life goes on with us

STRONG GROWTH IN HALF-YEAR 2016 RESULTS

- **REVENUE GROWTH OF 23.0% TO €1,380.5M**
- **EBITDAR UP 21.4% TO €368.5M**
- **PRE-TAX PROFIT ON ORDINARY ACTIVITIES[1, 2] UP 21.1% TO €110.0M**

GROWTH IN THE REAL-ESTATE PORTFOLIO OF €227M TO €3.7B

2016 GUIDANCE REITERATED

- **REVENUE OBJECTIVE OF €2,810M (+17.5%) AND SOLID PROFITABILITY**
- **FURTHER VALUE-CREATING DEVELOPMENTS**

Puteaux, 28 September 2016

The ORPEA group, one of the leading European providers of long- and medium-term care (nursing homes, post-acute and rehabilitation hospitals and psychiatric hospitals), has today announced its consolidated results (subject to a limited review) for the first half of 2016 (six months to 30 June).

In €m (IFRS)	**H1 2016**	**H1 2015**	*% change*
Revenues	**1,380.5**	1,122.4	*+23.0%*
EBITDAR (Recurring EBITDA before rents)	**368.5**	303.6	*+21.4%*
Recurring EBITDA	**220.5**	184.6	*+19.5%*
Recurring operating profit	**163.6**	138.9	*+17.8%*
Net financial income/(expense)[2]	**-53.5**	-48.1	*+11.2%*
Pre-tax profit on ordinary activities[2]	**110.0**	90.8	*+21.1%*
Attributable net profit[2]	**75.5**	67.4	*+12.0%*

[1] Recurring operating profit - Net financial expense
[2] Excluding change in the fair value of share allotment entitlements embedded in ORNANE bonds equal to zero in H1 2016 and -€19.5m (gross) and -€12.1m (net) in H1 2015

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

"Over the past three years (30 June 2013 to 30 June 2016), we have achieved a stunning expansion of over 30,000 beds. Demonstrating tight control and careful integration of these developments, our revenues surged 76%, pre-tax profit on ordinary activities powered 63% ahead and the value of our real-estate portfolio grew by over €1 billion.

The quality of our half-year results is a testament to our ability to manage simultaneously strong international expansion and the integration of new countries, while continuing to deliver healthy margins:

- *top-line growth of 23%, or €258m in additional revenues;*
- *a 21% increase in pre-tax profit on ordinary activities[1] to €110m;*
- *a 60bp improvement in the EBITDA margin (excluding acquisitions consolidated in the first half of 2016[3]) to 17.0%;*
- *further growth in the real-estate portfolio of €227m to almost €3.7b.*

We are very confident that we will reach our full-year 2016 revenue target of €2,810m (+17.5%) combined with consistently solid profitability and an increase in our real-estate portfolio."

Strong profitable growth maintained

First-half 2016 revenues rose by a hefty 23.0% to €1,380.5m driven by organic growth[4] exceeding the objective (+5.7%, excluding the positive effect of the leap year) and with the contribution made by international acquisitions, notably in Germany and Poland.

EBITDAR (recurring EBITDA before rents) rose 21.4% to €368.5m, representing a margin of 26.7% of revenues. The EBITDAR margin excluding acquisitions[3] consolidated for the first time in the first half of 2016 was stable at 27.0%.

Rental expenses came to €148.0m, compared with €119.0m in the first half of 2015. Over 85% of this increase derived from the first-time consolidation of acquisitions made during the period, since most of these groups lease all of their properties. At comparable structure, rental costs recorded a very modest increase of 0.6%.

Recurring EBITDA grew by 19.5% to €220.5m, representing a margin of 16.0% of revenues, down from 16.4% in the first half of 2015, owing to the impact of the rental expenses of the groups acquired. The EBITDA margin excluding acquisitions[3] consolidated for the first time in the first half of 2016 came to 17.0%, up 60bp compared with the first half of 2015. This margin improvement was powered by the excellent performance of ORPEA's existing businesses, the smooth integration of the acquisitions made in 2014 and the real-estate assets purchased in 2015.

After €57m in depreciation and amortisation (+24.7%), recurring operating profit came to €163.6m (+17.8%).

The **cost of debt** recorded a modest increase of 11.2% to €53.5m despite the numerous acquisitions made over the past 12 months. This tight grip on interest expenses was achieved through a 40bp reduction in the average cost of debt compared with 2015.

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[3] Chiefly the groups, Celenus Kliniken, Vitalis, Residenz Gruppe Bremen in Germany and Medi-System in Poland, which were not consolidated in H1 2015.

[4] 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.

Pre-tax profit on ordinary activities (recurring operating profit - net financial expense) rose 21.1% to €110.0m from €90.8m one year earlier, providing a perfect illustration of ORPEA's ability to generate profitable growth.

Non-recurring items, including the real-estate capital gains, came to €4.6m, down from €12.5m in the first half of 2015. ORPEA sold just €54m in real-estate assets in the first half of the year (vs. €130m in H1 2015) in accordance with its strategy of ownership of a larger portion of its real-estate assets and thus fewer real estate disposals.

After €40.4m[2] in income tax expense (+8.3%), **attributable net profit** for the first half of 2016 grew 12.0% to €75.5m[2].

Another increase in the real-estate portfolio to close to €3.7 billion

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 €227m (net of asset sales), including through acquisitions in international markets, representing growth of 7% in just six months.

At 30 June 2016, its portfolio was worth a total of €3,672m[5], representing a developed area of 1,250,000 sqm and an ownership rate of 37%.

ORPEA continues to pursue its unique real-estate strategy:

- ownership of a large proportion of its portfolio financed by borrowings on highly attractive terms to secure its profitability over the long term;
- roll-out of its internal design and project management expertise in every country where it operates – ORPEA builds most of its facilities itself.

Flexible financial structure

ORPEA's net financial debt stood at €3,226m[6] at 30 June 2016. This represented a modest increase of 7% despite acquisitions and expansion of the real-estate portfolio. Real-estate debt rose to account for 80% of the total.
ORPEA's debt ratios at 30 June 2016 were well below the maximum levels permitted by its bank covenants and reflected its strong financial flexibility:

- financial leverage restated for real-estate assets down to 2.5x (authorised level of 5.5x);
- stable restated gearing of 1.5x (authorised level of 2.0x).

The average cost of debt continued to decline, sinking to 3.4% in the first half of 2016. Following further optimisation of interest-rate hedges, the cost of debt is set to continue declining to 2.9% by 2021, irrespective of monetary policy decisions and interest-rate trends. ORPEA has hedged almost all of its floating-rate debt maturing in over 7 years at a fixed rate.

ORPEA boasts a robust financial structure that is in line with its development goals. What's more, it further enhanced its financial flexibility (maturity, rates, diversity) in July with the successful issue of a €291.5m Schuldschein loan.

Strategy and outlook

As demonstrated by the July 2016 acquisition of Sanyres in Spain, ORPEA continues the active pursuit of its value-creating expansion strategy.

[5] Excluding the €98m in real estate assets held for sale
[6] Excluding €172m in debt associated with assets held for sale

ORPEA possesses unique strengths affording it important development potential over the coming months and years:

- a high-quality network of 74,272 beds, including close to 9,000 under development;
- an international organisation built for further expansion;
- a centralised and secure IT system delivering a very high level of performance;
- expert local teams and development methods geared to value creation.

ORPEA will continue to pursue the same strategy it has been executing for over 20 years:

- acceleration in the pace of organic growth by obtaining authorisation for new builds;
- selective acquisitions;
- additions to its real-estate portfolio, retaining properties in prime locations.

The opening of the Nanjing facility in China has given ORPEA an ideal flagship in this country. This will be particularly valuable for attracting prestigious local investors who have already shown strong interest in its expertise.

Innovations in caring for people with Alzheimer's-type neurodegenerative conditions

The ORPEA group continues its research into ways of improving care for residents with neurodegenerative diseases based on the development of non-drug-based therapies.

Several specific concepts have already been rolled out across the network, including a multi-sensory Snoezelen room, Reminiscence areas, spa therapy, finger food, cognitive and sensory stimulation workshops (art therapy, therapeutic cuisine, etc.). These various approaches improve patients' well-being and help to maintain their independence for as long as possible.

Working with Nice University Hospital, ORPEA conducted the first scientific study into the benefits of light on the quality of life of residents suffering from Alzheimer's disease. This study revealed that an innovative lighting system helped to improve residents' quality of life by reducing their sleep disorders and behaviour and also by reducing their anxiety.

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

"In just 10 years, ORPEA has spread throughout Europe. Our presence extends to 10 countries, with 56% of its network outside France. To deliver this expansion while maintaining strong profitability, we have adapted our organisation and management methods. We consistently apply stringent acquisition criteria, particularly with regard to quality.

We will continue our international expansion drive, which is set to make us a global leader over the next few years. Our rapid pace of value-creating expansion will focus as a priority on the 10 countries in which we are already present, bolstering our position as a leading player in each of them.

In parallel, we may consider opportunities to move into new geographical regions meeting our stringent investment criteria — economically viable demand, supply side of the market either undeveloped or unsuited for providing long-term care, high barriers to entry, etc. We have demonstrated our ability to generate profitable growth in a number of countries by rolling out our tried and tested business model and expertise."

Next press release: Q3 2016 revenues
3 November 2016 before the market opens

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 733 healthcare facilities, with 74,272 beds (9,041 of them under refurbishment or construction), including:

- 32,688 beds in France at 352 facilities (2,993 beds under refurbishment or construction);
- 41,584 beds in the rest of Europe (Germany, Austria, Belgium, Spain, Italy, Czech Republic, Poland and Switzerland) at 381 facilities (6,048 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)