

PRESS RELEASE

**Significant improvement in all performance criteria in H1 2008**

- Revenue up 30.8%
- Recurring operating profit up 31.8%
- Net profit: +22.6% to €27.5m

**Creation of an OPCI**

**Puteaux, 3<sup>rd</sup> September 2008**

The ORPEA group, a leading player in global dependency care via a European network of Long-Term (nursing homes), Post-Acute and Psychiatric care facilities, today announced its consolidated results<sup>1</sup> for the six months to 30<sup>th</sup> June 2008.

€m IFRS	H1 2008	H1 2007	Δ
Revenue	<b>330.2</b>	252.4	+30.8%
EBITDAR (EBITDA before rents)	<b>78.5</b>	62.3	+26.0%
EBITDA	<b>57.6</b>	45.3	+27.1%
Recurring operating profit	<b>43.2</b>	32.8*	+31.8%
Operating profit	<b>53.6</b>	41.2*	+30.2%
Net profit	<b>27.5</b>	22.4*	+22.6%

\* Restated for the measurement of properties at fair value

□ **Another half year of buoyant growth**

Yves Le Masne, Chief Operating Officer, commented: “The performance of the first half of 2008 illustrates the robustness, unique visibility and independence of Orpea’s business model within a difficult economic context. Operating profit was again up by 30%, following the same trend as revenue. This substantial improvement in our financial performance is in line with the Group’s long-term profitable growth trend. Revenue and recurring operating profit have thus been multiplied by 2.3 over the last three years, whilst the growth reservoir of beds being renovated or under construction has been multiplied by 2.5.”

<sup>1</sup> Pending audit

## □ Robust operating performances

The Group's growth continued at a very buoyant rate over the first half, with **revenue** increasing by 30.8%. This momentum was the result of solid organic growth (+11.8%) together with a selective and cautious external growth strategy.

**EBITDAR** (EBITDA before rents) totalled €78.5m, up 26%.

The centralisation of support functions at the Group's head office enables the control and optimisation of operating costs and frees up the facilities managers to focus on patient care, staff management and quality of service.

Personnel costs (+30.2%) were in line with the increase in revenue, within the framework of an active human resources policy, notably in terms of career management and training

**Recurring EBITDA** totalled €57.6m, up 27.1%. Rental costs totalled €20.9m, a limited increase notably due to an average indexation level of 3.9% compared to the first half of 2007.

The **recurring operating margin** was 13.1%, in line with the figure recorded in the first half of 2007 (13.0%), confirming ORPEA's ability to maintain robust profitability within a dynamic context of new facilities being opened and acquired.

The recurring operating margin for activities outside France rose to 5%, versus 1% in 2007, following the upramping of facilities recently renovated, notably in Italy and Spain.

**Operating profit** rose by 30.2% to €53.6m, including €10.4m of non-recurring elements essentially corresponding to the divestment of buildings.

Reflecting a rate of development that remains buoyant, the cost of the financial debt for the first half of 2008 totalled €17.2m.

**Net profit** for the first half of 2008 was thus up 22.6% at €27.5m.

## □ Financing and financial flexibility

With the acquisition of high-quality property assets and facilities during the first half, the net financial debt stood at €1.122 billion as at 30<sup>th</sup> June 2008. 77% of this debt is devoted to the financing of the Group's real estate portfolio.

Ever-loyal to its cautious policy, ORPEA has hedged three quarters of its debt against the risk of interest rates increases.

## □ Real estate policy and creation of an OPCI

Pursuing its property strategy aiming at owning around 50% of its buildings, the Group has increased its real estate portfolio, which now consists of operational buildings and ongoing development projects representing a total surface area of 450,000 m<sup>2</sup> and total assets of €1,397m.

The partial outsourcing of part of ORPEA's property portfolio is continuing, and will integrate, in the second half of 2008, the creation of an OPCI property investment fund with assets of around €200m and in which the Group will retain a majority stake of at least 60%. This project is currently being studied by the *Autorité des Marchés Financiers*, the *Markets controlling body*.

A number of investors are showing interest in this structure, which both offers the prospect of a long-term return based on assets that are uncorrelated to the classic commercial real estate market and which stands out by ORPEA's reassuring position as both property co-investor and manager.

With the aim of extending this optimisation of the Group's real estate strategy abroad, ORPEA has already created a similar structure in Belgium, OBI (Orpea Belgium Immobilier), which will also welcome, via reserved capital increase, property investors up to a ceiling of 40% of its capital.

These operations will enable ORPEA to strengthen its financial flexibility and to have further financing possibilities to support its development, whilst securing robust profitability.

#### □ Outlook and developments

The Group is reaffirming its 2008 revenue target of €680m along with further robust profitability.

Given the growth reservoir of beds either under construction or being renovated and the natural evolution of operational property, the Group is also reaffirming its target of revenue of at least a billion euros in 2011, to which will be added all ongoing and future developments

Based on its experience in France, ORPEA intends to pursue its international strategy of creations and selective acquisitions that will allow it, via value-creating action plans (extensions, restructuring, regrouping, single rooms), to significantly stand out from other existing facilities operating in the same sector and which result in optimised profitability.

Dr. Jean-Claude Marian, Chairman and Chief Executive Officer, concluded: *"The consistency and robustness of our growth reflects ORPEA's continuous and persistent efforts to:*

- *diversify its activity within the dependency field (nursing homes, post-acute care, psychiatric care);*
- *diversify its geographical scope in selected countries with substantial barriers to entry; Italy, Spain, Belgium;*
- *duplicate abroad its value-creating business model that favours the granting of authorisations;*
- *focus on targeted acquisitions allowing real estate and operating optimisation;*
- *retain, within the portfolio, a substantial portion of its real estate in order to contain the increase in rents and control the evolution of the work tool.*

*In a sector characterised by strong demographic trends, the business model developed by ORPEA over the last twenty years, supported by extremely professional teams, will allow the Group to confidently pursue its ambitious profitable-growth targets in coming years in spite of a complex economic environment."*

#### **Next Press Release:**

**Update on development: 15<sup>th</sup> October 2008 before market opening**

**About ORPEA ([www.orpea.com](http://www.orpea.com)):** Listed on Euronext Paris since April 2002 and recently promoted to the Deferred Settlement Service, the ORPEA group is a leading player in the Long-Term Care and Post-Acute Care sectors. As of 1<sup>st</sup> March 2008, the Group has a unique European network of healthcare facilities, with 21,403 beds (17,283 of them operational) across 229 sites, including:

- 17,173 beds in France: 13,886 operational (including 2,440 being renovated) + 3,287 under construction, spread across 189 sites.
- 4,230 beds in Europe (Spain, Belgium, Italy and Switzerland): 3,483 operational (including 404 being renovated) + 747 under construction, spread across 40 sites.

**Listed on Euronext Paris Compartment A** of NYSE Euronext - ISIN: FR0000184798

Member of the **SBF 120 index** and **SRD**

Reuters: ORP.PA - Bloomberg: ORP FP

#### **Investor Relations**

NewCap.  
Emmanuel Huynh/Steve Grobet  
Tel: +33 (0)1 44 71 94 94  
[orpea@newcap.fr](mailto:orpea@newcap.fr)

ORPEA  
Yves Le Masne  
COO  
Tel: +33 (0)1 47 75 78 07