

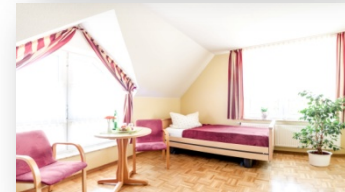


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**SILVER CARE**

**STRATEGIC ACQUISITION OF SILVER CARE GROUP IN GERMANY**

- 1. Overview of Silver Care Group**
- 2. German nursing home sector**
- 3. ORPEA strategy in Germany**
- 4. ORPEA after Silver Care acquisition**







## Overview of Silver Care Group

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- ✧ Network: 5,963 beds / **61 nursing homes** for dependent elderly
- ✧ 2014 **revenue target: €200m**
- ✧ **Quality leader in Germany:** N°1 nursing home group in 2012, 2013 and 2014, in MKD rating, the reference national rating system
- ✧ **Attractive and modern facilities:** recent facilities in attractive locations with **80% of single rooms**
- ✧ Proven track record of development and growth: **CAGR 2009 -2013 +20%/year**
- ✧ **High quality and experienced management** in acquisition and integration of small groups and creation of new facilities

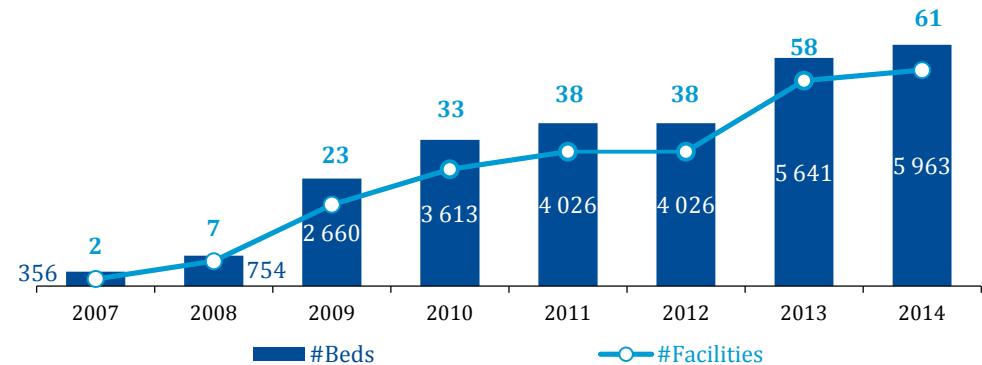
## Excellent historic development

2006-2010

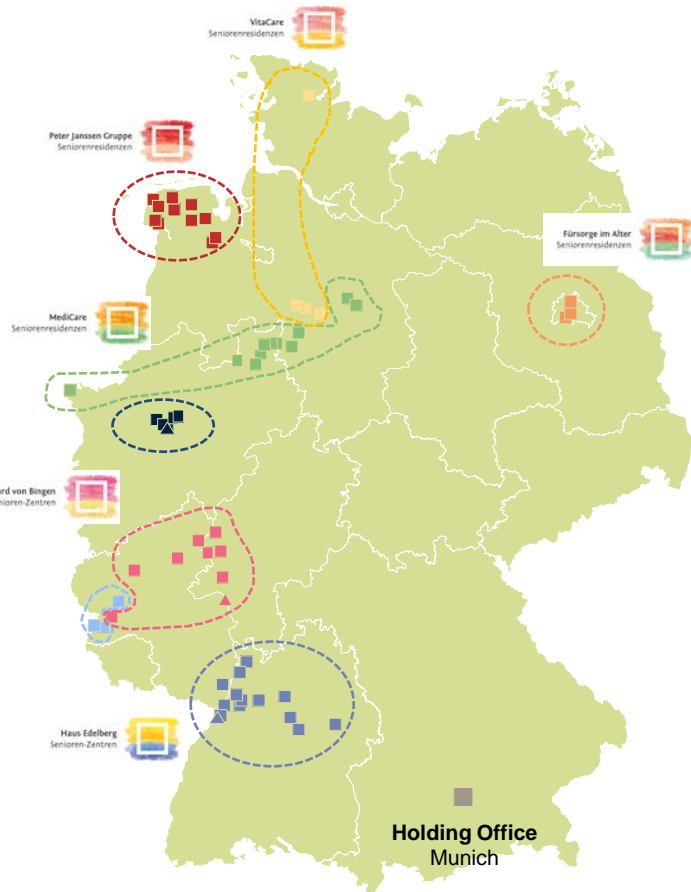
- ✧ Foundation in 2006
- ✧ Rapid growth based on the acquisition of single homes and larger portfolios
- ✧ Creation of the buy-and-build platform
- ✧ Acquisition by Chequers Capital in 2010

2011-2014

- ✧ New top management team
- ✧ Initiation of the next growth phase



**Silver Care, the highest quality platform in Germany ideally positioned to accelerate value created developments**



## A network of 61 facilities / 5,963 beds

- ✧ **Facilities currently in operation:** 58 facilities (5,673 beds)
- ✧ **2014 opening:** 3 facilities (290 beds)

## Located in attractive Federal States

- ✧ Target high and growing demand states: Lower Saxony, Baden Württemberg, North Rhine-Westphalia, etc
- ✧ Selected locations in each city (close to city centre / doctors, ...)

## An optimised organisation by local clusters

- ✧ Organisation by strong compact local clusters
- ✧ Local brands with a strong reputation
- ✧ Ideal consolidation platforms



**Uniform network with an organization adapted to Germany**



## One of the highest single room ratio

- ✧ **80% of single rooms**
- ✧ Key success factor for the long term profitability by:
  - Answering a growing demand from customers
  - Keeping the business ahead of regulatory changes

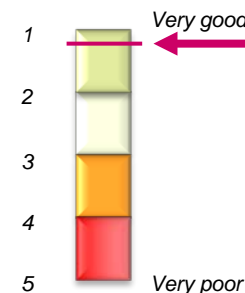


## Modern facilities

- ✧ Recent facilities with ongoing renovation
- ✧ Average size of the facility: approx. 100 beds
- ✧ Network adapted to potential new regulatory standards applicable from 2019

## Quality care leader in Germany

- ✧ **N°1 large nursing home group** in 2012, 2013 and 2014 on quality, according to the MDK national ranking system
- ✧ MDK: statutory health insurance authority, supervised by the Ministry of Social Affairs in each federal state
- ✧ The reference rating system in Germany



**Continuous improvement of MDK ranking to an outstanding average of 1.04**

## Good, qualified and motivated employees

- ✧ **3,000 full time** employees
- ✧ Internal promotion, motivation and training programs
- ✧ Low turnover



# Modern and adapted facilities with friendly environment







**German nursing home sector**

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- ✧ **There is no administrative authorization process with quotas as in France, Belgium, Italy, Switzerland, that limit nursing home operators**
- ✧ **However, granting of nursing care contracts depends primarily on **compliance with statutory regulations****
- ✧ **The following general conditions must be fulfilled:**
  - The nursing home must be an economically independent operating facility (wirtschaftlich selbständig wirtschaftende Einrichtung)
  - The nursing home must have permanent supervision of nursing care services by specially qualified personnel
  - The nursing home must justify a quality management system
- ✧ **In order to obtain reimbursement from the long-term care insurance, a number of contracts have to be negotiated between the state associations of the nursing care insurance funds (Landesverbände der Pflegekassen) and / or the social security provider (Sozialhilfeträger) and the nursing home operator**
- ✧ **There is also a regional indirect regulation of the number of nursing homes by agreements to negotiate with local cities to finance the “investment cost”**



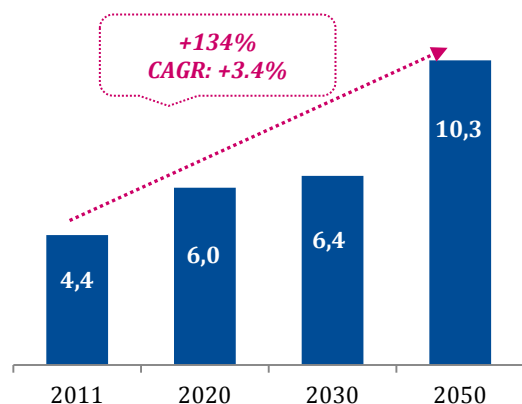
## Ageing population

- \* **Strongly growing elderly population:** people over 80 will increase by 36% between 2011 and 2020 (+1.6m)
- \* A strong long term trend: dependent people will double by 2050 (from 2.5m today to 5.0m)
- \* Residents are more and more dependent

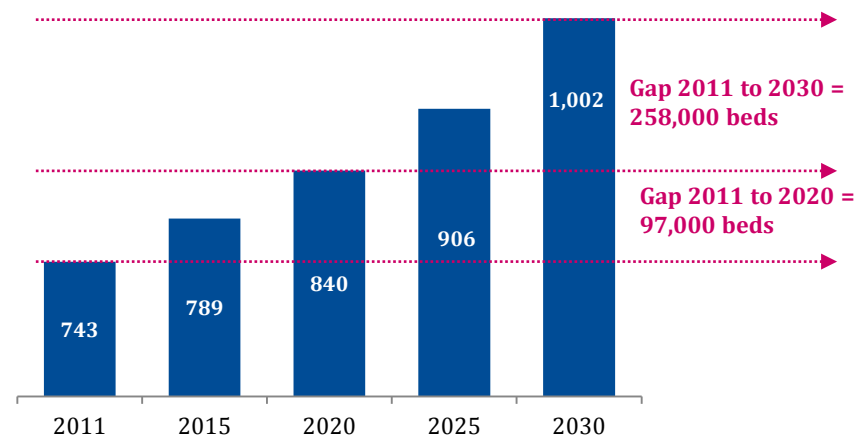
## Strong need of creation of new beds

- \* **876,000 beds of nursing home in 2011** (CAGR: +3.1% between 1999 and 2011)
- \* According to the Federal Office of German statistics: **need to create approx. 100,000 beds by 2020**
- \* **Strong regional imbalance** with bigger shortage in North Rhine-Westphalia, Bavaria, Lower Saxony

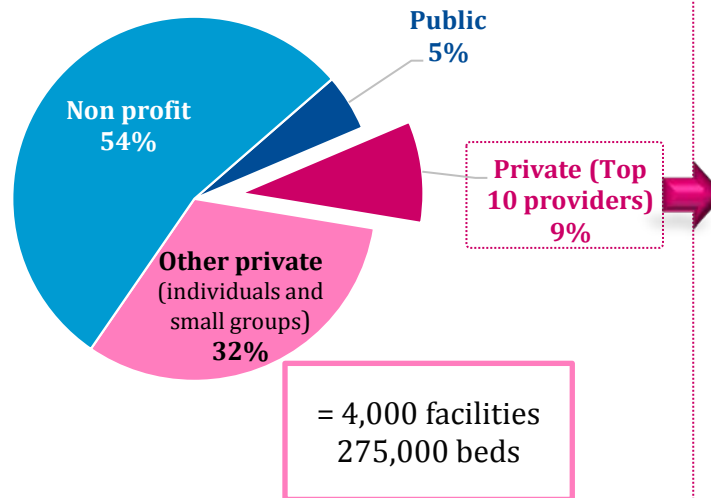
## Change in nbr of people aged 80+ (in million)



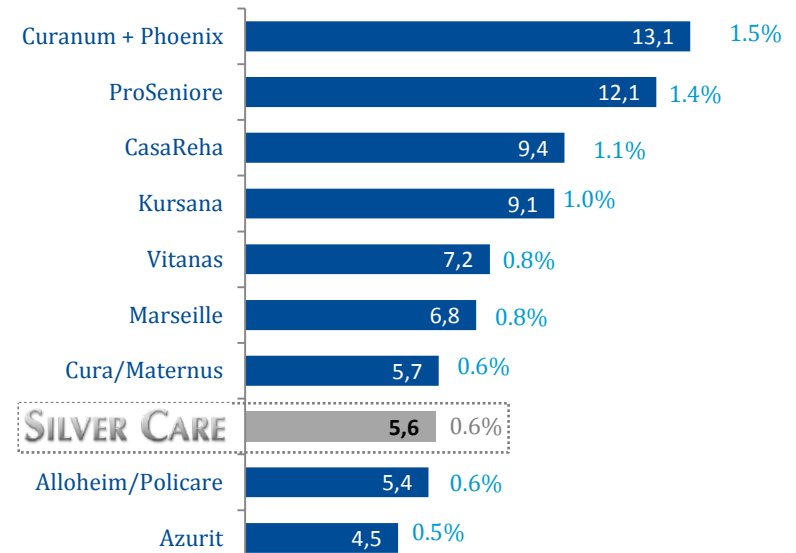
## Need of creation of new beds (in '000)



## Market share by type of operator



## Top 10 private operators Nbr. of beds<sup>1</sup> ('000) and % of total market

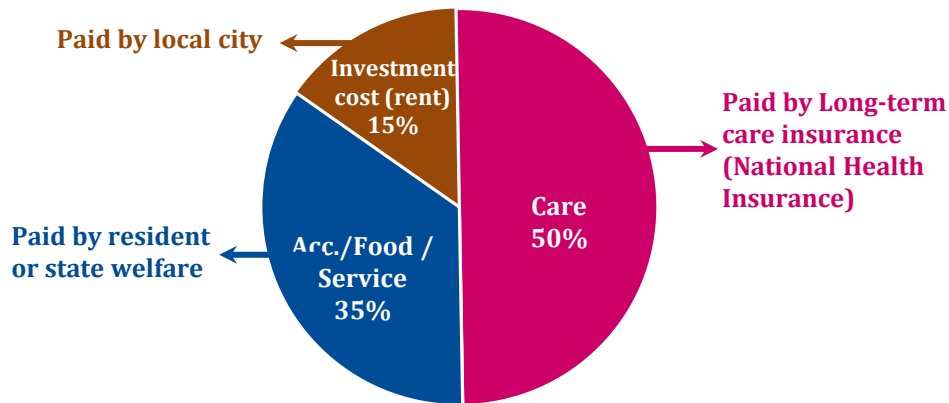


<sup>1</sup> Excl. apartments (assisted living)

- ✧ The German nursing home market is highly fragmented – dominated by charity and publicly owned/operated players
- ✧ Non-profit and public operators have a limited ability to compete (budget constraints)
- ✧ **Many acquisition opportunities amongst the “other private” representing 275,000 beds for 4,000 facilities**



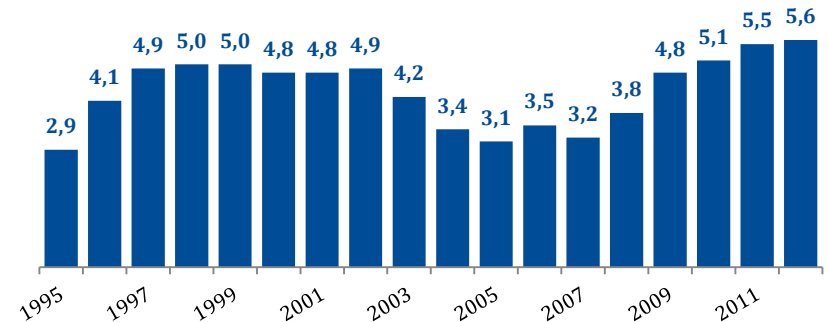
## Average daily price setting



Average price per day: **€100**

## Secure funding situation

### Long-term care insurance fund surplus (€bn)



- ✧ Consistent positive funding balance over past 16 years
- ✧ Track record of contribution increases by German government:
  - **Jan-05:** Increase of 0.25% in contribution rate of childless persons
  - **Jul-08:** General increase of 0.25% to 1.95% and 2.2% respectively
  - **Jan-13:** Increase to 2.05% and 2.3% for childless persons
  - **Dec-13:** Planning of 0.5% increase until 2017, thereof 0.3% until Jan-15

- ✧ Strong interest of government to sustain sufficient funding as relevant age-group is growing
- ✧ Political willingness to secure solid funding of the long-term care insurance through increasing contributions if required



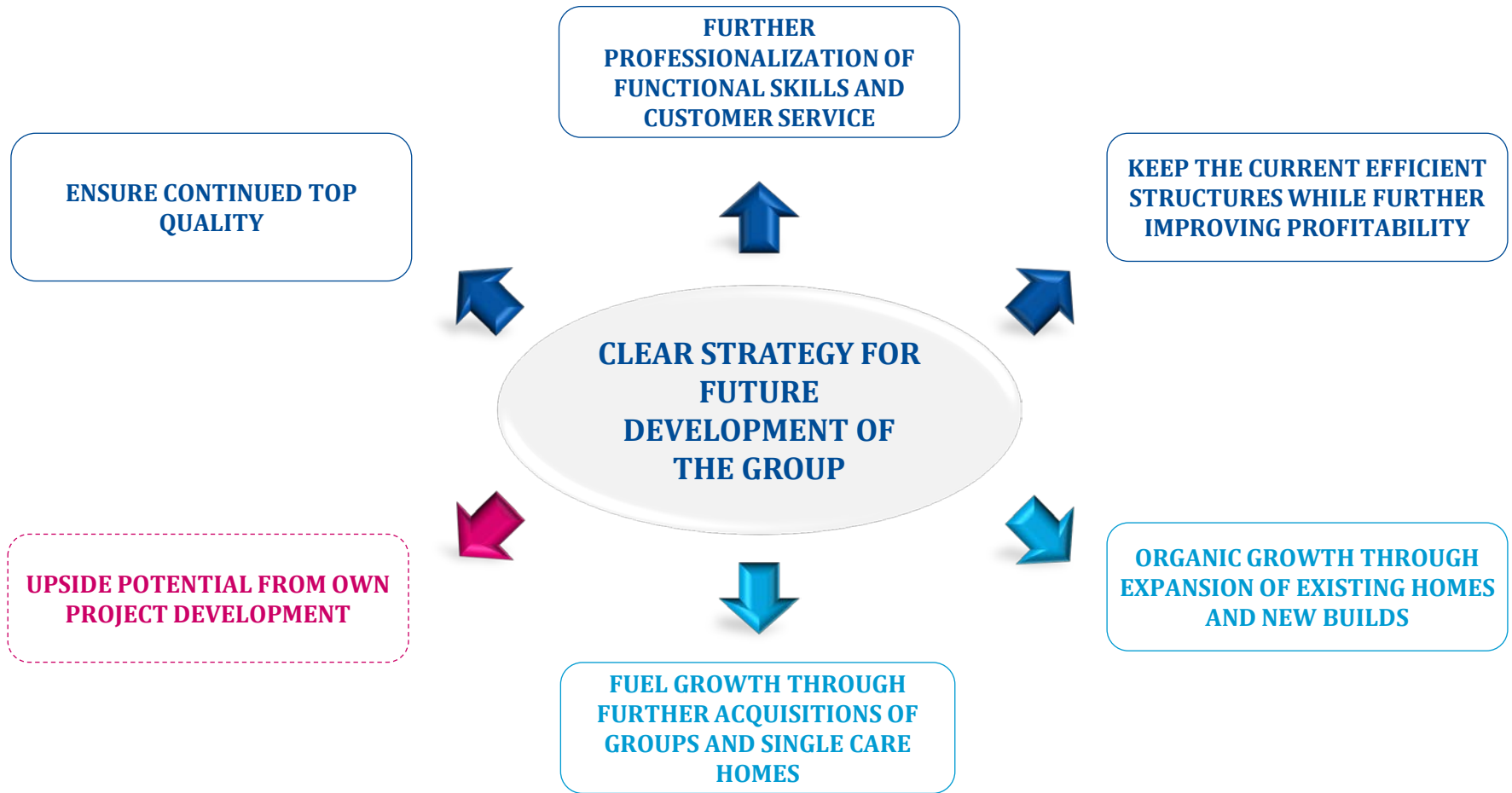
*Wo das Herz wohnt, sind wir zuhause.*

**ORPEA strategy in Germany**

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Multiple opportunities to further expand and again double size of the group over next years

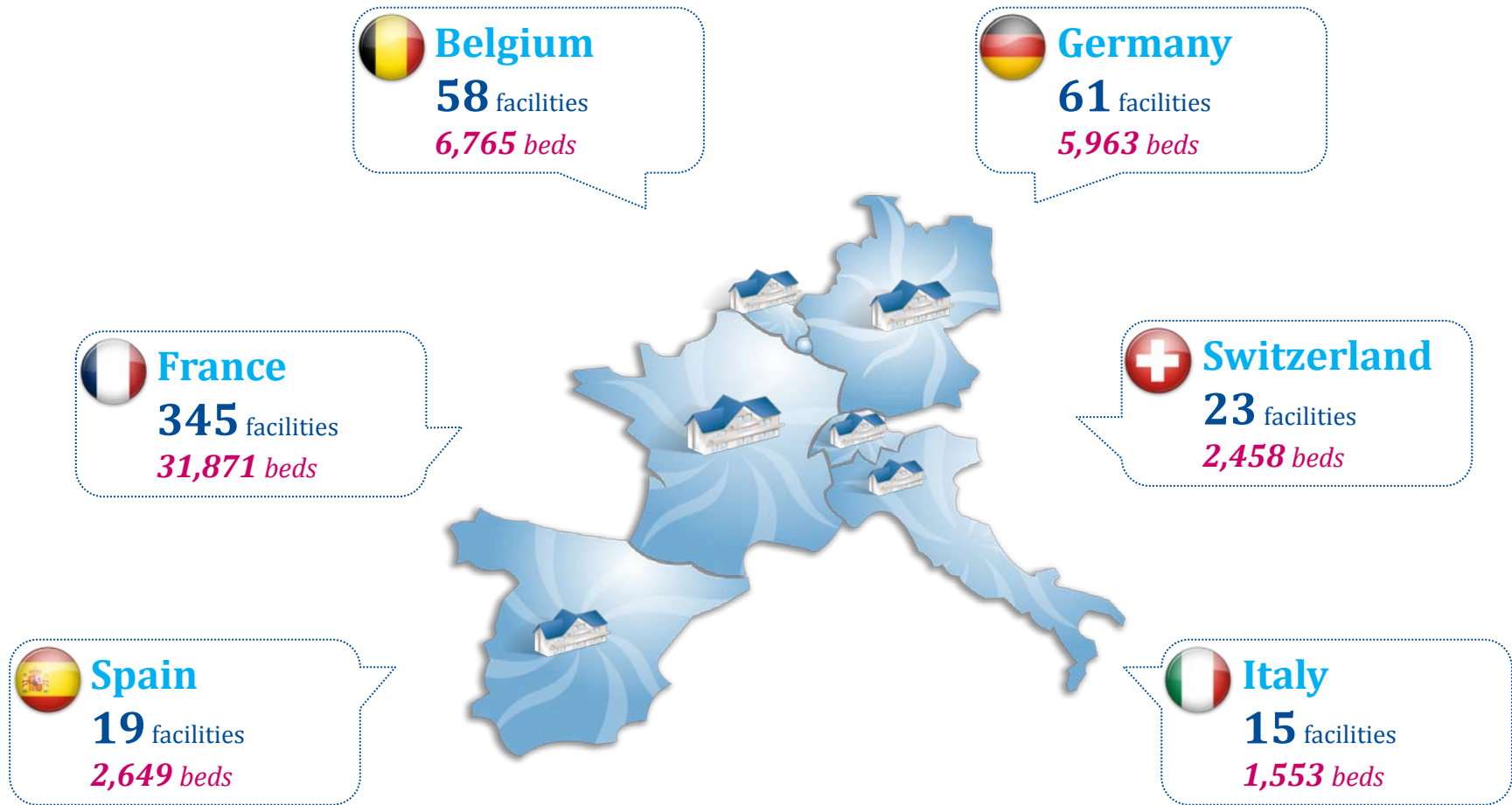




**ORPEA after Silver Care acquisition**

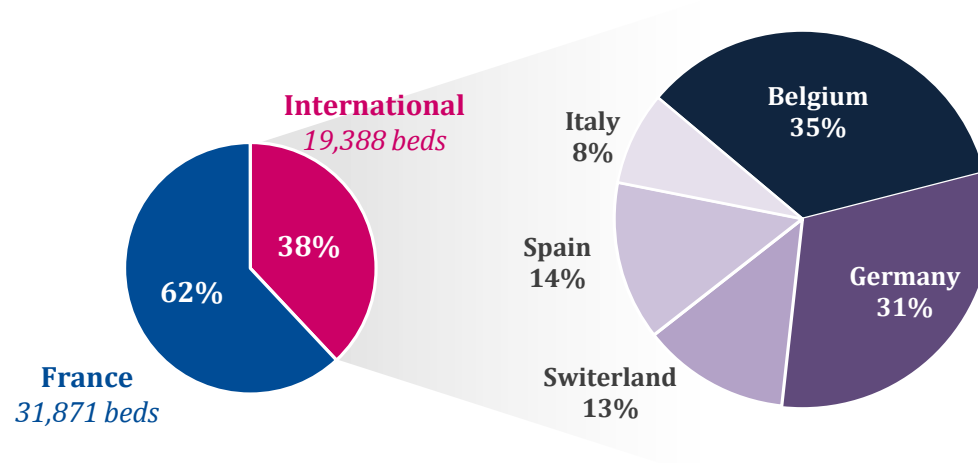
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# A European network of 51,259 beds on 521 facilities





## Geographical breakdown of the beds



2014 revenue target upgraded again to

**€1,930m**

**+20% (+€322m)**