ORPEA

LIFE GOES ON WITH US

SOLID H1 2015 EARNINGS GROWTH

- REVENUE UP 26.0% TO €1,122.4 MILLION
- EBITDAR[1] UP 27.2% €310.0 MILLION
- €224 MILLION INCREASE IN THE REAL ESTATE PORTFOLIO TO OVER €3 BILLION

FURTHER DEVELOPMENTS IN GERMANY ADDING 4,094 BEDS

- ACQUISITION OF THE VITALIS GROUP (2,487 BEDS)
- GROWTH PIPELINE BOLSTERED WITH 1,607 NEW BEDS UNDER CONSTRUCTION

2015 GUIDANCE REITERATED

- REVENUE OBJECTIVE OF €2,380 MILLION (GROWTH OF 22.1%) + SOUND MARGINS

Puteaux, 23 September 2015

The ORPEA group, a leading European player in Long-Term Care (nursing homes), Post-Acute Care and Psychiatric Care, has today announced its consolidated results (currently subject to a limited review) for the first six months of the financial year to 30 June 2015, plus a further acquisition in Germany.

In €m - IFRS	Prior to adoption of IFRIC 21			After adoption of IFRIC 21	
	H1 2015	**H1 2014**	**% chg.**	**H1 2015**	**H1 2014**
Revenues	**1,122.4**	890.7	*+26.0%*	1,122.4	890.7
EBITDAR	**310.0**	243.8	*+27.2%*	303.6	236.9
Recurring EBITDA	**191.0**	163.9	*+16.6%*	184.6	157.0
Recurring operating profit	**145.3**	124.7	*+16.6%*	138.9	117.8
Operating profit	**157.9**	151.4	*+4.3%*	151.4	144.5
Profit before tax[2]	**109.8**	103.5	*+6.1%*	103.4	96.6
Attributable net profit[2]	**71.5**	64.5	*+10.9%*	67.5	60.2

[1] Prior to adoption of the new IFRIC 21 interpretation
[2] Excluding changes in the fair value of the right to the grant of shares embedded in the ORNANE by negative amounts net of tax of €12.1 million in H1 2015 and €14.4 million in H1 2014

The new IFRIC 21 interpretation (IAS 37) requires recognition of the full amount of the annual property and C3S tax charges in the first half alone. In previous years, these charges had been split evenly between both half-year periods. The charge amounted to €6.4 million in H1 2015 and €6.9 million in H1 2014. There will not therefore be any impact on the full-year financial statements.
The following comments are presented without the new IFRIC 21 interpretation being applied to make them more comparable with the results reported for the first half of 2014.

Commenting on the figures, Yves Le Masne, ORPEA's Chief Executive Officer, said:

"After an exceptionally good year on the development front in 2014, we maintained our momentum in the first half of 2015 in terms of growth, margins, financial flexibility and international development, with:

- *growth of 26%, or over €230 million in additional revenues;*
- *the acquisition of SeneCura in Austria and the Czech Republic at the beginning of the year (4,236 beds);*
- *a 20 basis-point improvement in the EBITDAR margin to 27.6%;*
- *a €224 million increase in the size of the real estate portfolio, with investments in all the countries where we operate, lifting the Group's real estate portfolio to more than €3.0 billion.*

Building on this success, we have continued to pursue our strategy of profitable growth by completing the acquisition in Germany of Celenus Kliniken, Residenz Gruppe Bremen and Vitalis since the first half ended. These deals have added a total of 8,095 beds.
In addition to external growth, we also significantly accelerated the pace of our organic development in Germany, adding 1,607 new beds over the past year.

We are confidently reiterating our 2015 revenue objective of €2,380 million (growth of 22%), together with healthy margins, and aim to continue increasing our real estate portfolio as opportunities arise."

Another half-year period of strong profitable growth

First-half 2015 revenues rose by a hefty 26.0% to €1,122.4 million on the back of brisk organic growth[3] (5.7%) and the contributions made by international acquisitions, including Senevita in Switzerland, Silver Care in Germany and Senecura in Austria.

EBITDAR (recurring EBITDA before rent) advanced by 27.2% to €310.0 million and accounted for 27.6% of revenues – a 20 basis-point improvement on its level in the first half of 2014. This performance was driven by the strength of the margin in France (up 20 basis points to 28.5%) and improvement in the international margin to 25.5%, from 22.8% in the first half of 2014. ORPEA has demonstrated its ability to lift its primary profitability indicator while numerous facilities are currently in ramp-up phase or opening.

Rental expenses came to €119.0 million, compared with €79.9 million in the first half of 2014. Three-quarters of this increase came from the acquisitions in Switzerland, Germany and Austria, where facilities are almost exclusively operated under rental agreements. At comparable structure, rental expenses edged up 1.3%.

Recurring EBITDA grew by 16.6% to €191.0 million, representing a margin of 17.0% of revenues, down from 18.4% in the first half of 2014, owing to the natural impact of the rental expenses of the groups acquired.

[3] 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.

Recurring operating profit also increased by 16.6% to €145.3 million, or 12.9% of revenues, against the backdrop of very brisk expansion since the beginning of the year.

Operating profit moved up 4.3% to €157.9 million, reflecting a non-recurring net gain of €12.6 million, down from €26.7 million in the first half of 2014.

The **cost of debt** was stable at €48.1 million[4] (up 0.5%) despite the various acquisitions completed during the first half of the year. This tight grip on interest expenses was achieved through balance sheet optimisation and a reduction in the average cost of debt.

After €39.7 million[4] in income tax expense (up 0.3%), **attributable net profit** for the first half of 2015 grew 10.9% to €71.5 million[4].

Size of real estate portfolio increased to more than €3.0 billion

In the first half of 2015, ORPEA sold €130 million in real estate assets on rental and indexation terms that were again highly favourable.

In keeping with its strategic goal of lifting the ownership rate of its facilities, ORPEA expanded the size of its portfolio in the first half by a net amount €224 million, with the bulk of this increase in Germany and Austria.

At 30 June 2015, its portfolio represented a developed area of 1,040,000 sqm consisting of 297 buildings (163 wholly-owned) with an aggregate value of €3,007 million[5], representing an increase of 30 buildings (of which 25 wholly-owned) in 6 months.

Capitalising on highly attractive borrowing terms, the Group is replicating internationally its hybrid real estate policy of owning a portion of its facilities to assure buoyant long-term profitability and enhance its portfolio value.

Flexible financial structure

ORPEA's net debt stood at €2,511 million[6] at 30 June 2015 following a first half of major investments, with the acquisition of SeneCura in Austria and expansion of the real estate portfolio. This debt remains secure and flexible, with real estate debt increasing to 75% of the total.
Its gearing and leverage ratios remained almost unchanged on 31 December 2014 at levels far below the maximum levels authorised:

- financial leverage restated for real estate assets = 2.6x (authorised level of 5.5x);
- adjusted gearing = 1.2x (authorised level of 2.0x).

The average cost of debt continued to decline, sinking to 3.8% in the first half of 2015. Of the medium- and long-term debt, 90% carries a fixed rate (either a fixed rate at the outset or through swaps), ensuring a further reduction in the cost of debt to 3.3% by 2019.

ORPEA has a sound financial structure, with a debt burden predominantly linked to real estate holdings that has attracted numerous investors. In July 2015, the Group successfully raised €310.5 million in the German Schuldschein loan market at attractive rates, increasing its flexibility and financial resources for development.

[4] Excluding the impact of changes in the fair value of the right to the grant of shares embedded in the ORNANE
[5] Excluding the €176 million in assets held for sale
[6] Excluding €176 million in debt associated with assets held for sale

Acquisition of Vitalis (2,487 beds) in Germany

Following the acquisition of Residenz Gruppe Bremen (3,006 beds) in July 2015, the perfect foil for our network in north-western Germany, ORPEA has signed another deal in September, acquiring the Vitalis regional nursing home group.
Its network consists of 2,487 beds in 25 facilities (including 295 beds under construction). Vitalis represented an ideal opportunity to bolster ORPEA's presence in Germany in line with its criteria for acquisitions:

- a recently built, high-quality network: facilities with an average of 100 beds, 78% in single rooms, and 80% of facilities built less than five years ago;
- a great fit with the existing network: locations predominantly in Southern and South East Germany (Bavaria and Saxony), while a part of the Vitalis facilities can be integrated into existing clusters, a new cluster with critical mass will be established in Bavaria;
- substantial potential for margin increase: synergies, operational efficiency gains by introducing ORPEA's procedures, ramp-up in recently opened facilities, etc.

Vitalis is expected to generate revenues of €58 million in 2015. It will be consolidated from 1 January 2016. The acquisition will be funded solely using the Group's cash reserves.

This transaction will accelerate ORPEA's growth in Germany, as Vitalis significantly improve our position all over South Germany (Bavaria), and as well as in South Eastern Germany (Saxony) where we had a limited presence so far. In both regions we now have ideally positioned platforms for further organic growth.

ACXIT Capital Partners, represented by Thomas Klack and his team, acted as financial advisers, with CMS Hasche Sigle acting as ORPEA's legal counsel.

Germany: creation of more than 1,600 new beds

In parallel with these two complementary acquisitions completed since the summer, ORPEA has been very actively setting up new facilities in Germany. Since the beginning of the year, the Group has launched the construction of 1,607 beds in 14 facilities and extensions.

These projects, which are due to open over the next few years, will create substantial value: feature strategic locations in urban areas, a single room rate of 100%, the latest generation of high-calibre equipment, and a real estate concept designed by ORPEA's teams in Germany.

In less than two years, ORPEA has built a German network of 16,074 beds at 156 facilities, including 2,803 beds under construction. ORPEA now ranks as Number 3 of Germany's private nursing home operators.

Growth pipeline of over 10,000 beds

After taking into account the H1 2015 openings and new developments, the growth pipeline, which assures ORPEA of solid organic growth over the next three to four years, now stands at 10,439 beds, with 80% under construction and more than two-thirds located outside France.

Network of 67,987 beds at 690 facilities

Thanks to these new developments and the growth pipeline, ORPEA's overall network expanded to 67,987 beds in 690 facilities. In a clear demonstration of the Group's expansion strategy, international beds accounted for over half of the network (52%) for the for the first time.
German-speaking Europe (Germany, Switzerland, Austria), where there is substantial demand for care capacity and healthcare systems are highly solvent and stable, now accounts for 65% of the international network.

	Number of facilities	Total number of beds	Open beds	*Of which beds being restructured*	Beds under construction
France	**354**	**32,743**	30,862	*1,468*	1,881
Belgium	**61**	**7,217**	5,295	*518*	1,922
Spain	**22**	**3,468**	3,468	-	-
Italy	**15**	**1,553**	1,221	*60*	332
Switzerland	**27**	**2,696**	2,021	-	675
Germany	**156**	**16,074**	13,271	-	2,803
Austria	**52**	**3,936**	3,456	-	480
Czech Republic	**3**	**300**	-	-	300
TOTAL	**690**	**67,987**	**59,594**	***2,046***	**8,393**

Strategy and outlook

Capitalising on the transformative acquisitions of the past 18 months or so, its proven and longstanding development expertise and greater financial flexibility, ORPEA intends to continue pursuing its strategy of expansion in the next few years, powered by:

- organic development, including the construction of new facilities meeting the highest quality standards and located in attractive regions;
- bolt-on acquisitions as opportunities arise, especially in international markets;
- expansion in the size of its real estate portfolio to boost and secure its profitability in the medium to long term and capitalise on the good borrowing terms.

In parallel with its European expansion drive, ORPEA is actively working to complete a high-end nursing home in Nanjing, China. The facility is expected to open on schedule by the end of the year and will offer an unparalleled standard of long-term care in very high-calibre accommodation.

Quality and Ethics at the heart of ORPEA's strategy

Mindful that Quality underpins the business model's sustainability and ORPEA's long-term profitability, it has developed a continuous improvement programme for its practices and promotes cross-fertilisation between its operations in different countries.

The Group is reaping the benefit of this rigorous Quality policy, and it won several accolades again this year in France and abroad:

- in Germany, Silver Care was ranked as the top nursing home group in 2015 for the fourth consecutive year based on the MDK public national rating system, in the groups with more than 30 facilities category;
- in Austria, SeneCura was the recipient of the Great Place to Work award, which is given to employers in the healthcare sector;
- in France, several projects were nominated, and some won their categories, at the private hospital and elderly care awards.

In addition, to fuel the continuous improvement drive for Quality and enhance employee motivation, ORPEA's Ethical and Scientific Board has launched the first edition of the Ethics & Scientifics Awards. These internal awards will be given to Group facilities introducing the best clinical ethics or care research and innovation programmes.

Dr Jean-Claude Marian, Chairman of ORPEA, commented:

"Since the beginning of 2014, we have actively pursued international development, expanding our network by over 25,000 beds, which provided 58% of our growth over a year and a half. Our international network has more than tripled in size to 35,244 beds, through four transformative acquisitions, two bolt-on acquisitions and the creation of new nursing homes. Once they reach full maturity, the acquisitions will add a total of around €750 million in full-year revenues.

In keeping with our cautious strategy focused on value creation, we have introduced a new organisation structure that is built and scaled to meet the demands of the whole new dimension achieved by the Group in Europe and even globally. We have a solid base and experienced teams in every country, and they can draw on the expertise of international managers well versed in our business processes and culture and ensuring that Group policies are applied harmoniously in all countries, albeit with adjustments to reflect the local environment.

To support our expansion, next month we will move into new administrative headquarters with sufficient capacity to meet our present and future needs, bringing all our corporate teams together at a single location. These headquarters will be served by a new high-performance, cutting-edge and highly secure data centre featuring a modular design that will comfortably accommodateour development over the next ten years."

Next press release: Q3 2015 revenues
4 November 2015 before the 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 690 healthcare facilities, with 67,987 beds (10,439 of them under refurbishment or construction), including:

- 32,743 beds in France at (3,349 beds under refurbishment or construction) at 354 facilities;
- 35,244 beds in the rest of Europe (Germany, Austria, Belgium, Spain, Italy, Czech Republic and Switzerland) at 336 facilities (7,090 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 -
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