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ANOTHER YEAR OF STRONG EARNINGS GROWTH IN 2018

- **REVENUE UP 9.0% TO €3,420 MILLION**
- **CONSOLIDATED NET PROFIT UP 11.4%[1] TO €220 MILLION**
- **11.6% INCREASE IN THE REAL-ESTATE PORTFOLIO TO €5.6 BILLION**

ORPEA BECOMES LEADER IN LATIN AMERICA

- **ACQUISITION OF A 50% STAKE IN SENIOR SUITES, THE MARKET LEADER IN CHILE**
- **ACQUISITION OF A 20% STAKE IN BRASIL SENIOR LIVING, THE MARKET LEADER IN BRAZIL**
- **ACQUISITION OF THE LEADING FACILITY IN URUGUAY**

2019: MAJOR DEVELOPMENT AND STRONG PROFITABLE GROWTH

- **REVENUE TARGET OF €3,700 MILLION (+8.2%) WITH STRONG PROFITABILITY**

Puteaux, 26 March 2019 (6.30pm CET)

The ORPEA Group, a world leader in long-term care (nursing homes, post-acute and rehabilitation hospitals, psychiatric hospitals, and homecare services), today announce its consolidated results[2] for the financial year to 31 December 2018, as approved by the Board of Directors held on 26 March 2019.

Yves Le Masne, Chief Executive Officer of ORPEA, commented:

"Our international expansion was very dynamic in 2018 with 10,000 additional beds across the network over the past 12 months and the reinforcement of our positioning in the premium segment, most notably in Germany. Simultaneously, our profitability improved, with an increase of over 11% in our net profit to double its level five years ago.

Thanks to our new cluster-based organisation, we are now in a unique position with unrivalled value creation potential. We will continue to pursue our expansion strategy by focusing on the premium segment, both through the opening of new facilities and through acquisitions.

In 2019, we have achieved our strategic goal of becoming the leader in Latin America through the acquisition of stakes in leading groups across Chile and Brazil, alongside prestigious partners. These deals enable us to secure a very dynamic expansion in this high-potential region.

With 80,000 opened beds, a pipeline of over 17,000 beds under construction and our acclaimed expertise in development, we benefit from strong growth levers and unrivalled visibility for the upcoming years."

[1] Excluding impact of ORNANE bonds and of discounting deferred taxes in 2017
[2] The financial statements are currently being audited.

Strong HR commitment to equal opportunities

This year, ORPEA celebrates its 30th anniversary, and sticks to its mission of looking after people who have placed their trust in the Group and of constantly pursuing quality improvements. This commitment requires valuing professional development and promoting the well-being of its teams. ORPEA thus leverages three key drivers that are essential for the successful execution of its mission:

- personalised and tailored training courses and career management
- tools enhancing quality of life in the workplace and the well-being of its employees
- promoting diversity and equal opportunities

Training is a key priority for developing quality of service and care and for providing attractive career progression to employees. This is why the training policy of ORPEA applies to its entire team – 100% of employees receive training, and the number of training hours provided advanced by 21% to 730,000 hours in 2018 (i.e. 15 hours per employee). To optimise bespoke programmes, ORPEA develops and builds its own training modules supported by well-known specialists from outside the Group to meet the requests of employees and keep pace with the rapid changes in the sector. Training also means developing qualifications at each level and giving every employee a chance. In 2018, ORPEA welcomed over 1,000 apprentices across France, Switzerland, Austria and Germany.

Diversity and equal opportunities have always played a key role in the development of the HR development at ORPEA. The gender diversity is particularly strong, as reflected by the Prize for Diversity in Senior Management awarded to ORPEA at the 15th AGEFI Corporate Governance Awards Ceremony. 66% of management positions, including strategic ones, are held by women. The policy introduced 30 years ago aiming at offering everyone a fair chance is also reflected in the actions taken to provide access to employment and in-job support for people with disabilities and senior citizens.

Strong earnings growth in 2018

(€ m) (IFRS)	**2018**	2017[3]	*% Chg.*
Revenue	**3,420**	3,138	*+9.0%*
EBITDAR (EBITDA before rental expenses)	**912**	846	*+7.8%*
EBITDA	**604**	548	*+10.2%*
Recurring operating profit	**428**	394	*+8.4%*
Net interest expense	**-136**	-135	*+0.6%*
Profit before tax	**309**	278	*+11.3%*
Net profit attributable to ORPEA's shareholders	**220**	90	
Net profit excluding impact of ORNANE bonds and of discounting deferred taxes	**220**	198	*+11.4%*

2018 revenue grew by 9.0% to €3,419.8 million. It was supported by a strong organic growth of 5.0% and by a rapid pace of acquisitions outside France, including Anavita in the Czech Republic and Dr. Dr. Wagner in Austria in 2017, Inoges in Germany, Woonzorgnet and Dagelijks Leven in the Netherlands in 2018.

EBITDAR (EBITDA before rental expenses) increased by 7.8% to €911.8 million. Excluding the "Macron bonus" (€4m) and the reduction in the CICE tax credit (€6m), 2018 EBIDTAR margin came out at 27,0%. The margin at historical operations rose by 70 basis points, demonstrating the ability of ORPEA to harness sources of operational leverage at all its clusters, including the Central and Eastern Europe clusters. The second-half margin was significantly higher, at 27.1%, than the first-half margin of 26.2%.

[3] Excluding impact of ORNANE bonds and of discounting deferred taxes

Thanks to the strategy of increasing its real-estate ownership rate (up to 47% at year-end 2018 from 45% in 2017), rental expenses rose by only 3.2% to €308.1 million from €298.5 million in 2017.

EBITDA rose by 10.2% to €603.7 million, or 17.7% of revenue, a 20 basis points improvement on its 2017 level. Excluding the "Macron bonus" and reduction in the CICE tax credit, the EBITDA margin improved by 50 basis points to 18.0%.

After €175.9 million in depreciation, amortisation and charges to provisions (up 14.7% owing to increased real-estate portfolio), **recurring operating profit** came out to €427.7 million (up 8.4%).

Non-recurring items, which include the capital gain on the sale of facilities in France, totalled €17.9 million compared with €19.0 million in 2017.

Net interest expense was almost stable at €136.2 million (up 0.6%) as a result of improvements to the debt structure.

After €95.3 million in income tax expense (up 12.7%), **net profit group share** rose 11.4% to €220.4 million[4]. This increase outpaced the growth in revenue, demonstrating the strength of the ORPEA business model.

Dividend payment of €1.20 per share proposed

At the Annual General Meeting on 27 June 2019, the Board of Directors will propose paying out a dividend of €1.20 per share in regards to the 2018 financial year, compared with €1.10 for the previous financial year. The dividend will be paid solely in cash. The pay-out ratio of ORPEA thus stands at 35%, as its priority remains reinvesting to improve and expand its network of facilities.

Continued reinforcement of the real -estate portfolio to €5.6 billion[5]

ORPEA continued to pursue its strategy of acquiring ownership of its real estate assets in prime locations, such as Madrid in Spain (Ecoplar group's five facilities) and Davos in Switzerland. Overall, the value of its real-estate portfolio, which represented 2 million sq. m. in facilities at 31 December 2018, has risen 11.6% or €586 million over the past 12 months to €5,628 million[5]. ORPEA now owns 47% of its real-estate portfolio, close to its target level of 50%.

Its valuation by independent appraisers implies an average capitalisation rate of 5.8%, down from 6.0% at year-end 2017. That still represents a moderate valuation by comparison with recent market transactions for the same type of assets, which were priced at a yield of 4.5%.

This real-estate strategy offers ORPEA a unique position in the sector. It will secure its cash flow over the long term and make its balance sheet more flexible and sustainable.

Strengthening the financial structure

Net debt stood at €5,022 million[6] at 31 December 2018, compared with €4,819 million at 30 June 2018. That represents a moderate increase given the level of real-estate and operational investment.
Real-estate debt again accounted for 85% of the total, with debt ratios stable compared to 30 June 2018. At 31 December 2018:

- the restated financial leverage ratio stood at 2.3x, stable compared with at 30 June 2018 (level of up to 5.5x authorised)
- restated gearing was stable at 1.5x compared with 30 June 2018 (level of up to 2.0x authorised)

The average borrowing cost decreased to 2.9% from 3.1% in 2017. Net debt is fully hedged against the risk of an increase in interest rates.

[4] Excluding impact of ORNANE bonds and of discounting deferred taxes in 2017
[5] Excluding the €206 million in assets held for sale
[6] Excluding €206 million in liabilities associated with assets held for sale

A new organisation structure primed for global expansion

ORPEA has now almost completed the far-reaching overhaul of its organisation structure that was initiated two years ago to make it more agile, more efficient and more secured for its global expansion drive.
The Group has switched from a country-based organisation to one based around clusters, each with their own management team and headquarters managing operations in several countries.
In parallel, ORPEA has strengthened its corporate headquarters by recruiting experts to deliver the benefit of their expertise to all the Group's units. Now entirely separated from the French teams, the headquarters is fully dedicated to introducing and controlling the effective implementation of ORPEA policies within its regional clusters.
The Risk Management, Audit and Internal Control department has been considerably expanded, and it now includes 16 specialists at corporate level, backed up by correspondents in the clusters, specifically in the LATAM cluster.
This organisation provides greater decentralisation and also a superior level of control and security.
Thanks to this new structure, ORPEA has increased its growth potential and ability to manage operations in different countries, while keeping a tight grip on the requisite corporate resources.

Creation of a Latin American leading player in long-term care, set to have 7,000 beds within 5 years

In 2019, ORPEA has established strategic positions in Latin America alongside renowned partners. It is now the market leader on the continent with:

- a 50% stake in Senior Suites, Chile's leading operator of nursing homes, with a call option to buy out the remaining 50% interest within 5 years
- a 20% stake in Brasil Senior Living (BSL), the Brazilian market leader, with a call option to buy out the remaining share capital within 5 years
- acquisition of the leading facility in Uruguay
- the 2,752 beds in service or under construction in Brazil already owned by ORPEA and its joint venture with SIS Group.

In **Chile**, ORPEA has acquired a 50% stake in Senior Suites, the number one operator of nursing homes in the country.
Senior Suites, a group founded in 1995, now leads the country in terms of number of facilities and quality standards. It owns and operates four facilities recently opened (616 beds) and three additional facilities (350 beds) under construction. These facilities are built to an excellent standard of quality, with private rooms accounting for 95% of the total, and are located in Santiago's most premium areas. For future developments, ORPEA will be able to count on Cimenta, Chile's state-owned real estate fund, which founded and developed Senior Suites.

In Brazil, ORPEA has completed the strategic acquisition of a 20% stake in Brasil Senior Living (BSL), the Brazilian market leader. Founded in 2012, BSL is the leading integrated long-term care provider in the country, with nursing homes, post-acute and rehabilitation hospitals, as well as homecare. BSL has a network of 22 facilities (over 3,000 beds), all located in São Paulo (population of 29 million, 3rd largest urban area in the world):

- 9 facilities already open (1,283 beds)
- 13 facilities under construction or at the planning stage (1,800 beds)

The property strategy of BSL is similar to that of ORPEA, with a targeted real-estate ownership rate of 50%.
BSL is a company owned by a fund managed by Patria Investments, a leading alternative investment manager in Latin America which operates in partnership with the Blackstone Group (shareholder at 40% of Patria Investments).

The acquisition of this stake has made ORPEA the leader in Brazil, with a focus on locations where purchasing power is high, set up high barriers to entry and given it a first-class partner, with expertise in the development of facilities.

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Lastly, ORPEA has moved into Uruguay with the acquisition of the most upscale facility in the country (98 beds) located in the most prestigious district of Montevideo. ORPEA also acquired the real-estate assets. The facility is the reference for quality standards in Uruguay and has gained recognition from the Ministry of Health and from the President of the Republic of Uruguay. This acquisition marks the first step of ORPEA development in this high purchasing power country.

Through these strategic transactions, the Group is establishing itself as a powerful leader in Latin America alongside highly renowned partners. Within 5 years, it aims to have approximately 50 facilities on the continent, with 7,000 beds and €200 million in revenue, thanks to its secure growth pipeline.

Outlook for 2019

ORPEA will continue its greenfield strategy in prime locations and seize small and selective acquisition opportunities. The deals it has announced in Latin America will enable the Group to expand cautiously in these three countries while taking advantage of further opportunities and entering new territories.

For 2019, the Group reiterates its revenue target of at least €3,700 million (up 8.2% compared with 2018) and solid profitability levels.
Having achieved a real-estate ownership rate of close to 50%, the Group plans to sell between €200-250 million in real-estate assets on attractive financial terms over the next 12 months.
Finally, in line with its strategy of upscaling its network, ORPEA will continue to make some arbitrage to its portfolio, including in Germany.

Next press release: Q1 2019 revenue
6 May 2019 after market close

About ORPEA (www.orpea-corp.com)

Founded in 1989, ORPEA is one of the main world leader in long-term care, with its network of 950 facilities, with 96,577 beds (17,388 of them under construction) in 14 countries, including:

- 33,443 beds in France (2,587 beds under construction) at 354 facilities
- 63,134 beds outside France (Austria, Belgium, Brazil, China, Czech Republic, Germany, Italy, Luxembourg, Netherlands, Poland, Portugal, Spain and Switzerland) at 596 facilities (14,801 beds under construction)

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

Investor Relations
ORPEA
Steve Grobet
Investor Relations Director
s.grobet@orpea.net

Hélène de Watteville
Investor Relations Officer
h.dewatteville@orpea.net

Investor Relations
NewCap
Dusan Oresansky
Tel.: +33 (0)1 44 71 94 94
orpea@newcap.eu

Media Relations
Image 7
Priscille David Reneaume
Tel.: +33 (0)1 53 70 74 61
preneaume@image7.fr

Glossary:

Organic growth	Organic growth reflects the following factors: 1. The year-on-year change in the revenue of existing facilities as a result of changes in their occupancy rates and per diem rates 2. The year-on-year change in the revenue of redeveloped facilities or those where capacity has been increased in the current or year-earlier period 3. Revenue generated in the current period by facilities created in the current or year-earlier period, and the change in revenue at recently acquired facilities by comparison with the previous equivalent period
EBITDAR	EBITDA before rents, 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 debt	Non-current borrowings + current borrowings - cash and short-term investments
Financial leverage restated for real estate assets	(Net debt - Real estate debt)/(EBITDA - (6% x Real estate debt))
Restated gearing	Net debt/(Equity + Deferred taxes available indefinitely on intangible assets)

Adoption of IFRS 16

IFRS 16 requires a lessee to recognise all leases on the balance sheet via:

- an asset representing its right to use the underlying leased asset in an amount equal to the current value of future lease payments
- a lease liability representing its obligation to make lease payments over the term of the lease.

For ORPEA, adoption of IFRS 16 is expected to give rise to:

- a lease liability of approximately €2.4 billion
- an increase in EBITDA of around €300 million reflecting the elimination of rental payments.

Lastly, the accounting standard will have no impact on the Group's cash flow or on its bank covenants.

ORPEA GROUP

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Consolidated income statement (Audit in progress)

In €m	31-dec-2018	31-dec-2017
Revenue	**3,419.8**	**3,138.2**
Purchases used and other external expenses	-915.6	-861.4
Staff costs	-1,802.3	-1,639.5
Taxes other than on income	-119.3	-104.4
Depreciation, amortisation and charges to provisions	-175.9	-153.3
Other recurring operating income and expense	21.0	14.8
Recurring operating profit	**427.7**	**394.4**
Other non-recurring operating income and expense	17.9	19.0
Operating profit	**445.6**	**413.4**
Net interest expense	-136.2	-135.4
Profit before tax[1]	**309.4**	**278**
Income tax expense[1]	-95.3	-84.6
Share in profit/(loss) of associates and joint ventures	7.0	4.4
Impact of early redemption and fair-value of ORNANE bond	0	-160.9
Discounting deferred income taxes	0	52.9
Consolidated net profit	**220.4**	89.8
Net profit excluding impact of ORNANE and discounting deferred taxes [1]	**220.4**	**197.8**

Consolidated balance sheet (Audit in progress)

In €m	31-dec-2018	31-dec-2017
Non-current assets	**9,303**	**8,324**
Goodwill	1,155	1,013
Intangible assets	2,275	2,082
Property, plant and equipment and properties under development	5,628	5,042
Other non-current assets	244	187
Current assets	**1,526**	**1,308**
Cash and short-term investments	*768*	*614*
Assets held for sale	**206**	**64**
TOTAL ASSETS	**11,034**	**9,696**
Equity attributable to ORPEA's shareholders and deferred taxes available indefinitely	**3,427**	**3,142**
Equity attributable to ORPEA's shareholders	2,976	2,715
Deferred taxes available indefinitely on operating intangible assets	451	427
Non-controlling interest	**1**	**0**
Non-current liabilities	**5,703**	**5,248**
Other deferred tax liabilities	481	431
Provisions for liabilities and charges	233	194
Non-current financial liabilities	5,026	4,622
Change in the fair value of the conversion right embedded in the ORNANE bonds	-	-
Current liabilities	**1,660**	**1,242**
o/w current financial liabilities (bridge loans and real estate porting)	*764*	*405*
Liabilities associated with assets held for sale	**206**	**64**
TOTAL EQUITY AND LIABILITIES	**11,034**	**9,696**

Cash flows (Audit in progress)

In €m	31-dec-2018	31-dec-2017
Net cash generated/(used) by operating activities	**415**	**398**
Investments in construction projects	-382	-303
Acquisitions of real estate	-336	-631
Disposals of real estate	23	31
Net investments in operating assets	-264	-165
Net cash generated/(used) by investing activities	**-959**	**-1,068**
Net cash generated/(used) by financing activities	**698**	**744**
Change in cash over the period	154	74
Cash at end of period	**768**	**614**

[1] Excluding the non-cash charge arising from the accounting treatment of the ORNANE bonds of €160.9m (fully offset by an increase in equity) and excluding the €52.9m gain from discounting deferred taxes in 2017.