life goes on with us

STRONG EARNINGS GROWTH IN 2016

- REVENUES UP 18.8% TO €2,841M
- RECURRING EBITDA UP 18.5% TO €475M
- REAL-ESTATE PORTFOLIO UP 18.7% TO €4.1BN

NETWORK OF 77,094 BEDS AT 751 FACILITIES IN 10 COUNTRIES

- 9,313 BEDS ADDED OVER THE PAST YEAR

AFTER 28 YEARS AS CHAIRMAN, DR MARIAN HAS DECIDED TO HAND OVER THE REINS

- PHILIPPE CHARRIER HAS BEEN APPOINTED NON-EXECUTIVE CHAIRMAN
- DR JEAN-CLAUDE MARIAN HAS BEEN APPOINTED HONORARY CHAIRMAN

Puteaux, 28 March 2017 (6:30 pm CET)

The ORPEA group, a leading European provider of long- and medium-term care (nursing homes, post-acute and rehabilitation hospitals, psychiatric hospitals, and homecare services), has today announced its consolidated results[1] for the 2016 financial year, as well as the appointment of Philippe Charrier as Non-Executive Chairman, following Dr Marian's decision to step down. Dr Marian has been named as the Group's Honorary Chairman.

Yves Le Masne, ORPEA's Chief Executive Officer, commented:

"After significantly accelerating the pace of our international expansion, we recorded another record performance in 2016 at every level:

- *9,313 additional beds were added to our network, an increase of 14.4%;*
- *our revenues grew by €450m, a rise of 18.8%;*
- *our recurring EBITDA increased by 18.5%, with the margin adjusted for units consolidated for the first time in 2016 improving by 90 basis points;*
- *our real-estate portfolio grew by €644m to over €4.1 billion.*

With solid finances and a stronger organisation, ORPEA is now in a unique position to seize development opportunities and to sustain and indeed accelerate this profitable growth in the 10 countries in which it is already present and in new territories. For 2017, we are already reiterating with a great deal of confidence our target of revenue growth of 10% combined with consistently solid margins.

Given our key strengths, we can now aspire to becoming a world-class player in long-term care. That said, our focus will resolutely remain on providing high-quality care and creating value."

[1] The financial statements are currently being audited.

Full-year 2016 results: growth, profitability and solid finances

In €m (IFRS)	FY 2016	FY 2015	% change
Revenues	2,841.2	2,391.6	+18.8%
EBITDAR (Recurring EBITDA before rents)	769.3	652.4	+17.9%
Recurring EBITDA	474.5	400.5	+18.5%
Recurring operating profit	348.1	303.6	+14.7%
Net financial result [2]	-111.6	-96.8	+15.2%
Pre-tax profit on ordinary activities [2]	236.5	206.7	+14.4%
Attributable net profit excluding the discounting of deferred taxes[2]	177.6	153.3	+15.8%
Attributable net profit [2]	257.6	153.3	N/A

Another year of strong profitable growth

2016 revenues posted a strong increase of 18.8% to €2,841.2m. Organic growth[3] ahead of our target (6.0%, excluding the positive effect of the leap year) and the contribution made by international acquisitions, including in Germany, Poland and Spain, were the main drivers.

EBITDAR (recurring EBITDA before rent) advanced by 17.9% to €769.3m and accounted for 27.1% of revenues – a clear improvement on its level of 26.7% in the first half of 2016. The EBITDAR margin excluding the principal acquisitions[4] consolidated for the first time in 2016 came to 27.6%, up 30 basis points (bp) compared with 2015.

Rental expenses came to €294.8m, compared with €252.0m in 2015. This increase was primarily attributable to the first-time consolidation of certain companies acquired during the period (Celenus, Vitalis and Residenz Gruppe in Germany), which lease almost all of their facilities. At comparable structure, rental costs recorded a very modest increase of 0.6%.

Recurring EBITDA rose 18.5% to €474.5m, accounting for 16.7% of revenues, stable compared with 2015. The EBITDA margin excluding acquisitions[4] was 17.6%. This strong improvement of 90bp on 2015 demonstrated the effectiveness of ORPEA's real estate strategy of securing ownership of a larger proportion of its facilities.

The **cost of debt**[2] rose 15.2% to €111.6m against the backdrop of major real estate investments and acquisitions of businesses over the past 12 months. This tight grip on interest expenses was achieved through a 60bp reduction in the average cost of debt compared with 2015.

Non-recurring items totalled €22.9m, compared with €19.5m in 2015.

[2] Excluding change in the fair value of share allotment entitlements embedded in ORNANE bonds equal to -€1.8m in 2016 (gross) and -€43.0m (gross) in 2015
[3] See Glossary
[4] Chiefly SeneCura for 3 months, Celenus Kliniken and Sanyres for 6 months, Residenz Gruppe Bremen for 9 months, and Vitalis and Medi-System for 12 months.

After €85.6m in income tax expense[5] (up 12.2%), **attributable net profit**[5] for 2016 came to €177.6m, excluding the positive impact of discounting deferred taxes at the last known rate. This represented a strong increase of 15.8%.
Taking into account the positive impact of €80m from discounting deferred taxes at the last known rate of 28.92% in France, 2016 attributable net profit[5] totalled €257.6m.

Dividend payment of €1.0 per share proposed

At the Annual General Meeting on 22 June 2017, the Board of Directors will propose paying out a dividend of €1.0 per share in respect of the 2016 financial year, compared with €0.90 in respect of the previous financial year.

A high-quality real-estate portfolio worth €4.1bn

In keeping with its strategic goal of lifting its real-estate ownership rate, ORPEA increased the size of its portfolio in 2016 by €644m (net of €140m in asset sales), a rise of 18.7%.

At 31 December 2016, its portfolio was worth a total of €4,089m[6], representing a developed area of 1,525,000m² and an ownership rate of 39%, compared with 36% at 31 December 2015.
Its valuation by independent appraisers showed an average capitalisation rate of 6.1%, compared with 6.3% at year-end 2015.

This real estate strategy gives ORPEA a unique position in the sector. It will secure its cash flow over the long term and give it additional flexibility to go ahead with extensions and restructuring projects without driving up its real estate costs.

Flexible financial structure

At 31 December 2016, ORPEA's net financial debt totalled €3,680m[7], of which 84% was real-estate debt (compared with 78% at 31 December 2015).

ORPEA's debt ratios at 31 December 2016 were well below the maximum levels permitted by its bank covenants and reflect its tremendous financial flexibility:

- lower financial leverage restated for real estate assets = 2.3x (authorised level of 5.5x);
- adjusted gearing = 1.5x (authorised level of 2.0x).

Thanks to the optimised hedging of its floating-rate debt and additional financing raised at an attractive cost, the average cost of debt has continued to decline, falling to 3.2% in 2016, down from 3.8% in 2015.
The debt is now entirely fixed-rate, and its cost will continue to decline gradually to 2.9% by 2022, irrespective of the direction of interest rates.

ORPEA still boasts a substantial debt capacity and can borrow on favourable terms from both banks and credit investors owing to the highly predictable nature of its business activities and the strength of its finances, which is built on its real-estate portfolio.

[5] Excluding change in the fair value of the share allotment entitlements embedded in ORNANE bonds equal to a gross amount of -€1.8m in 2016 and -€43.0m in 2015
[6] Excluding the €67m in real estate assets held for sale
[7] Excluding €140m in debt associated with assets held for sale

Network of 77,094 beds in 10 countries

Further strong network expansion in 2016: 9,313 additional beds

During 2016, ORPEA continued to expand its network selectively. It grew by 9,313 additional beds, representing an increase of 14.4% as a result of:

- strategic acquisitions with 6,491 beds added by deals for Medi-System in Poland, Vitalis in Germany and Sanyres in Spain;
- selective developments through the creation of new facilities, extensions and acquisitions, accounting for 2,822 additional beds, mostly in attractive locations such as Prague, Vienna and Barcelona.

European network with strong growth potential

ORPEA's network now comprises 77,094 beds at 751 facilities in 10 countries. The number of beds outside France (43,972) now accounts for 57% of the overall network, twice the figure of two years ago.
Following the opening of around 2,500 beds in 2016, ORPEA's growth pipeline remains solid, with 9,115 beds being restructured or under construction, 75% of these outside France.

	Total number of sites	Total number of beds	Beds in operation	*Including beds under redevelopment*	Beds under construction
France	**357**	**33,122**	31,743	*1,030*	1,379
Germany	**165**	**16,824**	14,518	-	2,306
Austria	**59**	**4,995**	4,776	-	219
Belgium	**60**	**7,389**	5,651	*239*	1,738
China	**1**	**140**	140	-	-
Spain	**45**	**7,857**	7,697	-	160
Italy	**16**	**1,738**	1,331	*60*	407
Poland	**10**	**1,174**	704	-	470
Czech Rep.	**6**	**784**	210	-	574
Switzerland	**32**	**3,071**	2,538	-	533
TOTAL	**751**	**77,094**	**69,308**	***1,329***	**7,786**

In China, the pilot Nanjing facility, which opened its doors in 2016, provides a unique showcase for ORPEA's know-how in a country experiencing tremendous demand. ORPEA, the first foreign group to open a high-end facility in China for elderly people requiring long-term care, has gained an excellent reputation, attracting interest from major Chinese public- and private-sector investors. To expand further, while keeping its risks under control, the Group is also planning to enter into management agreements and joint ventures with well-known local investors.

Unwavering ethical commitment to continuous improvement

Every year, the ORPEA Group's International Ethical and Scientific Board holds the ORPEA Excellence Awards. The event aims to promote a professional and pragmatic culture of clinical ethics and to encourage teams from all its countries to innovate and make constant improvements to the care they provide to residents and patients. This year, 24 projects led by Group subsidiaries in 8 countries made the cut. The projects include:

- Cine-Ethics, which consists in organising an evening film screening for patients and their friends and family followed by a debate, to start a dialogue between professionals and service users

- a research programme into chronic pain and post-traumatic stress

ORPEA also supports academic research projects. These include the Pain-free residence programme in Austria as part of cooperation between the Paracelse faculty of medicine in Salzburg and Senecura facilities. This initiative led to improved detection of pain in elderly residents, and 300 nurses received algology training.
This integrated programme of improvements is paying off:
- It has earned recognition from industry professionals, with ORPEA receiving prizes at the *Trophées Silver Eco* and *Trophées de la Fédération de l'Hospitalisation Privée* awards
- It is appreciated by residents and their families: the end-of-year satisfaction survey of residents and families revealed a recommendation rate of over 91.6% in each country (France, Belgium, Italy, Spain, Germany, Switzerland and Austria).

Strategy and outlook for 2017

In 2017 and beyond, ORPEA intends to continue pursuing its strategy of international expansion by:
- building new facilities to a high standard of quality in prime locations in every country in which it has a presence;
- making selective acquisitions to complement its existing network, while strictly observing the Group's profitability criteria;
- steadily raising its real-estate ownership rate by retaining and/or acquiring assets in the most attractive locations;
- expanding to new geographical territories where there is substantial demand for long-term care, and especially to regions with strong purchasing power;
- developing the complementary nature of ORPEA's offering with homecare and services, independent living facilities and outpatient treatment to broaden the spectrum of care it provides.

For 2017, ORPEA is confidently reiterating its revenue target of €3,125m, a 10% increase on 2016, without factoring in the impact of any new developments, with the operating margin remaining consistently firm.

Dr Jean-Claude Marian is retiring as Chairman, and Philippe Charrier has been appointed Non-Executive Chairman.

Dr Jean-Claude Marian has been named Honorary Chairman

Now 78 years old, Dr Marian has decided to focus on his private life after spending 28 years building up the ORPEA group and making it a leading provider of integrated long-term care in Europe.

Dr Marian said: *"For several years, I have naturally been thinking about passing on the reins.*
In 2011, the roles of Chairman and Chief Executive Officer were split, with the appointment of Yves Le Masne as Chief Executive Officer, responsible for the operational management and for the development of ORPEA.
Over the past three years, I have taken tremendous satisfaction from ORPEA's spectacular transformation. It has gone from being a French company with several European subsidiaries to a truly multinational group. Together with their teams, Yves Le Masne and Jean-Claude Brdenk have been the driving force behind the powerful expansion momentum in Germany, Austria, Switzerland, Poland and Czech Republic, and have striven to build a strong strategic and managerial organisation to oversee these developments.

It became clear that we needed to look for a suitable Non-Executive Chairman. We have chosen to appoint Philippe Charrier, whose entrepreneurial drive, knowledge of the healthcare sector and personal values will enable him to support and continue the roll-out of ORPEA's business model."

Dr Jean-Claude Marian has retired from his duties as a director and the Board of Directors, after consulting with Executive Management, has co-opted Philippe Charrier, who has been named as Non-Executive Chairman of ORPEA. Dr Marian has been appointed Honorary Chairman.
To display its full confidence in the senior management team, the Board of Directors has also decided to renew Yves Le Masne's term in office as Chief Executive Officer and Jean-Claude Brdenk's term as Chief Operating Officer.

Philippe Charrier, 62, is a graduate of the HEC business school and began his career with Procter & Gamble where he later became Chairman and CEO for France in 1999. Since then his career has been more entrepreneurial, and he took the helm at two French companies – Oenobiol (food supplements) and Labco (European leader in clinical diagnostics) – that he successfully built into multinationals operating in a number of countries including Spain, Germany and Italy. He is also a director of MédiPôle Partenaires until the merger with Elsan, which has given him solid experience of the healthcare sector.
He is currently Executive Chairman of Ponroy Santé (natural health products).
Philippe Charrier has also been active in the charity sector. He has been involved in projects to combat the social exclusion of vulnerable individuals with neurologic and psychiatric conditions through social and employment integration projects.

Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, added:
"On behalf of all our teams, we wish to express our sincere gratitude and extend our best wishes to Dr Marian, who has worked for close to 30 years to build a European leader in long-term care. Dr Marian has helped to change practices in our industry, and in particular to raise the standard of care. This longstanding central concern has guided his actions on a daily basis. We have all learned a great deal from him. He has passed on his passion, his experience and his ground-breaking vision to us.
We have always shared his strategic decisions, such as, for example, in 1990, to secure a high level of real-estate ownership and, from 2004, to export the model outside France.
This decision was anticipated, and plans were in place for it a long time ago, and we are very confident that we will able to maintain ORPEA's growth momentum with a view to making a world leader."

Next press release: Q1 2017 revenues
2 May 2017 after the market close

About ORPEA (www.orpea-corp.com)

Founded in 1989, ORPEA is a European leader in integrated Long-Term Care and Post-Acute Care, with a network of 751 healthcare facilities, with 77,094 beds (9,115 of them under refurbishment or construction), including:

- 33,122 beds in France at 357 facilities (2,409 beds under refurbishment or construction);
- 43,972 beds in the rest of Europe (Germany, Austria, Belgium, China, Spain, Italy, Czech Republic, Poland and Switzerland) at 394 facilities (6,706 beds under refurbishment or construction).

ORPEA is listed on Euronext Paris (ISIN: FR0000184798) and member of SBF 120, STOXX Europe 600, MSCI Small Cap Europe and CAC Mid 60 indices.

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Glossary:

Organic growth	Organic growth reflects the following factors: 1. The year-on-year change in the revenues of existing facilities as a result of changes in their occupancy rates and daily rates; 2. The year-on-year change in the revenues of redeveloped facilities or those where capacity has been increased in the current or year-earlier period; 3. Revenues generated in the current period by facilities created in the current or year-earlier period, and the change in revenues at recently acquired facilities by comparison with the previous equivalent period.
EBITDAR	EBITDA before rent, including provisions related to “external charges” and “staff costs”
Recurring EBITDA	Recurring operating profit before net additions to depreciation and amortisation, including provisions related to “external charges” and “staff costs”
Pre-tax profit on ordinary activities	Recurring operating profit - Net financial expense
Net financial debt	Long-term financial debt + short-term financial debt - cash and marketable securities
Financial leverage restated for real-estate assets	(Net financial debt - Real-estate debt)/(EBITDA - (6% x Real-estate debt))
Restated gearing	Net financial debt/(Equity + Perpetual deferred taxes on intangible assets)