Press release

ORPEA GROUP

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ORPEA: 2023 HALF-YEAR RESULTS

REVENUE UP +10.7% VS. THE 1ST SEMESTER OF 2022: GROUP OCCUPANCY RATE IMPROVING WITH THE EXCEPTION OF NURSING HOMES IN FRANCE

LOWER OPERATING PERFORMANCE: EBITDAR OF €336 MILLION WITH A MARGIN OF 13.2%, DOWN -5.4 POINTS ON H1 2022 AND -1.6 POINT ON H2 2022; BECAUSE OF A RISING PAYROLL TO MEET QUALITY REQUIREMENTS, COUPLED WITH AN INFLATIONARY ENVIRONMENT

OPERATING INCOME -13 M€ AND NET INCOME -371 M€ INCLUDING -231 M€ OF FINANCE COST

EBITDAR FOR FULL-YEAR 2023 AT THE LOWER END OF THE RANGE PUBLISHED IN JULY: (€705/750M), AND AN EXPECTED IMPROVEMENT IN S2 2023 COMPARED WITH S1 2023

CASH POSITION IN LINE WITH SAFEGUARD PLAN FORECASTS

The ORPEA Group publishes its consolidated results for the first half ended 30 June 2023[1].

Laurent Guillot, Chief Executive Officer, said:

"2023 marks the first year of the Group's entire overhaul, and saw the operational implementation of the Refoundation plan. Concrete steps forward have been made:

- *To improve the quality of care and support, with, for example, local teams strengthened around a managerial trio in each facility, and an increase in the staff ratio of over 10%.*
- *To rebuild social dialogue, build loyalty and train our teams, I am thinking in particular of the two collective agreements reached, the new profit-sharing agreement and the 10-million-euro envelope devoted to training.*
- *To engage ORPEA into a path towards becoming a purpose-driven company by defining our core values, exemplified on a daily basis by our employees.*
- *To restructure the company financially, clean up its balance sheet and enable long-term investors such as Caisse des Dépôts, CNP, MAIF and MACSF to acquire a majority stake, the Nanterre Commercial Court approved the Accelerated Safeguard Plan last July.*

However, although the Group's occupancy rate is up (excluding retirement homes in France), the decision to invest in our teams and the increase in our costs in an inflationary environment have not been fully offset by price rises, leading to a reduction in our operating margin in the first half. These choices will gradually bear fruit. ORPEA is a company built on the strength of its 76,000 professionals, who are committed to working with our residents, patients and beneficiaries on a daily basis. I would like to extend my warmest thanks to all of them."

Consolidated revenue for the first half of 2023 was up +10.7% on 2022. This largely organic growth is the result of an overall increase in occupancy rates, with the exception of nursing homes in France, an increase in accommodation capacity, and the effects of price increases, particularly marked in Central Europe. Despite these favorable trends, the results published today show a decline in profitability due to higher costs resulting from the high inflation context and, in the short term, to the company's determination to refocus on its fundamentals immediately. Thus, the acceleration in recruitment and various initiatives to attract and retain staff over the long term partly explain an EBITDAR of €336 million, down -21% on H1 2022 (margin on sales of 13.2%, down -538 bps on H1 2022 and around -160 bps on H2 2022).

Group Net income for the first half of 2023 came to - €371 million, with interest expenses well above those for the first half of 2022, the increase being mainly due to the unfavorable trend in interest rates and higher credit margins on the financing put in place in June 2022. Thanks to the Accelerated Safeguard Plan, a significant portion of these financial expenses, corresponding to ORPEA SA's unsecured debt, will be converted into equity. Furthermore, following the agreement reached with the main banking partners on 17 March 2023, the margin on the

[1] The statutory auditors are currently carrying out a limited review of the interim financial statements.

financing put in place in June 2022 will be significantly revised downwards (2.0% instead of 4.75% on average).

With respect to the outlook for 2023 as a whole and for 2024-2025, the Company is currently carrying out internal reviews at the level of all its operating entities, in order to be able to produce and communicate to the market updated forecasts prior to the launch of the Equitisation Capital Increase. For 2023, based on work completed to date, the Company currently estimates EBITDAR at the lower end of the estimate (€705 million - €750 million) published in its July 13 press release.

With regard to the financial restructuring process, the Company points out that the Accelerated Safeguard Plan, which was approved by the Nanterre Specialized Commercial Court on 24 July by way of a cross-class cram down (link), provides for the implementation - once the last condition precedent has been lifted[2] - of three capital increases, which will result in a massive dilution for existing shareholders. In the absence of reinvestment, existing shareholders would hold around 0.04% of the share capital, with a theoretical value of less than €0.02 per share. The next steps leading to the implementation of this process include the communication of the updated Business Plan, the ruling by the Paris Court of Appeal on the appeals lodged against the waiver granted by the AMF, and the publication of the prospectuses. Details of the planned capital increases and how existing shareholders can participate are available at the following link.

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[2] The final condition precedent is the clearing of the appeals lodged against the waiver of the Caisse des Dépôts-led consortium's obligation to launch a takeover bid for ORPEA shares, granted on May 26, 2023. The decision, by the Paris Court of Appeal, is expected by early November at the latest.

Context of the establishment of the HY2023 consolidated financial statements

Following on from the Accelerated Safeguard procedure opened in favor of ORPEA SA to implement all the agreements negotiated with the stakeholders concerned by the financial restructuring project, the Nanterre Specialized Commercial Court approved the Accelerated Safeguard Plan on 24 July. The Plan is based on the lock-up agreement signed on 14 February 2023 between the Company and a group of long-term French investors comprising Caisse des Dépôts, CNP Assurances, MAIF and MACSF (the "**Groupement**"), and five institutions holding the Company's unsecured debt (the "**SteerCo**"). It is also based on an agreement with the main banking partners (the "**G6**") providing for the adjustment of the documentation of the June 2022 Syndicated Credit Facility and the provision of an additional financing of €400 million coupled with an additional bridge financing of €200 million until the projected second capital increase.

Taking into account:

- the Group's cash position of €630 million at 4 October 2023, including drawdowns of €300m on the additional financing made available by the Group's main banking partners after 30 June 2023 (D1B loan of €200 million in August and D2 loan of €100 million at the end of September)
- The company's cash flow forecasts, based on the following structuring assumptions over the next 12 months :
  - successive capital increases, including €1.55 billion in cash planned from the fourth quarter onwards,
  - conversion into capital of unpaid interest due and accrued on ORPEA SA's unsecured debt,
  - payment of interest due and unpaid on completion of the Groupement Capital Increase,

the Company considers, at the date of closing of the accounts, that it has cash resources compatible with its projected commitments and is thus in a position to meet its cash requirements over the next 12 months.

Consequently, the financial statements have been established for the six months ended 30 June 2023 on a going concern basis.

ORPEA GROUP

1. Half-year consolidated income statement

€m (IFRS)	H1 2022	H1 2023	Var.	H2 2022	Var H1 2023 vs. H2 2022	FY 2022
Revenue	2 295	2 539	+10,7%	2 386	+6,4%	4 681
EBITDAR (*)	427	336	(21,3)%	353	(4,9)%	780
EBITDAR %	*18,6 %*	*13,2 %*	(538) pb	*14,8 %*	(157) pb	*16,7 %*
EBITDA (**)	415	321	(22,6)%	341	(5,8)%	756
EBITDA excl. ifrs 16 (***)	212	102	(52,0)%	130	(21,8)%	342
Recurring operating profit/(loss)	82	(13)	n.a	(131)	n.a	(49)
Margin Recurring operating profit / (loss)	*3,6 %*	*(0,5)%*	(407) pb	*(5,5)%*	n.a	*(1,0)%*
Non current	(251)	(85)	n.a	(3 972)	n.a	(4 223)
Operating profit/(loss)	(170)	(98)	n.a	(4 103)	n.a	(0)
Net financial result	(96)	(231)	n.a	(223)	n.a	(319)
Net income before tax	(266)	(329)	n.a	(4 325)	n.a	(4 591)
Net result (Group share)	**(269)**	**(371)**	**n.a**	**(3 758)**	**n.a**	**(4 027)**

(*) EBITDAR = Recurring EBITDA before rental expenses, including provisions related to the "External costs" and "Personnel costs" line items

(**) EBITDA = Recurring operating profit before depreciation and amortization, including provisions relating to the "External costs" and "Personnel costs" line items.

(***) EBITDA excl. ifrs 16 corresponds to EBITDA less lease payments falling within the scope of IFRS 16. The amount of rents not deducted from EBITDA under IFRS 16 amounted to €203 million in the 1st half of 2022 and €219 million in the 1st half of 2023 (the increase being mainly due to the Group's development). EBITDA excluding the impact of IFRS 16 amounted to €212 million for the 1st half of 2022 and €102 million for the 1st half of 2023.

Revenue for the 1st semester of 2023 amounted to €2,539 million, an increase of +10.7%, of which +9.1% was organic. The Group's overall level of activity has risen, with an average occupancy rate of 82.7%, up +1.4 point on the first half of 2022. Activity momentum was favorable internationally and at clinics in France. Over the first half of 2023, the average occupancy rate for retirement homes in France was down compared with the average level recorded in 2022 (85.6%) and with the level recorded at the end of 2022 (84.6%).

EBITDAR came to €336 million in the first half of 2023, giving a margin of 13.2%, compared with 18.6% for the same period last year.

This decline, totaling -538 bps compared with the same period last year and -157 bps compared with the second half of 2022, is mainly due to the increase in payroll costs, with a view to strengthening quality, and to the persistence of an inflationary environment affecting other expense items (energy procurement, food and medical products). Personnel costs as a proportion of revenues rose from 63.3% in the first half of 2022 to 66.8% in the first half of 2023, an increase of +351 bp.

EBITDA amounted to €321 million, representing a margin of 12.6% of revenue.

Pre-IFRS 16 EBITDA amounted to €102 million, giving a margin of 4.0%, down 523 bps on the same period last year.

Operating income before non-recurring items came to a negative -€13 million, compared with +€82 million in the first half of 2022.

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Net financial result came to -€231 million, compared with -€96 million in the first half of 2022. This change reflects the rise in interest rates and margins associated with the June 2022 refinancing, as well as the increase in gross financial debt.

Result before tax was -€329 million, and **net result group share** for the first half of 2023 was -€371 million, in the absence of deferred tax assets on losses recognized in the first half of 2023.

2. Main aggregates of the consolidated balance sheet at 30 June 2023

In billion euros	31/12/2022	30/06/2023
Net tangible assets	5,0	5,2
Net intangible assets	1,6	1,6
Goodwill	1,4	1,4
Consolidated equity	(1,5)	(1,8)
Gross financial debt (excl. IFRS 16 and IFRS 5)	9,6	9,8
Short-term financial debt	8,2	8,3
Cash and short-term investments	0,9	0,5
Net debt (IFRS view, excl. IFRS 16)	8,8	9,3
Rental debt (IFRS 16)	3,8	3,8

At 30 June 30 2023, the book value of **net tangible assets** amounted to €5.2 billion. It should be reminded here that the Company has changed the accounting method applied to property assets accounted for under IAS 16, which are now excluded from the scope of the standard. Secondly, in line with what was indicated when the financial statements were published at the end of 2022 and in its 2022 Universal Registration Document, at the end of 2023 the Company will publish an estimate of the market value of the real estate assets held, incorporating all the calculation parameters (rate of return, risk-free rate, operating performance trajectory of each facility). As an indication, an increase of +0.10% in the rate of return on real estate assets, excluding any other factor, would lead to a decrease of around -€95 million in the value of real estate assets held as estimated at the end of 2022.

Intangible assets and **goodwill** amounted to €1.6 billion and €1.4 billion respectively.

Cash and cash equivalents at the end of June 2023 stood at €518 million, and at 4 October 2023 at €630 million.

Net financial debt (IFRS view, excl. IFRS 16) amounted to €9.3 billion (excluding IFRS 16 rental debt), up +€501 million over the period.

For debts carried by subsidiaries of ORPEA SA subject to financial covenants, the Company has obtained waivers from the affected creditors to the effect that these covenants will not apply from 31 December 31 2022, and will be removed once the Accelerated Safeguard Plan has been implemented. As a result, a single leverage covenant (net debt/EBITDA pre IFRS 16 < 9.0x) will apply from June 2025.

At June 30, 2023, as the implementation of the Accelerated Safeguard Plan remains subject to confirmation by the Paris Court of Appeal of the exemption granted to the Groupement from the obligation to launch a public offer for all ORPEA shares, gross debt classified as current liabilities amounted to €8.3 billion, including €6.5 billion of financial debt with a contractual maturity of more than one year.

The contractual maturity schedule of gross financial debt by type (excluding IFRS 16 rental debt and before accounting reclassification of a portion of debt due in more than one year as current debt[3]) at 30 June 2023 is summarized below:

	Before restructuring and before taking into account the Agreement with the G6 banks						
(€m, at end June 2023)	**2023**	**2024**	**2025**	**2026**	**2027**	**> 2028**	**Cum.**
June 2022 secured financing (G6)	900	200	627	1 500	-	-	**3 227**
Additional financing (G6)				200			**200**
Other secured debt (subsidiaries and ORPEA SA)	128	234	205	199	144	1 035	**1 945**
Unsecured debt (subsidiaries and ORPEA SA)	537	635	780	607	734	1 013	**4 306**
Total (€bn)	**1,6**	**1,1**	**1,6**	**2,5**	**0,9**	**2,0**	**9 679**

Taking a pro-forma view of the implementation of the financial restructuring, with the conversion into capital of the principal amount of €3.8 billion and the drawdown of the Additional Financing in the amount of €400 million maturing in 2026 (Loans D1A and D1B), the maturity schedule of the principal amount of gross financial debt at June 30, 2023 would be as follows:

	Before restructuring and before taking into account the Agreement with the G6 banks						
(M€, pro-forma of the financial restruturing)	**2023**	**2024**	**2025**	**2026**	**2027**	**> 2028**	**Cum.**
June 2022 secured financing (G6)	200	200	300	200	2 327	-	**3 227**
Additional financing (G6)	-	-	-	400	-	-	**400**
Other secured debt (subsidiaries and ORPEA SA)	128	234	205	199	144	1 035	**1 945**
Unsecured debt (subsidiaries)	80	162	35	130	12	64	**484**
Total (€bn)	**0,4**	**0,6**	**0,5**	**0,9**	**2,5**	**1,1**	**6 056**

This pro-forma schedule takes into account the impact of the Agreement signed with the main banking partners (G6), which is inherent to the Accelerated Safeguard Plan, and which will come into force on the settlement-delivery date of the Groupement Capital Increase.

[3] After accounting reclassification, current debt principal amounts to €8.2bn, of which almost €6.5bn of debt with contractual maturities in excess of one year, which would be in default and/or cross-default at June 30, 2023 in the event of the R1/R2 waivers signed during the first half of 2023 being called into question (in the event that the financial restructuring is ultimately not implemented due to an unsatisfied condition precedent).

Consolidated shareholders' equity stood at a negative -€1.85 billion at 30 June 2023, mainly due to the net loss for fiscal year 2022 and the impact of the change in accounting method in 2022 applied to property developments accounted for under IAS 16.

3. H1 2023 statement of cash flow (excl. IFRS impact)

	(€m)
EBITDA pre IFRS 16	**102**
Change in. WCR (excl. income tax)*	(65)
Operating Capex	(53)
Income taxes (cash)	3
Operating Cash Flow	**(13)**
Development capex	(192)
Real Estate disposals	54
Net financial investments	(18)
Non-current items	(59)
Net financial expenses	(60)
Operating Cash Flow before financing	**(289)**
Cash - Changes in perimeter	(7)
Gross debt - Perimeter Variation	(6)
VAR. NET FINANCIAL DEBT (excl. IFRS)	**(301)**

Net financial debt (excl. IFRS) 31/12/2022	**(8,860)**
Change in net debt	(301)
Net financial debt (excl. IFRS) 30/06/2023	**(9,161)**

(*) excluding taxes, partnership financing and security deposits

(**) corresponding to a net debt IFRS (excl. IFRS 16) of €9,260m

Net current operating cash flow came to a negative -€13 million, after deducting operating capex (maintenance and IT investments).

Development capex, mainly real estate, amounted to €192 million.

With regard to other asset movements, real estate disposals amounted to €54 million, while net financial investments (including additional equity investments in the Netherlands) totaled -€18 million.

Non-current items mainly comprise costs associated with the Group's financial restructuring and crisis management.

Net financial expenses paid amount to €60m. It should be noted that the financial restructuring plan includes the following provisions:

- accrued interest on the ORPEA SA legal entity's unsecured debt, i.e approximately €66 million in for the first half of 2023 will be paid for €11 million (30% of the total amount of accrued interest up to the day before the opening date of the accelerated safeguard procedure) will be paid after settlement-delivery of the Equitisation Capital Increase and the balance converted into capital;

- interest payments in respect of drawings on tranches A, B and C of the June 2022 syndicated loan, i.e. €115 million, will be paid after settlement-delivery of the Groupement Capital Increase.

On this basis net cash flow before financing came to -€289 million.

After taking into account the effects of changes in the scope of consolidation, net financial debt (excluding IFRS) stood at €9,161 million at June 30, 2023, up +€301 million on December 31, 2022.

At June 30, 2023, the cash position stood at 518 M€.

4. Financial agenda: update of 2023-2025 Business Plan and Q3 2023 sales

In order to be able to communicate updated 2023-2025 forecasts to the market before the launch of the Equitisation Capital Increase, the Company is currently carrying out internal reviews at all its operating entities.

The updated outlook will be published in early November, at the same time as the Company's 3rd-quarter sales figures.

With specific regard to the outlook for the full year 2023, the Company currently estimates that EBITDAR should be at the lower end of the €705 million - €750 million range it published in its July 13 press release.

About ORPEA

ORPEA is a leading global player, expert in providing care for all types of frailty. The Group operates in 21 countries and covers three core businesses: care for the elderly (nursing homes, assisted living facilities, homecare and services), post-acute and rehabilitation care and mental health care (specialized clinics). It has more than 76,000 employees and welcomes more than 267,000 patients and residents each year.

https://www.orpea-group.com/en

ORPEA is listed on Euronext Paris (ISIN: FR0000184798) and is a member of the SBF 120, MSCI Small Cap Europe and CAC Mid 60 indices.

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DISCLAIMER

This document contains forward-looking statements that involve risks and uncertainties, including information incorporated by reference, regarding the Group’s expected growth and profitability in the future that may significantly impact the expected performance indicated in the forward-looking statements. These risks and uncertainties relate to factors that the Company can neither control nor accurately estimate, such as future market conditions. Any forward-looking statements made in this document express expectations for the future and should be regarded as such. Actual events or results may differ from those described in this document due to a number of risks or uncertainties described in Chapter 2 of the Company's 2022 Universal Registration Document, which is available on the Company's website, on the website of the French financial markets authority, AMF (www.amf-france.org).

DEFINITIONS

Organic growth	Organic growth in Group revenues includes : 1. The change in revenues (N vs. N-1) of existing facilities as a result of changes in their occupancy rates and per diem prices; 2. The change in sales (N vs. N-1) of establishments restructured or whose capacities were increased in N or N-1; 3. The sales achieved in N by establishments created in N or in N-1, and the change in sales of recently acquired establishments over a period equivalent in N to the consolidation period in N-1.
EBITDAR	EBITDAR = Recurring EBITDA before rental expenses, including provisions related to the “External costs” and “Personnel costs” line items.
EBITDA	Recurring operating profit before depreciation and amortisation, including provisions relating to the “External costs” and “Personnel costs” line items.
Net debt	Long-term financial debt + short-term financial debt - cash and marketable securities (excluding lease liabilities - IFRS 16 liabilities)
Capitalisation rate	The capitalization rate of real estate or rate of return is the ratio between the rent and the value of the building
Net cash flow from operations	Cash generated by ordinary activities, net of recurring maintenance and IT capital expenditure. Net recurring operating cash flow is the sum of EBITDA before IFRS 16, recurring non-cash items, change in working capital, income tax paid and maintenance and IT capital expenditure
Net cash flow from operations before financing	Net cash after recurring and non-recurring items, all capital expenditure, interest expense on borrowings, and gains and losses on transactions concerning the asset portfolio. Net cash flow before financing is the sum of net recurring operating cash flow, development capital expenditure, non-recurring items, net income or expense related to the day-to-day management of the asset portfolio, and financial expenses

HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AT END JUNE 2023

1. Consolidated income statement

Consolidated income statement in €m	H1 2022	H1 2023
REVENUE	2,295	2,539
Staff costs	(1,453)	(1,697)
Purchases used and other external expenses	(430)	(497)
Taxes and duties	(37)	(39)
Depreciation, amortisation and charges to provision	(333)	(334)
Other recurring operating income and expenses	40	15
Recurring operating profit	**82**	**(13)**
Other non-recurring operating income and expenses	(251)	(85)
OPERATING PROFIT	(170)	(98)
Net financial result	(96)	(231)
PROFIT BEFORE TAX	(266)	(329)
Income tax expense	(6)	(39)
Share in profit (loss) of associates and JV	3	1
Profit (loss) attributable to non-controlling interest	(1)	(4)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	(269)	(371)

2. Consolidated balance sheet

Consolidated balance sheet - in billion euros	31/12/2022	30/06/2023
Non-current assets	**12,2**	**12,5**
Goodwill	1,4	1,4
Net intangible assets	1,6	1,6
Net tangible assets	4,4	4,5
Assets in progress	0,6	0,7
Right of use assets	3,5	3,5
Other non-current assets	0,8	0,8
Current assets	**1,9**	**1,7**
Cash and short-term investments	0,9	0,5
Assets held for sale	**0,4**	**0,4**
TOTAL ASSETS	14,5	14,7
Equity - Group share	(1,5)	(1,8)
Consolidated equity	**(1,5)**	**(1,8)**
Non-current financial liabilities	**6,0**	**6,1**
Long-term debt	1,4	1,4
Long-term lease liabilities	3,4	3,3
Provisions for liabilities and charges	0,3	0,4
Deferred tax liabilities and other non-current liabilities	0,1	0,1
Current liabilities	0,8	0,8
Current financial liabilities	**10,0**	**10,5**
Short-term debt	8,2	8,3
Short-term lease liabilities	0,3	0,6
Provisions	0,0	0,0
Trade payables	0,3	0,3
Tax and payroll liabilities	0,4	0,6
Current income tax liabilities	0,0	0,0
Other payables, accruals and prepayments	0,6	0,6
Liabilities for sale	**0,1**	**0,0**
TOTAL LIABILITIES	14,5	14,7

3. Operating result reconciliation

(in million euros)	30/06/2022	30/06/2023
OPERATING PROFIT	(170)	(98)
Neutralisation of non-recurring operating income and expenses	251	85
CURRENT OPERATING PROFIT	82	(13)
Neutralisation of depreciation, amortisation and provisions	333	334
Neutralisation of rental charges	12	14
EBITDAR	427	336
IFRS 16 - Restatement of External Rents	(211)	(229)
IFRS 16 - Restatement Operating expenses	(3)	(5)
EBITDA PRE-IFRS 16	212	102

4. Information about Alternative Performance Measures excl. IFRS 16

Income statement aggregates IFRS 16	H1 2022	H1 2023
EBITDA pre IFRS16	212	102
Rental IFRS 16	203	219
EBITDA margin pre IFRS 16	9,2%	4,0%
Recurring operating profit pre IFRS 16	49	(69)
Recurring operating margin pre IFRS 16	2,2%	-2,7%

Cash Flow pre IFRS 16	H1 2022	H1 2023
Operating cash flow [pre IFRS 16]	149	(27)
Net Investment cash flows	(518)	(214)
Net financing flows [pre IFRS 16]	550	(98)
Change in cash	181	(339)

Reminder of cash-flow "GAAPS"	H1 2022	H1 2023
Cash flow from operations (after tax)	338	268
Change in working capital	13	(76)
Net cash generated from operating activities	352	192
Cash flow from investing and development	(518)	(214)
Net cash from financing activities	347	(318)
Change in cash	181	(339)

5. Cash Flow reconciliation

(in million euros)	30/06/2023
Net cash flow from operations	192
Neutralisation IFRS 16 impact	(219)
Net cash flow from operations Pre IFRS 16	(27)
Change in WCR - Reclassification of cash flows from investing activities	13
Reclassification of financial items	4
Reclassification of non-current items	59
Other reclassifications	(9)
Maintenance and IT investments	(53)
NET CURRENT OPERATING CASH-FLOW	(13)

(in million euros)	30/06/2023
Net cash flow from operations	(13)
Neutralisation IFRS 16 impact	(192)
Asset portefolio Management	36
Non-current items	(59)
Financial result	(60)
NET CASH-FLOW BEFORE FINANCING	(289)