

ORPEA

LIFE GOES ON WITH US

ANOTHER YEAR OF STRONG PROFITABLE GROWTH IN 2014

- REVENUE UP 21.2% TO €1,949 MILLION
- EBITDAR MARGIN UP 70 BASIS POINTS TO 27.6%
- NET PROFIT¹ UP 16.6% TO €136 MILLION

RECORD NETWORK GROWTH SINCE BEGINNING OF 2014: +36% (+15,331 BEDS ADDED)

- EUROPEAN NETWORK OF 58,334 BEDS AND 600 FACILITIES
- INTERNATIONAL NETWORK DOUBLED TO 25,542 BEDS (44% OF THE TOTAL NETWORK)

FURTHER STRONG MOMENTUM ANTICIPATED IN 2015

- REVENUE TARGET OF €2,310 MILLION (GROWTH OF 18.6%) + SOUND PROFITABILITY + EXPANSION

Puteaux, 31 March 2015

ORPEA, a leading European player in Long-Term Care (nursing homes), Post-Acute Care and Psychiatric Care, today announced its consolidated results² for the financial year ending 31 December 2014.

In €m (IFRS)	2014	2013	▲%
Revenues	1,948.6	1,607.9	+21.2%
EBITDAR (Recurring EBITDA before rent)	537.8	433.2	+24.1%
Recurring EBITDA	350.1	298.0	+17.5%
Recurring operating profit	271.2	227.3	+19.3%
Operating profit	308.9	268.4	+15.1%
Profit before tax ¹	209.8	177.8	+18.0%
Attributable net profit ¹	136.3	116.9	+16.6%

¹ Excluding changes in the fair value of the right to the grant of shares embedded in the ORNANE, the net (non-cash) impact of which was negative €15.6 million.

² The financial statements are currently being audited.

Commenting on these figures, Yves Le Masne, ORPEA's Chief Executive Officer, said: *"2014 was an outstanding year, as we managed to combine the strongest development momentum in our history, the international expansion of our network and strong earnings growth, while maintaining a high level of financial flexibility:*

- *very brisk top-line increase of 21.2%;*
- *record network growth of 36%, with 15,331 beds added since the beginning of 2014;*
- *further improvement in operating performance, with the EBITDAR margin growing by 70 basis points and our net profit moving up 16.6% to €136.3 million³;*
- *optimisation of our capital structure, through the arrangement of new diversified financing at an all-time record level of low cost.*

Building on these successful accomplishments, we will achieve even stronger profitable growth and visibility for 2015 and the following years, with:

- *strengthening of the equity base by €180 million in early 2015 thanks to early conversion of the OCEANE bond;*
- *organic growth secured by the high-quality pipeline of 9,101 beds under construction or being restructured;*
- *scope for even stronger development, yielded by both organic and external growth, building on our powerful platforms in eight European countries.*

For 2015, we forecast revenues of €2,310 million (i.e. growth of 18.6%), not including any other potential developments, plus sound profitability and a debt firmly under control with a lower average cost of debt."

Further healthy improvements in profitability

Full-year 2014 revenues rose by 21.2% to €1,949 million on the back of brisk organic growth⁴ (6.0%) and the contributions made by acquisitions, especially Senevita in Switzerland effective 1 April and Silver Care in Germany effective 1 July. International revenues surged 69% to reach €449 million.

EBITDAR (Recurring EBITDA before rent) advanced by 24.1% to €537.8 million and accounted for 27.6% of revenues – a 70 basis point improvement on its 2013 level. With mature facilities accounting for a larger proportion of the network, the EBITDAR margin has improved by 240 basis points since 2011. The EBITDAR margin of international activities registered strong growth of 290 basis points in 2014 to reach 24.7%, even though 20% of beds were not yet operational and were thus a drag on profitability.

Rental expenses rose 38.8% to €187.7 million due chiefly to the impact of acquisitions in Germany and Switzerland, which accounted for 65% of the increase, as the properties operated by both groups are all rented. At comparable structure, rental expenses edged up 1.2%.

Recurring EBITDA grew by 17.5% to €350.1 million. This represented a margin of 18.0% of revenues, down 50 basis points on 2013, demonstrating the Group's ability to absorb a higher volume of rental expenses.

Recurring operating profit rose by 19.3% to €271.2 million. This represented 13.9% of revenues, almost stable compared with the 2013 level – a solid performance especially given the losses generated by the gradual ramp-up of over 2,000 beds that entered into service during the year and the 2,232 beds being restructured.

³ Excluding changes in the fair value of the right to the grant of shares embedded in the ORNANE

⁴ Organic growth reflects the following factors: 1. the growth in revenues (in period n vs. period n-1) of existing facilities as a result of changes in their occupancy rates and daily rates, 2. the growth in revenues (in period n vs. period n-1) of restructured facilities or those with capacity increased during period n or n-1, and 3. Revenues generated in period n by facilities set up in period n or n-1. Organic growth includes the improvement in revenues recorded at recently-acquired facilities by comparison with the previous equivalent period.

Operating profit advanced 15.1% to €308.9 million. As every year, it reflected a non-recurring gain after tax of €37.7 million, compared with €41.1 million in 2013 owing in particular to real estate disposals.

Despite a brisk pace of investments, the **cost of debt** picked up moderately, rising by 9.5% to €99.2 million⁵. This small increase reflected optimisation of the capital structure put in place by the Group since 2011.

Profit before tax stood at €209.8 million⁵, or a brisk growth of 18.0%.

After €75.3 million⁵ in income tax expense (up 19.7%), **attributable net profit** for 2014 grew 16.6% to €136.3 million⁵.

Dividend of a €0.80 per share proposed

At the Annual General Meeting on 23 June 2015, the Board of Directors will propose a dividend of €0.80 per share in respect of the 2014 financial year, compared with €0.70 for the previous financial year.

ORPEA intends to secure the loyalty of its shareholders, who have supported the Group's development in recent years, by paying out one-third of its net profit and retaining two-thirds to invest in its network.

A €2.7 billion real estate portfolio

In 2014, ORPEA achieved €255 million in real estate disposals (€230 million in 2013) on rental and indexation terms that were even more favourable than in 2013.

Adjusted for these sales and the addition of new properties, ORPEA's real estate portfolio grew by €123 million. As at 31 December 2014, its portfolio represented a developed area of 890,000 sqm consisting of 267 buildings (138 wholly-owned) with an aggregate value of €2,685 million⁶.

Over the past five years, the Group's asset portfolio has increased by 41%, reflecting ORPEA's unique real estate policy, which consists in retaining ownership of a part of this strategic asset guaranteeing healthy long-term returns, while bolstering the Group's flexibility and value.

Financial flexibility

Taking into account the €180 million impact of conversion of the OCEANE⁷ bond subject to an early redemption option from 22 December 2014 that was exercised on 4 February 2015, ORPEA's net debt totalled €1,995 million⁸. This debt is highly secure and flexible, since 65% of it is property-related.

ORPEA very heavily invested in its international expansion during 2014, particularly in Switzerland, Germany and Spain, yet its debt ratios⁹ remain moderate and are well below its maximum authorised limits:

- financial leverage restated for real estate assets = 2.6x (authorised level of 5.5x);
- adjusted gearing = 1.0x (authorised level of 2.0x).

⁵ Excluding impact of changes in the fair value of the right to the grant of shares embedded in the ORNANE

⁶ Excluding the €200 million in assets held for sale

⁷ Conversion of the OCEANE subject to an early redemption option from 22 December 2014 that was exercised on 4 February 2015

⁸ Excluding €200 million in debt associated with assets held for sale

⁹ Taking into account the €180 million impact of conversion of the OCEANE bond subject to an early redemption option from 22 December 2014 that was exercised on 4 February 2015

The new hedges put in place and new financing arranged will automatically drive down the cost of debt over the next few years, from an average of 4.0% in 2014 to 3.3% by 2019.

Owing to the quality of its business model, the property-backed profile of its debt and the visibility in its sector of activity, ORPEA is able to tap abundant liquidity from the credit market on unprecedented low terms from banks and investors alike in Europe, Asia and North America.

Record network growth since the beginning of 2014: 15,331 beds added

Since the beginning of 2014, the Group has significantly stepped up the pace of its development, expanding its network by 36%, or 15,331 additional beds, 95% of which outside France:

- Acquisition of three strategic platforms representing 12,492 beds: Senevita in Switzerland, Silver Care in Germany and SeneCura in Austria and the Czech Republic (as at 1 April 2015);
- Further operating permits, extensions and bolt-on acquisitions, leading to the addition of 2,839 beds, 68% of which outside France. Throughout 2014, ORPEA continued to make bolt-on purchases in addition to strategic acquisitions.

To date, its network comprises 58,334 beds in 600 facilities across eight countries, breaking down as follows:

	Number of facilities	Total number of beds	Open beds	<i>Of which beds being restructured</i>	Beds under construction
France	354	32,792	30,433	1,572	2,359
Belgium	61	7,217	5,021	600	2,196
Spain	22	3,468	3,468	0	0
Italy	15	1,553	1,221	60	332
Switzerland	27	2,696	2,021	0	675
Germany	66	6,372	5,845	0	527
Austria	52	3,936	3,456	0	480
Czech Republic	3	300	0	0	300
TOTAL	600	58,334	51,465	2,232	6,869

Accordingly, following the opening of over 2,000 beds in 2014, ORPEA still boasts a very substantial growth pipeline, with 9,101 beds being restructured or under construction. Of this growth pipeline, 75% of beds are under construction and due to open over the next three to four years, to a great extent in strategic locations such as Paris, Berlin, Dortmund, Geneva, Zurich and Prague.

The international network now accounts for 44% of the total. With 25,542 beds, it has doubled in size since the beginning of 2014.

Another year of strong development in 2015

Leveraging its new platforms for development in German-speaking Europe, the expertise of its teams and significant financial flexibility, the Group will actively pursue its expansion in 2015 by means of:

- Organic growth with the construction of new facilities, with a particular emphasis on Germany, Switzerland, Austria and the Czech Republic. The Group intends to replicate its real estate model in these countries, by handling itself the construction of these facilities and retaining ownership of a portion of the buildings.

- Bolt-on acquisitions throughout the long-term care sector, and in all the countries where ORPEA is established and where the private sector harbours numerous opportunities as consolidation continues.

In all its development transactions, ORPEA continues to focus first and foremost on the quality of projects and their location in regions with strong purchasing power, with a constant quest to create value.

In China, the planned nursing home in Nanjing is making progress, with the launch of a recruitment and training programme for its teams ahead of its opening. To this end, the Group has created a training certificate in geriatrics in conjunction with the Peking Union Medical College Hospital, one of the oldest and most prestigious hospital in China. The first diploma course of 30 students was completed in February 2015.

The Franco-Chinese management team is now in place. The Group intends to open the facility by the end of the year which will offer a high-end living environment, perfectly attuned to the local culture, and a range of very high-calibre services and care.

Ethics, innovation and job creation underpin ORPEA's development

In 2014, ORPEA continued to pursue its Quality and innovation policy to ensure the well-being and satisfaction of its patients and residents.

To provide solutions geared to every stage of the long-term care chain, the Group has introduced special tailored activity and care units at several of its nursing homes. Throughout the day, these specially equipped, dedicated living areas look after residents suffering from moderate neurodegenerative disorders. A slate of social and therapeutic activities intended to prevent or slow the progress of such conditions is organised by a multi-disciplinary team.

Secondly, ethics and respect are among ORPEA's founding values. ORPEA has created a Scientific and Ethical Advisory Board, consisting, among others, of leading European professors of medicine from outside the Group. Its role is to enrich and enhance the Group's responsibility-based professional culture, common to all the Group's professionals, in the fields of business ethics, research and training.

Lastly, to guarantee the quality of care it provides, the Group remains a major creator of new jobs despite the uncertain economic climate. In 2014, the Group created 1,300 direct jobs (sustainable positions that cannot be relocated), while continuing to pursue its ambitious training policy, with close to 275,000 hours of training delivered to its teams in 2014.

Doctor Jean-Claude Marian, the ORPEA's Chairman, summed up these results: *"While the sector benefits from demographic trends driving a surge in demand for long-term care and providing exceptionally high visibility, ORPEA demonstrated again in 2014 its remarkable ability to outperform."*

Thanks to the hard work of its operational and development teams, ORPEA will pursue exciting expansion opportunities in 2015 while continuing the process of improving its financial performance outside France, placing special emphasis on:

- *its policy of organic growth combined with selective acquisitions;*
- *its ability to replicate in international markets its approach to real estate development and its standards of quality."*

**Next press release: Q1 2015 revenues
5 May 2015 before market opens**

About ORPEA (www.orpea-corp.com)

Founded in 1989, and listed on Euronext Paris since April 2002, ORPEA is a European leader in integrated Long-Term Care and Post-Acute Care. The Group has a unique network of 600 healthcare facilities, with 58,334 beds (9,101 of them under refurbishment or construction), including:

- 32,792 beds in France at (3,931 beds under refurbishment or construction) at 354 facilities
- 25,542 beds in the rest of Europe (Germany, Austria, Belgium, Spain, Italy, Czech Republic and Switzerland) at 246 facilities (5,170 beds under refurbishment or construction)

Listed in Euronext Paris Compartment A, a Euronext Group market
Member of the **SBF 120**, **STOXX Europe 600**, **MSCI Small Cap Europe** and **CAC Mid 60** indices -
Member of the **SRD**
ISIN: FR0000184798- Reuters: **ORP.PA** - Bloomberg: **ORP FP**



Investor Relations:

ORPEA

Yves Le Masne
CEO

Steve Grobet
Investor Relations
Tel.: +33 (0)1 47 75 74 66
Email: s.grobet@orpea.net

NewCap.

Dusan Oresansky / Emmanuel Huynh
Tel.: +33 (0)1 44 71 94 94
orpea@newcap.fr

Media Relations:

NewCap.

Dusan Oresansky / Nicolas Merigeau
Tel.: +33 (0)1 44 71 94 94
orpea@newcap.fr