Group's financial 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

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

At 31 December 2016, these ratios were at 2.3x and 1.5x respectively, within the required limits of mainly 5.5x for R1 and 2.0x for R2 at 31 December 2016.

## II.1 -9 FINANCIAL INSTRUMENTS

At 31 December 2016, as at 31 December 2015, the derivatives portfolio included fixed for floating (mainly 3-month Euribor) interest rate swaps and interest rate options. These derivatives have either a constant or decreasing nominal profile. All these derivatives are used for hedging transactions in accordance with Article 372-2 of the French general chart of accounts.

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

Maturity schedule					
	2017	2018	2019	2020	2021
Average notional amount (€ m)	2,200	2,198	2,196	2,189	2,192
Interest rate	1.2%	1.1%	0.8%	0.8%	0.6%

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

Maturity schedule					
	2016	2017	2018	2019	2020
Average notional amount (€ m)	1,402	1,396	1,348	1,285	1,211
Interest rate	1.8%	1.7%	1.6%	1.1%	1.0%

The fair value of hedging instruments at 31 December 2016, i.e. (€83.2) million, is not recognised at the balance sheet date but recorded in the same manner and period as the hedged items upon the maturity of each contract.

At 31 December 2015, this fair value was (€82.5) million.

## II.1 -10 OTHER LIABILITIES

### Accrued expenses

	31 Dec. 2016	31 Dec. 2015
Borrowings and financial liabilities	20,897,339	18,616,291
Trade payables	18,866,914	17,835,686
Tax, payroll and sundry liabilities	46,100,505	44,906,516
<b>Total</b>	<b>85,864,759</b>	<b>81,358,493</b>

### Accrued income

	31 Dec. 2016	31 Dec. 2015
Financial receivables	103,407	42,445
Trade receivables	3,925,927	6,267,672
Other receivables	9,946,033	20,879,529
<b>Total</b>	<b>13,975,366</b>	<b>27,189,646</b>

### Prepaid expenses

	31 Dec. 2016	31 Dec. 2015
Operating	593,050	1,444,942
Financial	9,445,956	7,809,790
Non-recurring		
<b>Total</b>	<b>10,039,006</b>	<b>9,254,733</b>

The change was mainly caused by prepaid expenses arising on the bond issues carried out during the year.

### Prepaid income

	31 Dec. 2016	31 Dec. 2015
Operating	37,451,087	25,966,970
<b>Total</b>	<b>37,451,087</b>	<b>25,966,970</b>

This item reflects (i) prepaid income from off-plan sales of €24,925 thousand and (ii) €12,526 thousand in medical care allowances yet to be recognised in future expenses.

## Unrealised foreign currency gains

	31 Dec. 2016	31 Dec. 2015
Swiss subsidiaries	1,822,928	0
<b>Total</b>	<b>1,822,928</b>	<b>0</b>

### II. 1 - 11 RELATED-PARTY DISCLOSURES

Entities	Other receivables	Other liabilities	Other financial income	Financial expenses
Wholly-owned Group subsidiaries	1,684,383,859	344,396,371	83,446,624	16,938,565
Other subsidiaries	142,426,377	2,367,566	5,453,438	75,663

### II. 2 INCOME STATEMENT

#### II. 2 - 1 REVENUE

	2016	2015
Operation of nursing homes	713,932,640	663,218,064
Sale of properties	9,815,542	23,830,256
<b>Total</b>	<b>723,748,182</b>	<b>687,048,320</b>

#### II. 2 - 2 OPERATING INCOME

	2016	2015
Operation of nursing homes	713,932,640	663,218,064
<b>Operating revenue</b>	<b>713,932,640</b>	<b>663,218,064</b>
Sale of properties	9,815,542	23,830,256
Capitalised production of properties	30,262,926	6,884,983
Production transferred to inventories	-36,172,563	-25,084,224
<b>Income from property activities</b>	<b>3,905,905</b>	<b>5,631,015</b>
Other capitalised production	5,929,907	5,497,577
Operating subsidies	226,790	84,731
Reversals of provisions and expense transfers	18,044,772	16,117,444
Other income	2,485,648	127,588
<b>Other operating income</b>	<b>26,687,119</b>	<b>21,827,340</b>
<b>Total operating income</b>	<b>744,525,664</b>	<b>690,676,418</b>

## II. 2 - 3 EXPENSE TRANSFER

	2016	2015
Restructuring and development costs	1,200,297	1,135,348
Capitalised expenses	5,124,715	5,152,298
Insurance payouts	726,247	264,715
Provident fund payouts	4,246,547	3,452,401
Training refunds	2,727,239	2,612,934
Sickness payouts	198,726	128,730
Capitalised borrowing costs on property projects	1,404,022	2,009,460
Miscellaneous expenses	3,074	2,446
<b>Total</b>	<b>15,630,867</b>	<b>14,758,334</b>

## II. 2 -4 NET FINANCE COST

	2016	2015
Interest on bank borrowings and other financial expenses	-60,583,321	-50,700,998
Net losses on financial instruments	-29,498,519	-31,003,994
Foreign exchange losses	-36,946	-230,996
Impairment losses on securities	-3,000,000	-9,052,686
Other expenses	-5,427	-13,362
Income from investments	30,000,000	20,004,900
Net gains on inter-company current accounts	41,885,834	41,146,757
Capitalised financial expenses	1,404,022	2,009,460
Net income from sale of short-term investments	173,755	384,910
Foreign exchange gains	6,792	
Other income	2,465,506	5,514
<b>Net finance cost</b>	<b>-17,188,304</b>	<b>-27,450,495</b>

Income from investments in 2016 chiefly reflects the dividends paid by Clinea SAS.

## II. 2 -5 NET NON-RECURRING ITEMS

	2016	2015
<b>Non-recurring income</b>	155,282,924	49,967,098
<i>On management transactions</i>	690,536	616,724
<i>On capital transactions</i>	152,998,145	48,760,289
<i>o/w from the disposal of equity securities</i>	114,402,098	5,000,000
<i>Reversals of provisions and expense transfers</i>	1,594,243	590,084
<b>Non-recurring expenses</b>	165,851,043	60,086,016
<i>On management transactions</i>	3,804,132	3,003,060
<i>o/w cost of acquisitions</i>	1,200,297	1,135,348
<i>o/w caretaking costs</i>	473,876	875,778
<i>o/w property expenses</i>	752,588	837,113
<i>On capital transactions</i>	152,197,421	50,056,252
<i>o/w from the disposal of equity securities</i>	112,547,117	4,435,880
<i>Non-recurring depreciation/amortisation, charges to prov</i>	9,849,491	7,026,704
<i>o/w development-related receivables</i>	8,000,000	4,500,000
<b>Net non-recurring items</b>	<b>-10,568,119</b>	<b>-10,118,919</b>

	2016	2015
Capital gains and losses on asset retirements	870,379	-1,234,406
Restructuring and development expenses	-3,037,902	-2,246,998
Provisions for miscellaneous debtors	-7,572,954	-4,860,548
Accelerated tax depreciation/amortisation	-682,295	-1,576,071
Miscellaneous expenses	-145,347	-200,895
<b>Net non-recurring items</b>	<b>-10,568,119</b>	<b>-10,118,919</b>

## II. 2 - 6 INCOME TAX

As the head company 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 certain subsidiaries have tax losses that can be set off against their own taxable income.

At 31 December 2016, the ORPEA tax consolidation group's aggregate taxable income was €116,447,594, including ORPEA SA's taxable loss of €1,718,611 in its capacity as a member company.

As provided for under the group tax consolidation agreement, each subsidiary is responsible individually for paying its own income tax and contributions due on taxable income and capital gains, less any tax credits arising on tax loss carryforwards.

The €6,483,743 in tax expense shown in ORPEA SA's financial statements breaks down as follows:

	Before income tax	Income tax	After income tax
Operating profit	64,149,083	-17,089,836	47,059,247
Net finance cost	-17,188,304	8,362,586	-8,825,718
Net non-recurring items	-10,568,119	3,575,597	-6,992,522
Income tax on dividends and other		-1,332,090	-1,332,090
<b>Book profit</b>	<b>36,392,660</b>	<b>-6,483,743</b>	<b>29,908,916</b>

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:
  - Unrealised gains on the business goodwill subject to a tax deferral as a result of mergers: €43,610 thousand
  - Unrealised gains on securities subject to a tax deferral as a result of mergers: €24,419 thousand
  - Foreign exchange gains: €1,823 thousand
  
- Deductions to be made in future years:
  - Organic levy: €1,178 thousand
  - Unrealised gain on mutual funds: €4 thousand

### III - FINANCIAL COMMITMENTS AND OTHER DISCLOSURES

#### III.1 OFF-BALANCE SHEET COMMITMENTS

##### Financing-related commitments

##### Financial commitments

Contractual commitments (€ thousand)	31 Dec. 2016	31 Dec. 2015
Receivables sold not yet matured (Daily regime, etc.)	26,869	21,407
Pledges, mortgages and other security	203,292	366,850
<b>Total</b>	<b>230,161</b>	<b>388,257</b>

Contractual commitments (€ thousand)	31 Dec. 2016	Payments due by period		
		less than 1 year	from 1 to 5 years	over 5 years
Long-term borrowings	2,661,957	413,325	1,705,645	542,987
Finance lease obligations	104,970	39,546	51,204	14,220
<b>Total</b>	<b>2,766,927</b>	<b>452,871</b>	<b>1,756,849</b>	<b>557,207</b>



## Leases

	Property leases	Equipment leases
Value at inception of lease	51,138,637	107,178,711
Lease payments during period	4,009,852	20,977,925
Total lease payments in previous periods	25,577,851	31,967,450
Theoretical depreciation for period	1,000,134	13,104,913
Accumulated depreciation in respect of previous periods	6,574,819	40,057,309
Lease payments outstanding - due in one year or less	16,186,086	21,988,707
Lease payments outstanding - due in more than one year but less than five	8,165,032	41,654,292
Lease payments outstanding - due in over five years	14,220,067	0
Buyout value	16,760,001	360,875

### Commitments to employees

Lump-sum benefits payable upon retirement calculated using the projected unit credit method totalled €11,568 thousand at 31 December 2016, compared with €9,737 thousand at 31 December 2015.

The main actuarial assumptions adopted at 31 December 2016 were as follows:

- salary increase rate: 1.50% including inflation
- discount rate: 1.5%
- retirement age: 65
- social security contribution rate: in line with 2016 figures.

The amount paid by the Company in lump-sum retirement benefits amounted to €390,068 in 2016.

There were no material commitments in respect of long-service awards.

### Other commitments

In 2002, ORPEA waived, subject to a clawback provision, €1,915,487 in debt due from its subsidiary SA Clinique du Docteur Courjon, which was subsequently absorbed by Clinea SAS.

ORPEA has entered into the following commitments concerning its 49.9% interest in Immobilière de Santé with a view to gaining full control of the company:

- ORPEA has secured a promise to sell from the other shareholders between 1 July 2018 and 30 June 2019
- ORPEA has given a promise to buy out the other shareholders between 1 July 2019 and 30 June 2020.

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

## III.2 EMPLOYEES

At 31 December 2016, ORPEA SA's headcount on a full-time equivalent basis was as follows:

	31 Dec. 2016	31 Dec. 2015
Managers	820	756
Other employees	8,399	7,979
<b>Total</b>	<b>9,219</b>	<b>8,735</b>

### **III.3 BENEFITS GRANTED TO CORPORATE OFFICERS**

The total amount of gross remuneration, fees (excluding all taxes) and benefits paid during the 2016 financial year to ORPEA SA's corporate officers was €2,525 thousand.

Attendance fees for members of the Board of Directors for the 2016 financial year, paid in 2017, amounted to €381 thousand.