ORPEA
LA VIE CONTINUE AVEC NOUS

# 2010: BUOYANT GROWTH IN OPERATING PERFORMANCES

- **REVENUE: €964.2M, *+14.3%***
- **EBITDA: €172.1M, *+13.7%***
- **STRUCTURING ACQUISITION GUARANTEEING FUTURE GROWTH**
- **SIGNIFICANT STRENGTHENING OF SHAREHOLDERS' EQUITY BY +37% TO €878M**

**Puteaux, 30th March 2011**

ORPEA, a leading player in Long-Term Care (nursing homes), Post-Acute Care and Psychiatric Care, today announces its consolidated results[1] for the financial year to 31st December 2010.

| **In €m** (IFRS) | **2010** | **2009** | **▲%** |
|---|---|---|---|
| Revenue | **964.2** | 843.3 | *+14.3%* |
| EBITDAR (EBITDA before rents) | **236.3** | 205.6 | *+14.9%* |
| EBITDA | **172.1** | 151.4 | *+13.7%* |
| Recurring operating profit | **130.0** | 115.4 | *+12.7%* |
| Operating profit | **151.4** | 134.5 | *+12.6%* |
| Net profit | **66.4** | 61.2 | *+8.5%* |

Yves Le Masne, CEO, comments: "*The 2010 financial year reaffirmed the virtues of the "ORPEA business model", which allows it to generate solid and lasting performances to be delivered that combine strong revenue growth (+14.3%) and confirmed profitability (recurring operating margin of 13.5%) within a momentum of continuous development, with 30% of beds either being renovated or under construction.*

*2010 was a particularly good year for the Group in terms of both its development and the strengthening of its financial structure: record strategic acquisition of 5,000 beds, opening of 14 facilities representing 1,100 beds, significant increase in shareholders' equity and diversification of the Group's sources of financing with, in particular, an OCEANE convertible bond issue at the end of the year.*

*Following a structuring 2010, ORPEA is confidently reiterating its 2011 revenue target of at least €1,210m and further profitability.*"

[1] Currently being audited

## Buoyant growth in operating performances

**2010 revenue** increased by +14.3% to €964.2m, due to the combined effect of vigorous organic growth and targeted external growth with substantial value added.

The Mediter acquisition having been finalised on 31st December 2010, no revenue or profit from it were written down in the Group's income statement in 2010.

**EBITDAR** (EBITDA before rents) was up +14.9% at €236.3m, or 24.5% of revenue. This performance reflects good control of operating costs and personnel expenses (+15.4%), combining high-quality services and loyalty towards staff.

**Recurring operating profit**, at 13.5% of revenue, benefitted from:

- on the one hand, a high occupancy rate in mature facilities;
- on the other hand, the Group's property policy that consists in remaining the owner of around 50% of its operational facilities and controlling the evolution of rents for leased property.

As in previous years, this result includes the negative effect of facilities that have been recently opened and are being renovated.

Abroad, profitability has continued to improve, within a context where openings and renovations are proportionally higher.

**Operating profit** (EBIT) increased by +12.6% to €151.4m. Other non-recurring revenue and charges, which totalled a positive €21.4m (versus €19.1m in 2009), notably incorporated the effects of property divestments and other revenue and charges relating to the restructuring of recently-acquired facilities.

The cost of financial debt came to €52.4m (versus €45.7m in 2009), a limited increase of 14.7%, despite the Group's substantial development, reflecting a decrease in the debt's average interest rate.

**Net profit** thus totalled €66.4m, an increase of +8.5%.

In order to support its growth and value-creation policy, ORPEA continues to favour the reinvestment of most of its profits. Nevertheless, the Board has decided to ask the Shareholders' Meeting to approve the payment of a dividend of €0.23 per share, compared to €0.15 the previous year.

## +17% increase in the value of the Group's real-estate assets to €1,919m

At 31st December 2010, this property portfolio represented a constructed surface area of 701,000 m$^2$ (out of over a million m$^2$ of land), spread across 206 buildings, 81 of them partially owned.

The total value of ORPEA's real-estate portfolio is €1,919m [(2)], including €390m of property assets currently under construction or being renovated, as well as land. This significant increase of 17% is the result of:

- acquisitions and the completion of constructions worth €199m;
- an €80m increase in the appraisal value of the Group's facilities, the average discounting rate of independent appraisals was thus 6.5%, compared to 6.9% at 31st December 2009.

This increased valuation of the Group's assets confirms the particularly attractive nature of health-sector buildings in general and ORPEA's facilities in particular. Indeed, the Group's property assets consist of buildings that are generally new or recent and are in attractive geographical locations in major urban areas.

Faithful to its arbitrage policy, ORPEA divested €113m of property in 2010.

ORPEA is thus continuing to pursue its real-estate policy that consists in owning 50% of the buildings it operates in order to:

- guarantee the Group's long-term profitability by controlling rental costs;
- maintain perfect control of its work tool;
- reinforce the value of the Group's assets;
- limit the weight of rental commitments and the effect on the balance sheet of the planned revision of IAS norm 17 that aims to write down rental rights and commitments as assets and liabilities on the balance sheet.

(2) Excluding the impact of assets in the process of being divested for €120m

## Strengthening of the Group's financial solidity

At 31st December 2010, shareholders' equity (Group share) totalled €878m, an increase of +37% compared to the figure at 31st December 2009, because of:

- the €113.8m capital increase carried out on 31st December 2010, to pay for the acquisition of Mediter and Medibelge;
- the result net of the dividend;
- the increase in the value of the Group's real-estate assets;

Net financial debt stands at €1,561m [(2)], €78m of which relates to the Mediter acquisition. Debt at 31st December 2010 was thus at a very similar level to that at 30th June 2010, excluding the Mediter acquisition.
This debt remains essentially property-based (82%), and is backed by high-quality and low-volatility assets that are easy to divest.

At 31st December 2010, the Group's two main debt ratios improved as follows:

- financial leverage = 2.86 (3.39 including the debt associated with the Mediter acquisition, which had no EBITDA contribution in 2010 given that the operation was completed on 31st December), versus 5.5 authorised
- restated gearing = 1.51, versus 2 to 2.2 authorised.

80% of this debt is hedged against the risk of interest rates changes, and this coverage has been optimised in recent years. Over 2010, the average interest rate on the Group's debt was approximately 4.5%, compared to 5.0% in 2009. The decrease in the cost of financing will hence continue over the coming years.

ORPEA therefore has a solid and flexible financial structure, proportioned to enable it to actively pursue its policy of acquiring and constructing new facilities.

(2) Excluding the impact of assets in the process of being divested for €120m

## Outlook

The profitable growth momentum is accelerating, with targeted revenue growth of over 25% in 2011 and further buoyant profitability associated with:

- the integration of the Mediter and Mieux Vivre facilities, which is taking place rapidly and efficiently and which will be completed over the summer thanks to ORPEA's knowhow and the expertise of its teams;
- the scheduled opening, by March 2012, of 24 facilities corresponding to 2,100 beds.

For the coming years, ORPEA is particularly confident in its ability to generate substantial growth in activity and profitability thanks to the full effect of the recent strategic acquisition, the gradual opening of the 9,188 beds under construction and being renovated, and the new developments that will be implemented.

## Further acknowledgement of ORPEA's expertise

The quality of the Group's facilities and the expertise of its teams have again been recognised and acknowledged nationally. The Group's long-term care facilities have obtained excellent results in two independent nursing home rankings, including that established by the *Guide de la Dépendance*.

Regarding the *Guide de la Dépendance*, a benchmark directory containing 9,500 French nursing homes visited by the publication, ORPEA stands out with:

- 23 facilities ranked 1st or 2nd in their respective department (county) rankings;
- 41 facilities with a mark of between 9/10 and 10/10;
- 73 facilities with a mark of 8/10 or more (compared to a French average of 7/10).

These excellent results are due to the Quality approach and the training programmes developed by the Group over many years, as well as the daily commitment of its teams to ensuring the comfort and wellbeing of the residents entrusted to their care.
These rankings confirm the appeal of the Group's facilities, the quality of its services and the professionalism of its teams, which guarantee ORPEA's performance and visibility.

## Strategy

Doctor Jean-Claude Marian, Chairman, concludes: "*2010 represented a major milestone in ORPEA's history, with a substantial external growth operation and financial performances that remain buoyant across all of its segments of activities. The Group has therefore clearly established itself as a unifying player on an evolving sector, with proven knowhow in meeting the increasing requirements born of the aging of the population, whilst striving to provide the utmost Quality.*
*Indeed, I would like to congratulate and thank all of the Group's 20,000 members of staff for their daily commitment to the wellbeing of our residents and patients, which has allowed ORPEA to stand out in an exceptional way in recent independent rankings.*

*The Group intends to pursue its development momentum at a rate of around 3,000 beds a year, both through the creation of new facilities within the framework of calls for tenders for new projects and through targeted acquisitions both in France and abroad.*"

**Next press release: revenue for the 1st quarter of 2011,**
**4th May 2011, before market**

**About ORPEA** (www.orpea.com)**:** Listed on Euronext Paris since April 2002 and a member of the Deferred Settlement Service, the ORPEA group is the leading European player in the Long-Term Care and Post-Acute Care sectors.
As of 1st March 2011, the Group has a unique European network of healthcare facilities with 33,700 beds (27,862 of them operational) over 364 sites, including:

- 27,014 beds in France: 22,447 operational (including 2,859 being renovated) + 4,567 under construction, spread across 302 sites,
- 6,686 beds in Europe (Spain, Belgium, Italy and Switzerland): 5,415 operational (including 491 being renovated) + 1,271 under construction, spread across 62 sites.

**Listed on Euronext Paris Compartment A** of NYSE Euronext
Member of the **CAC Mid 60** and **SBF 120** indices - Member of the **SRD**
ISIN: FR0000184798 - Reuters: **ORP.PA** - Bloomberg: **ORP FP**

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