ORPEA

LIFE GOES ON WITH US

First-half 2013 results

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September 2013

Content

Overview

ORPEA: European leader in global dependency care

European leader

431 facilities
40,374 beds

- Nursing homes
- Post-acute and rehabilitation facilities
- Psychiatric care facilities

Quality-oriented strategy

25 years of history

- Quality of care
- Quality of accommodation

International expansion

27% of the network abroad

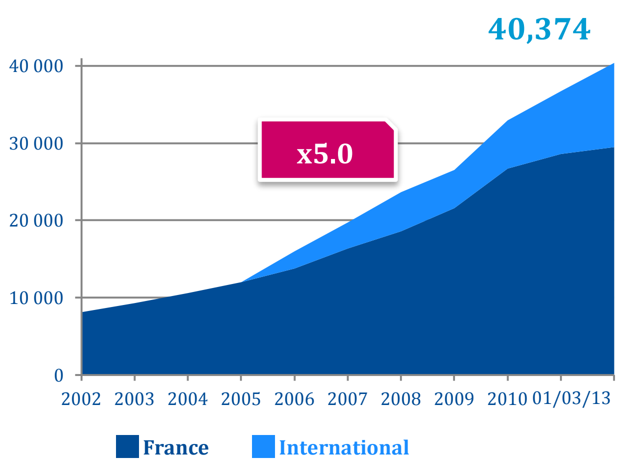
- 5 countries: over 10,000 beds
- Success of the development model

Workforce momentum

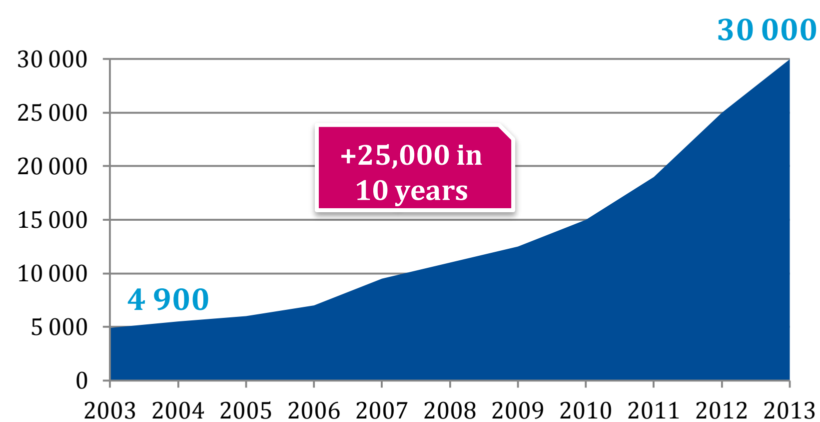
30,000 staff

- Including 7,000 jobs created in the last 5 years
- 85% permanent contracts

Number of beds



Number of employees



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Strengths of the ORPEA business model

MODERN FACILITIES IN STRATEGIC LOCATIONS

- City-centre locations
- France: 43% of facilities in the Paris region and Provence-Alpes-Cote d'Azur
- International: Brussels, Flanders, Madrid, Northern Italy

€2.4BN PORTFOLIO OF OWNED BUILDINGS

- **859,000 sqm**
- Recent buildings in prime locations

UNIQUE GROWTH AND EARNINGS POTENTIAL

- **Approx. 8,500 beds under construction and refurbishment**
- Value-creating projects in excellent locations

FINANCIAL FLEXIBILITY

- Diversity of financing sources
- Increase of the average maturity of the debt

IN-HOUSE PROJECT MANAGEMENT / ENGINEERING DEPARTMENT

- Team of architects and building engineers
- Building at direct cost without any other developer costs
- **Almost 50 projects underway**

First-half 2013 highlights

DEVELOPMENT MOMENTUM

- **Facilities with 1,200 beds opened** since the start of 2013
- **Acquisition of facilities with over 1,500 beds** in H1

EMPLOYMENT MOMENTUM

- **Creation of 600 direct permanent jobs**
- Thousands of construction jobs supported through 50 projects underway

GROWTH/PROFITABILITY MOMENTUM

- Solid revenue growth: +14.3%
- Increased profitability: **EBITDAR margin +140bp**

FINANCIAL DISCIPLINE

- Success of new bond issues with very low rates
- Debt under control and property sale on track

INTERNATIONAL MOMENTUM

- Acquisition of 1,100 beds in Flanders
- Development projects in China

Stable regulatory environment

Solid long-term fundamentals

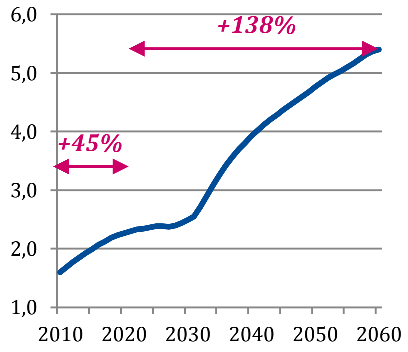
- **Sharp rise in demand**: +650,000 people aged 85+ between 2010 and 2020
- **Insufficient supply:** 8 new nursing homes authorised in 2011 and 2012
- **Unsuitable supply:** 116,000 beds to be rebuilt at a cost of €11.7bn (source: CNSA)
- **Solid affordability**: aggregate incomes of people aged 85+ up 32% between 2010 and 2020

A sector playing a key role in economic development

- **Ability to create jobs**
  ➔ 1 facility = 50 (nursing home) -100 (post-acute clinic) FTE jobs
- **Ability to invest**
  ➔ 1 facility = €8-15m of building work, equipment etc.
- **Ability to innovate**: developing suitable structures

  ➔ ORPEA telemedicine project

Change in the number of people aged 85+ (millions)



Source: INSEE, 2007 - 2060 population projection

Highlights of France's bill for adapting society to deal with an ageing population

- Increase in **home-based care**
- **"The 3 As"**: anticipate, adapt and accompany
- **Increased affordability** of care facilities for the middle classes

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Development in China

China: supply and demand

Surge in demand

- **Sharp rise in life expectancy:** 76 years (up 7 years in the last 20 years)
- **Surge in the number of people aged 60+:** up 30% by 2020 (increase of around 55 million)
- **People aged 80+: 65m increase** between 2000 and 2025 (to approx. 45 million)

Very limited supply

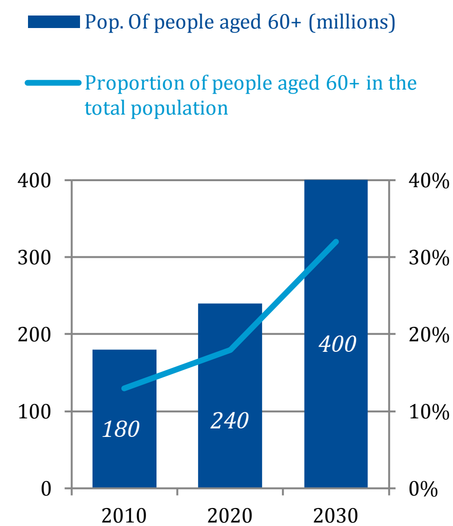
- Existence of villages for older people outside large cities
- Few operators with suitable facilities for handling highly dependent people
- Limited expertise in providing care and training staff

Social changes

- Change in multi-generation family structures
- Reduction in the size of homes
- Development of men's and women's careers
- Rural exodus

➔ **Sharp fall in the number of family members providing home care**

Change in the number of Chinese people aged 60+



Source Ministry of Civil Affairs, China

Huge requirements in a burgeoning sector

Favourable regulatory environment

- The Chinese government is aware of requirements and has included provisions for older people in its five-year plan

- **Sector development with the act of 1 July 2013**: guidance for obtaining authorisations to operate facilities for older people

- **Supervisory authorities have welcomed** foreign operators with acknowledged expertise

- **Statement by Chinese Prime Minister Li Keqiang on 18 August 2013*:**

  "The government will cut red tape and costs to spur foreign investment into the type of privately funded care that is common in the West".

- Priority given to home-based care, but large-scale care requirements for highly dependent people

Upcoming confirmation that the government is authorising 100% foreign-owned companies to develop nursing homes

** Source: Bloomberg*

ORPEA's strategy in China

Market position: highly dependent people and high-end facilities

- Offering based on caring for highly dependent people and those with neurodegenerative illnesses like Alzheimer's
- High-end facilities offering high quality of care, service and accommodation
- Facilities located in wealthy areas of large cities (Shanghai and Beijing)
- Adapting the environment and lifestyle to Chinese culture

Development model in China

- **Creation of a WOFE (wholly owned foreign enterprise) owned by ORPEA**
- **Facilities newly built** by the WOFE or in partnership with local partners depending on the project
- No investment in real estate (high level of interest among local and international investors in healthcare real estate)

➔ **Limited investment and large value creation**

Projects currently being studied

- Various projects have undergone in-depth study in Shanghai and others have undergone preliminary analysis in Beijing and various large second-tier cities
- Various opportunities: building land, buildings to be redeveloped, new buildings to be fitted out etc.

➔ **A new phase in the long-term international development strategy**

Some examples of projects in China

Current building

ORPEA project

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ORPEA network

European leader : 40,374 beds in 431 facilities

Belgium

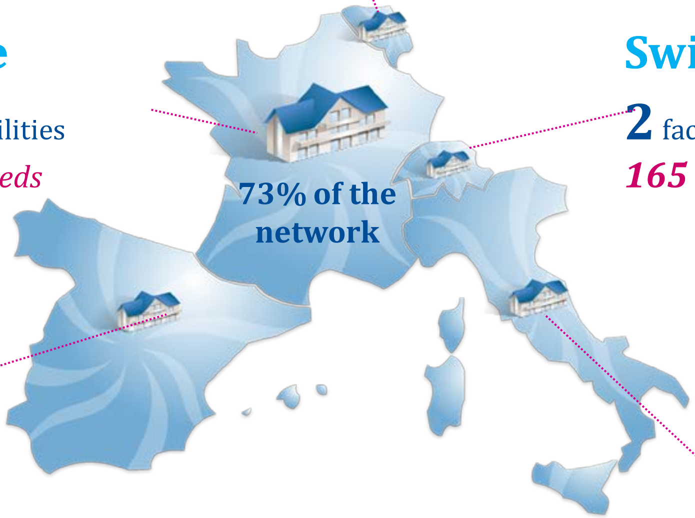
56 établissements

6,518 beds

France

339 facilities

29,477 beds



Switzerland

2 facilities

165 beds

Spain

22 facilities

2,938 beds

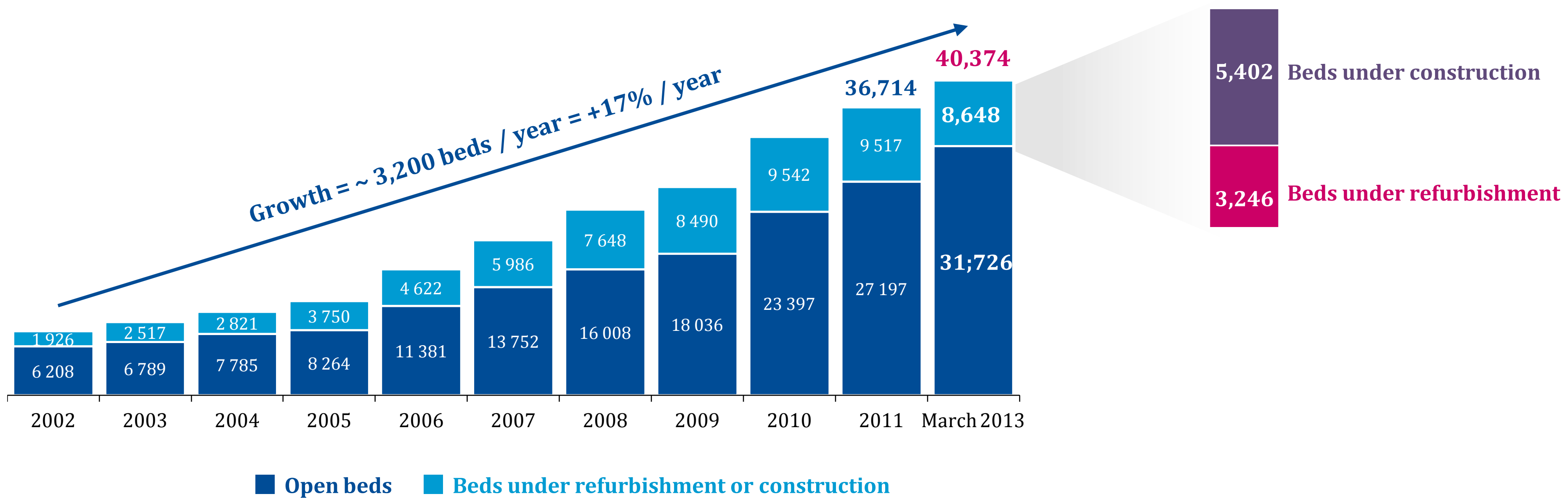
Italy

12 facilities

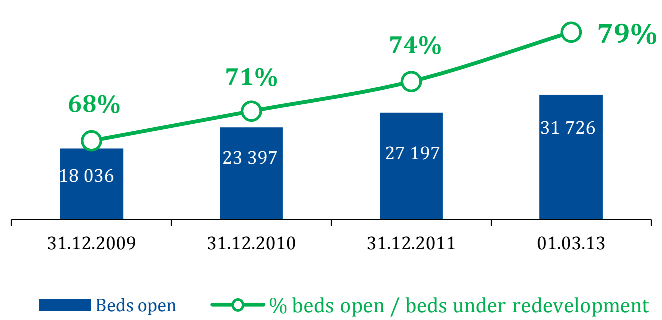
1,276 beds

A secured European pipeline of 8,648 beds

Network development over 10 years



Ramp-up in mature facilities



France: development based on value creation

Openings since start of 2013: 9 facilities (1,050 beds)

- Strategic locations: Nantes, Lyon, Guérande, Cannet
- Refurbished and newly built facilities
- Mainly nursing homes

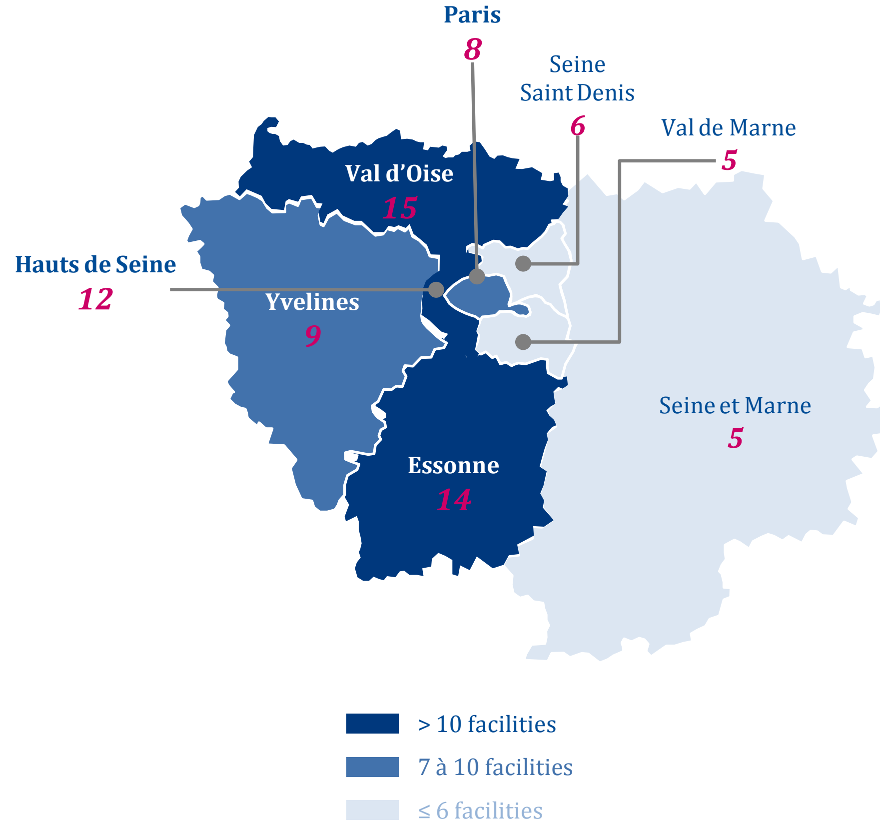
Pipeline: 5,223 beds under construction and refurbishment

- 50 projects overseen by the in-house project management department
- Prime locations

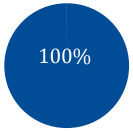
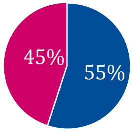
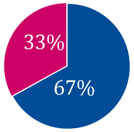
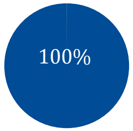
Development strategy

- Aim: focus on projects that create value
- Collaborations with the non-profit and the public sector for targeted restructuration with nursing homes, post-acute, Rehab. facilities
- Rigorous selectivity depending on location and return on investment

Locations of the 74 facilities in Paris and Paris suburb



International: 92 facilities, 10,897 beds

	Activity in H1 2013	Network	Network maturity
SPAIN	Looking for opportunities in Madrid and Barcelona	**2,938 beds** 22 facilities	
BELGIUM	An 85-bed rest and care home opened in Nivelles Acquisition of Corasen, 900 beds in Flanders Other acquisitions in Flanders	**6,518 beds** 56 facilities	
ITALY	A 110-bed psychiatric clinic opened in Nebbiuno (Lake Maggiore)	**1,276 beds** 12 facilities	
SWITZERLAND	Opening of the post-acute and rehabilitation facility in Nyon (95 beds)	**165 beds** 2 facilities	

Mature beds

Beds under construction or refurbishment

10,897 beds outside France, including 31% under construction or refurbishment

First-half 2013 results

H1 2013: outperforming annual targets

2013 INITIAL TARGETS		H1 2013 ACHIEVEMENTS
1 Revenues: €1,600m *(+12%)*	→	€782.5m ***+14.3%***
2 Strong organic growth	→	***+7.1%***
3 Increase in profitability	→	EBITDAR margin: 26.9% ***+140 bp***
4 Debt under control	→	Low increase of the net financial debt ***Committed property sale for more than €200m in 2013***

A limited review by auditors is currently in progress

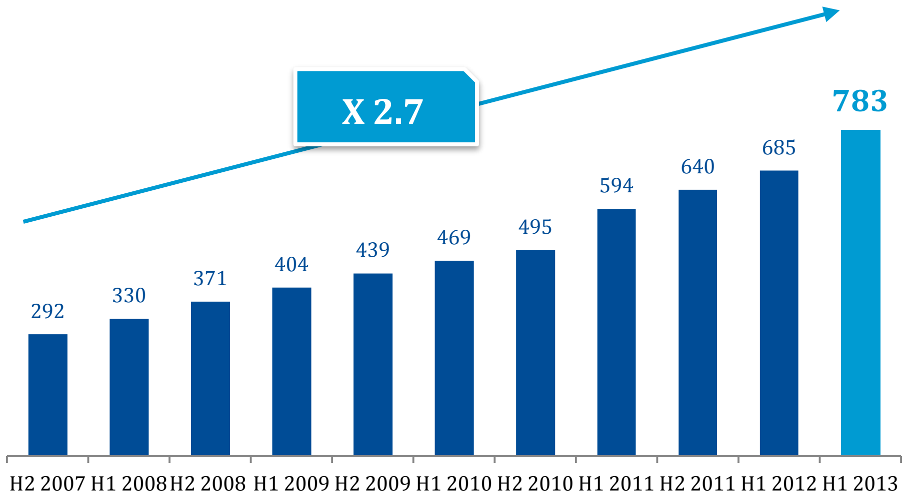
Strong growth in H1 2013 revenues: +14.3%

In €m	H1 2013	H1 2012	Var.
France	**651.6**	601.5	***+8.3%***
	83%	*88%*	
International	**130.9**	83.2	***+57.3%***
	17%	*12%*	
Belgium	78.0	36.5	
Spain	24.8	24.6	
Italy	18.8	14.5	
Switzerland	9.3	7.6	
Total	**782.5**	684.7	***+14.3%***

Organic growth

+7.1%

Hisrtorical growth of half-year revenues(€m):



First-half growth averaging +10.9% over 6 years

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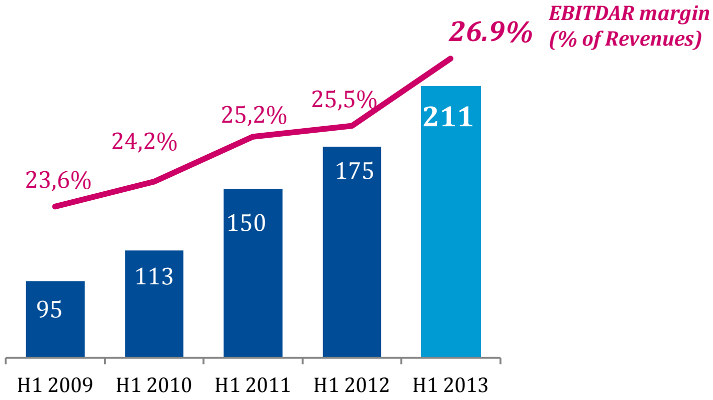
Continued strong growth in profitability

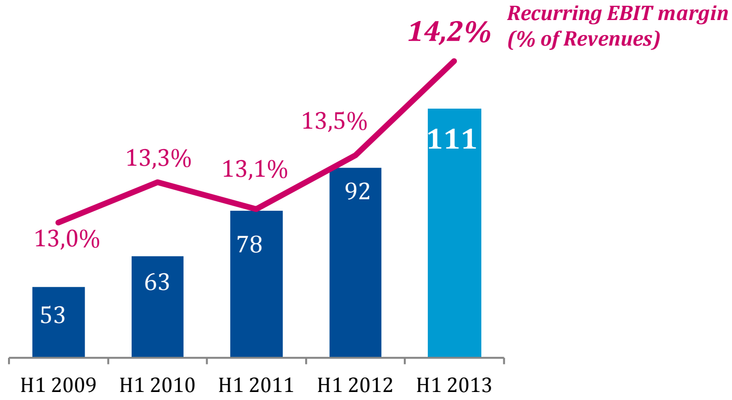
EBITDAR (€m and % of revenues)

H1 2013/ H1 2009: *+122%*



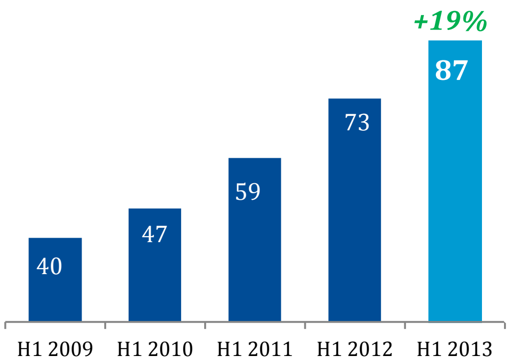
Recurring EBIT (€m and % of revenues)

H1 2013/ H1 2009: *+110%*



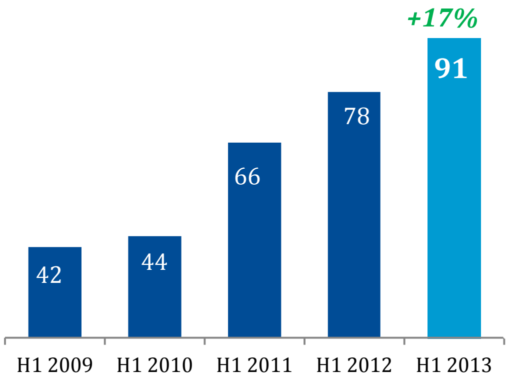
Profit before tax (€m)

H1 2013/ H1 2009: *+117%*



Operating cash flow (€m)

H1 2013/ H1 2009: *+117%*



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Strong increase in all profitability indicators

In €m	H1 2013	H1 2012	%
Revenues	782.5	684.7	*+14.3%*
EBITDAR (Recurring EBITDA before rents)	210.7	174.6	*+20.6%*
Recurring EBITDA	145.2	121.9	*+19.1%*
Recurring EBIT (Recurring Operating Profit)	111.1	92.4	*+20.2%*
EBIT (Operating Profit)	130.5	110.0	*+18.6%*
Net financial cost	-43.7	-36.8	*(+18.7%)*
Profit before tax	86.8	73.2	*+18.6%*
Taxes	-30.7	-22.8	*+34.5%*
Net profit (Group share)	57.1	50.7	*+12.6%*

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Strong growth in operating profitability

In €m	H1 2013	H1 2012	%
Revenues	**782.5**	684.7	***+14.3%***
Staff costs	-389.8	-341.1	*+12.3%*
Sub-contracting	-9.6	-14.6	
Expenses	-134.1	-119.5	*+12.3%*
Taxes and duties	-38.0	-33.9	*+12.1%*
Other income and expenses	-0.3	-1.1	*N.S.*
EBITDAR (Recurring EBITDA before rents)	**210.7**	174.6	***+20.6%***
% of revenues	***26.9%***	*25.5%*	
Rents	-65.4	-52.7	*+24.2%*
Recurring EBITDA	**145.2**	121.9	***+19.1%***
% of revenues	***18.6%***	*17.8%*	
Depreciation & Amortization	-34.1	-29.5	*+15.8%*
Recurring EBIT (Recurring Operating Profit)	**111.1**	92.4	***+20.2%***
% of revenues	***14.2%***	*13.5%*	
Non-recurring items	19.4	17.6	*N.S.*
EBIT (Operating Profit)	**130.5**	110.0	***+18.6%***

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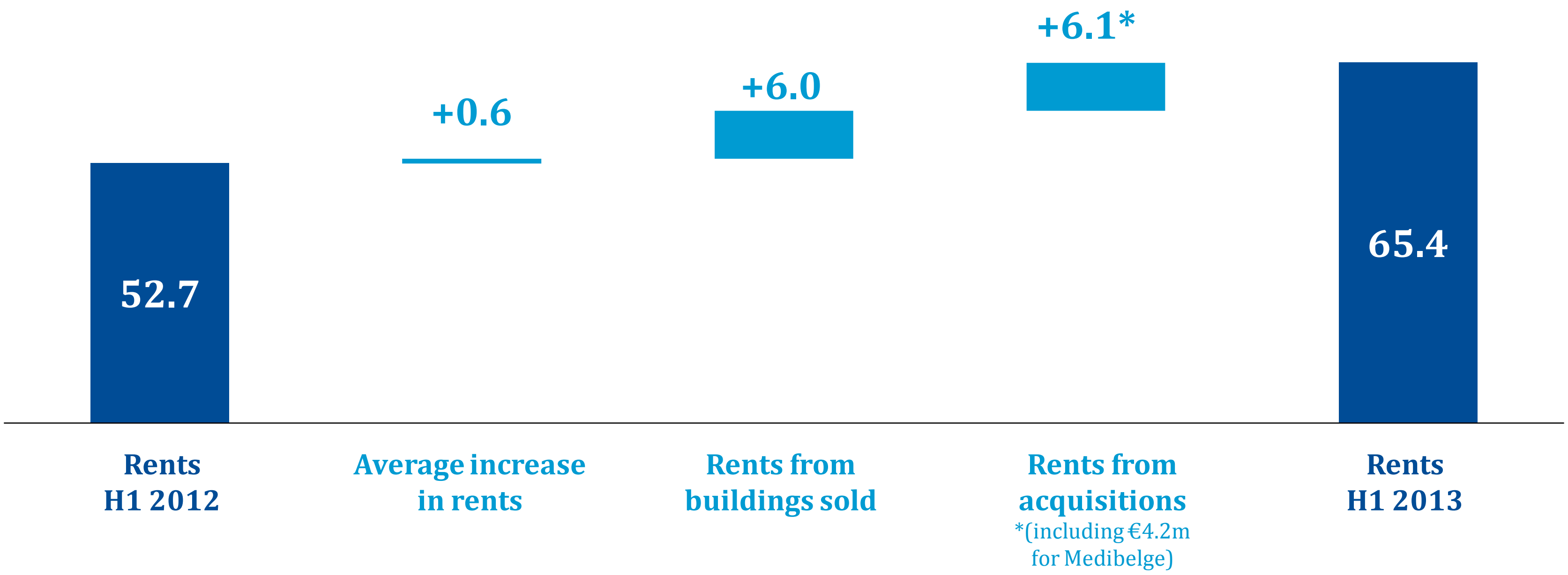
Change in rents

Rents in €m



Average annualized increase in rents : +1.3%

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Geographical breakdown of profitability

In €m	H1 2013 Rev.	H1 2013 Recurring EBITDA	H1 2013 % of Rev.	H1 2012 Rev.	H1 2012 Recurring EBITDA	H1 2012 % of Rev.
France	651.6	129.4	***19.9%***	601.5	110.6	***18.4%***
Belgium	78.0	8.0	***10.3%***	36.5	4.9	*13.6%*
Spain	24.8	3.8	***15.4%***	24.6	2.5	*10.2%*
Italy	18.8	2.0	***10.7%***	14.5	1.0	*7.1%*
Switzerland	9.3	1.9	***21.1%***	7.6	2.8	*36.5%*
International	130.9	15.8	***12.1%***	83.2	11.3	***13.5%***
Grand TOTAL	782.5	145.2	***18.6%***	684.7	121.9	*17.8%*

Recurring EBITDA: Recurring Operating Profit before net depreciation and amortization.

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Solid financial structure

In €m		30-June-13	31-Dec-12
ASSETS	**Non-current assets**	**4,288**	**4,229**
	Goodwill	382	380
	Intangible assets	1,386	1,306
	Property, plant & equipment and property under development	2,425	2,452
	Other non-current assets	96	91
	Current assets	**524**	**606**
	Of which cash, cash equivalent and marketable securities	*267*	*362*
	Assets held for sale	**236**	**121**
	TOTAL ASSETS	**5,048**	**4,955**
LIABILITIES	**Sh. Equity, Group share and permanent deferred taxes**	**1,655**	**1,586**
	Shareholders' equity Group share	1,259	1,214
	Deferred taxes on intangible assets (quasi equity)	396	372
	Non-controlling interests	**1**	**1**
	Non-current liabilities	**2,084**	**2,047**
	Other differed tax liabilities	336	321
	Provision for liabilities and charges	62	57
	Long-term financial debt	1,686	1,670
	Current liabilities	**1,072**	**1,200**
	Of which short-term debt (bridge loans)	*445*	*504*
	Debt linked to assets held for sale	**236**	**121**
	TOTAL LIABILITIES	**5,048**	**4,955**

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Flexible financial structure

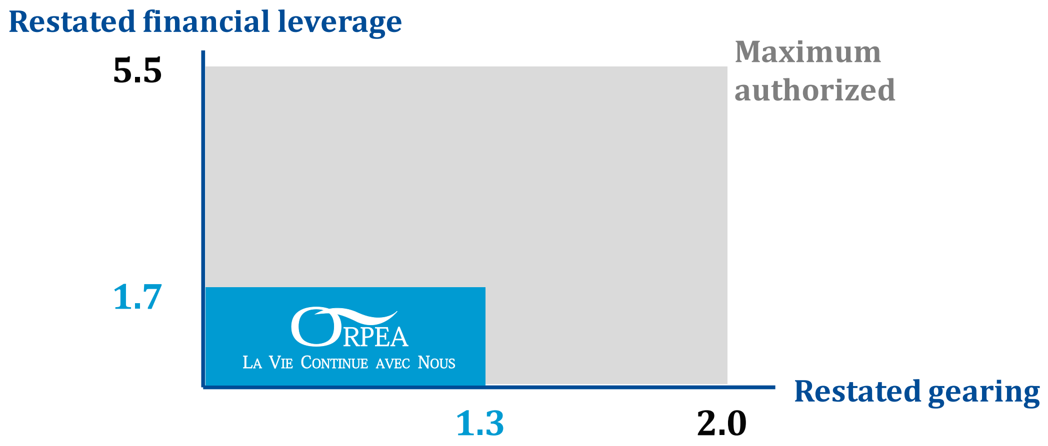
Metrics	30-June-2013	31-Dec-2012	30-June-2012
Net financial debt*	1 864	1 811	1 756
Restated financial leverage[1]	1.7	1.7	2.1
Restated Gearing [2]	1.3	1.2	1.3

** Excluding €236m in debt linked to assets held for sale*

1 $\frac{\text{Net financial debt – Real estate debt}}{\text{Ebitda – (6\% of Real estate debt)}}$

2 $\frac{\text{Net financial debt}}{\text{Shareholders' equity + quasi equity}}$

Banking covenants met comfortably



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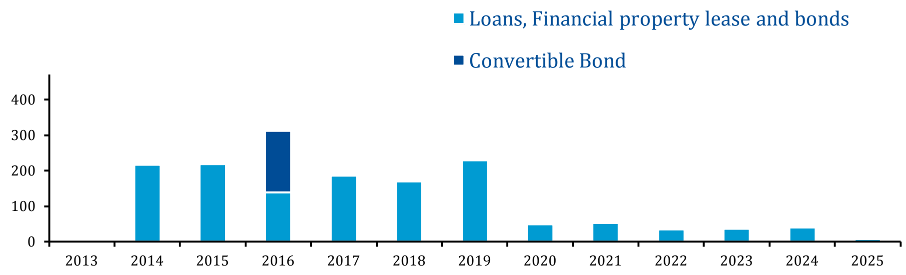
Solid financial structure

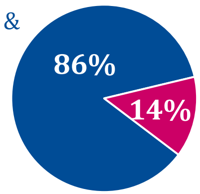
Net financial debt maturity profile* (excluding bridge loans)
BEFORE issuing Convertible Bond and Belgium Bond in July 2013



Average maturity of net debt	4.5 years
% of non-bank debt in net debt	27 %

Breakdown of net debt

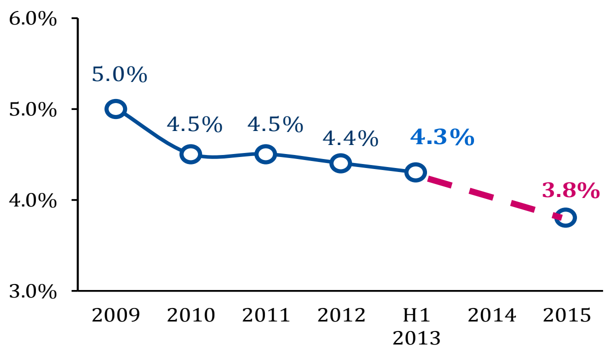
Real estate debt
- Financial property leases & long-term loans



Operating debt
- Mid and long-term loans

Change in the total cost of debt
(after hedging)

- **Approx. 95% of the debt is hedged at fixed rate from 2013 to 2018**



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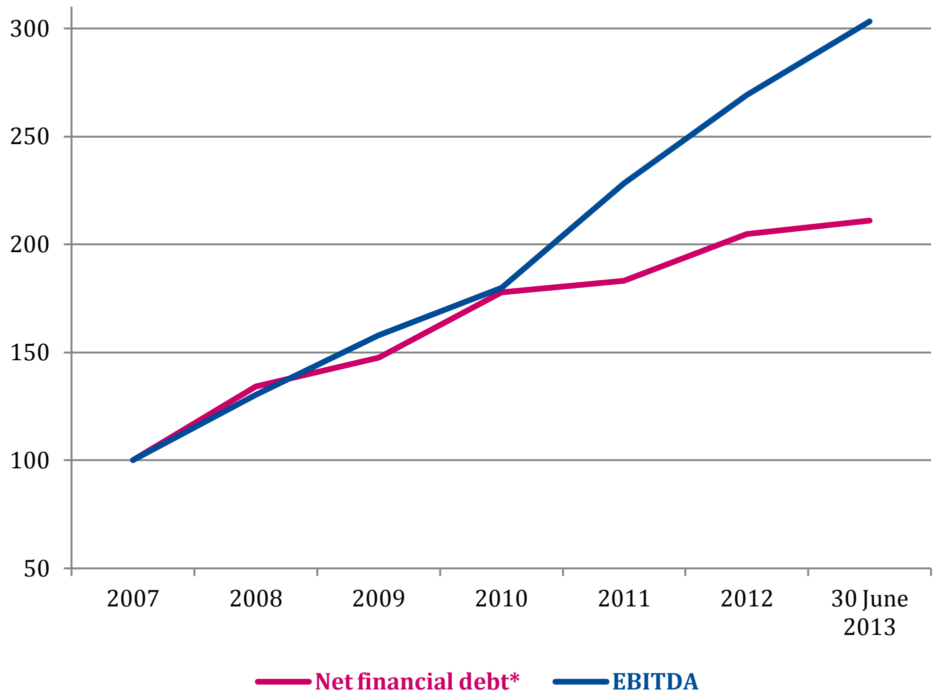
Trend in financial debt and EBITDA

Evolution in net financial debt* and EBITDA over 6 years (basis index 100 in 2007)



	Change 2007 - H1 2013	Change 2010 - H1 2013
Net financial debt*	*+111%*	*+19%*
EBITDA	*+203%*	*+69%*

Sharp slowdown in debt increase since 2010

+

Continued strong growth in EBITDA

** Excluding debt linked to assets held for sale*

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Continuation of the financial optimisation strategy

Objectives

- Continue the debt disintermediation strategy: diversify sources of financing
- Increase the average maturity of debt
- Reduce the cost of debt

€128m of bond issues through European private placements

- France: €53m private placement with a maturity of 6.5 years (2019)
- Belgium: €75m of bonds issued in July 2013 in two tranches: 5.5 and 7.5 years
- Bond investors showing strong demand for ORPEA bonds

€198m ORNANE issue: a major success

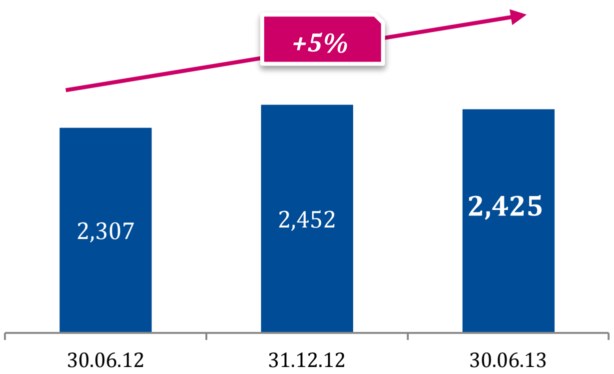
- ORNANEs: bonds with the option for redemption in cash and new and/or existing shares
- Managing dilution: less dilutive than a traditional convertible bond + offer to buy back the 2009 BSAAR warrants
- Par value: €46.56 (27% issue premium)
- Annual coupon: 1.75%
- Maturity: 6.5 years (1 January 2020)

➔ **Over 4 times oversubscribed on the best terms**

Real estate portfolio

	30-June-13	31-Dec-12	Change
Number of buildings fully owned	**144**	142	***+2 buildings***
Number of buildings partially owned	**114**	106	***+8 buildings***
Built surface area (in sqm)	**859,000**	825,000	***4%***
Total value* (€m)	**2,425**	2,452	***-1%***

Trend in the value of the real estate portfolio* (€m)



** Excluding assets held for sale for €236m as at 30 June 2013.*

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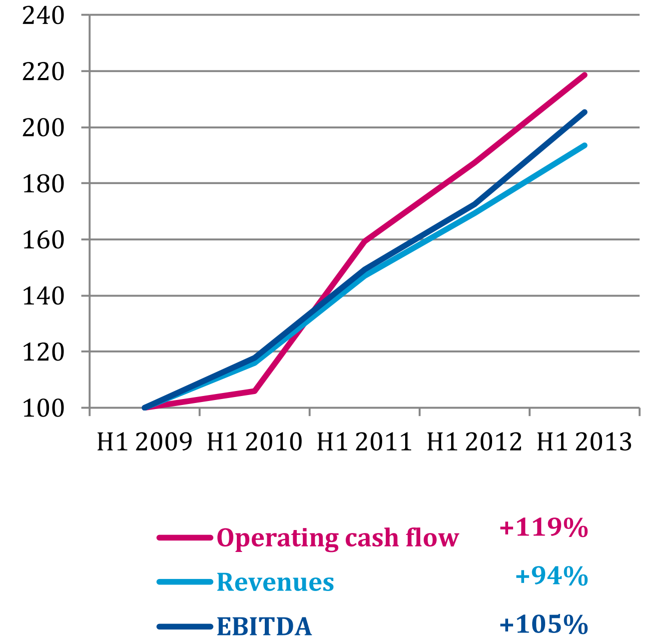
Cash flow statement

In €m	H1 2013	H1 2012
Recurring EBITDA	145	122
Net cash flow from operating activities	**91**	78
Net cash flow from internal investment [1]	**-37**	-28
Investment in construction	-102	-187
Property sale	65	159
Total internal cash flow [2]	**54**	50
Net cash flow from external investment	**-178**	-152
Acquisition of property	-121	-66
Acquistion of operating assets (intangible assets)	-57	-86
Net cash flow from financing activities	**29**	13
Change in cash during half-year period	**-95**	-89

[1] Net cash flow from internal investment: investment in construction required for maintenance and to harness the pipeline, net of property sale and excluding acquisition

2 Internal cash flow = net cash flow from operating activities + net cash flow from internal investments

Trend in operating cash flow / EBITDA and Revenues (base 100 H1 2009)



Operating cash flow

+17%

Investment in construction

-45%

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Strategy and outlook

New openings since beginning of 2013: 1,200 beds

Guérande (44), Nursing home – 90 beds

Le Cannet (06), Nursing home–120 beds

Cateau Cambresis (59), Nursing home– 94 beds

Nivelles (Belgium), Nursing home – 85 beds

Nebbiuno (Italy), Psy. Facility – 110 beds

Meyzieu (69), Post-acute facility – 104 beds

Nantes (44), Nursing home – 90 beds

Bobigny (93), Nursing home – 90 beds

Brasles (95), Nursing home – 70 beds

Lyon (69), Psy. Facility – 179 beds

St Sulpice de Royan (17), Nursing home – 84 beds

Nyon (Suisse), Post-acute facility – 90 beds

New openings by end of 2013: approx. 800 beds

Espira d'Agly (66), Nursing home – 70 beds

Batz sur Mer (44), Nursing home – 48 beds

Rezé (44), Nursing home – 96 beds

Vouziers (08), Nursing home – 88 beds

Chamalières (63), Post-acute facility – 90 beds

Parmain (95), Nursing home – 70 beds

Biganos (33), Nursing home – 88 beds

La Garenne Colombes (92), Nursing home – 103 beds

Examples of added-value projects

Cannes (06), Nursing home – 95 beds

Paris Batignolles (75), Nursing home – 125 beds

Saint Raphaël (83), Post-acute facility

Ostdende (Belgium), Nursing home – 84 beds

De Haan (Belgium), Nursing home – 80 beds

Schoten (Belgium), Nursing home – 125 beds

2013: continued growth and cash flow strategy

STRATEGY

1. **Devleopment focused outside France**

\+

2. Opening of the pipeline of approx. 8,500 beds

\+

3. Optimisation of the financial structure

\+

4. **Investment under control**

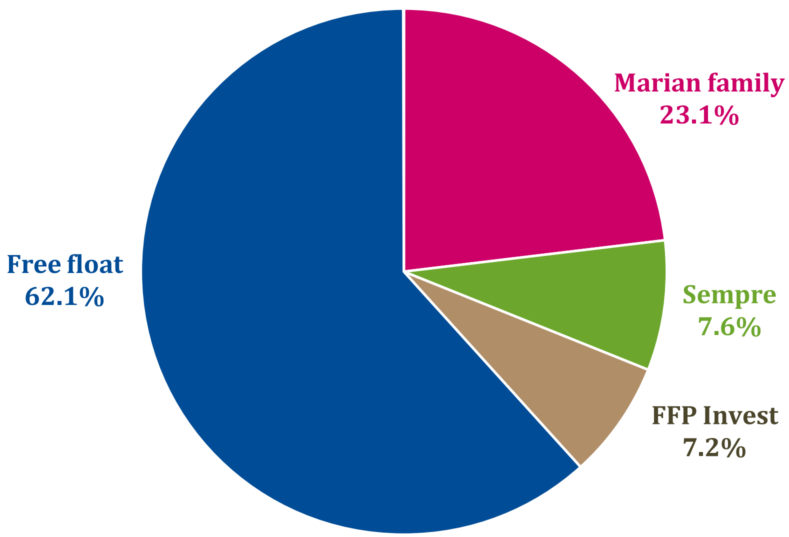
2013 TARGETS

- Strong increase in revenue and solid organic growth: **€1,600m (+12%)**
- **Increase in profitability and cash flow**
- **Stabilization of the debt**
- **Property sale for more than €200m**

Appendices

Shareholding structure and Governance

- **Shareholding structure (% of capital)**



- **Board of Directors**
  - **Dr Jean-Claude Marian** – Chairman
  - **Yves Le Masne** – CEO
  - **Brigitte Michel**
  - **Alexandre Malbasa**
  - **Jean Patrick Fortlacroix**
  - **FFP Invest** (Thierry Mabille de Poncheville)
  - **NEO-GEMA** (Philippe Austruy)

Strong solvency position of people aged 85+

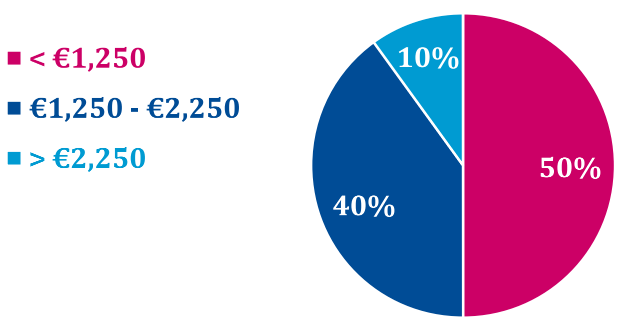
Comparison of nursing home cost vs. wealth

Average cost of nursing home for a resident	€46,200 **Assumptions:** - Average cost: €2,200 per month - Average length of stay: 21 months
Average wealth of people aged 85+	**€135,000**

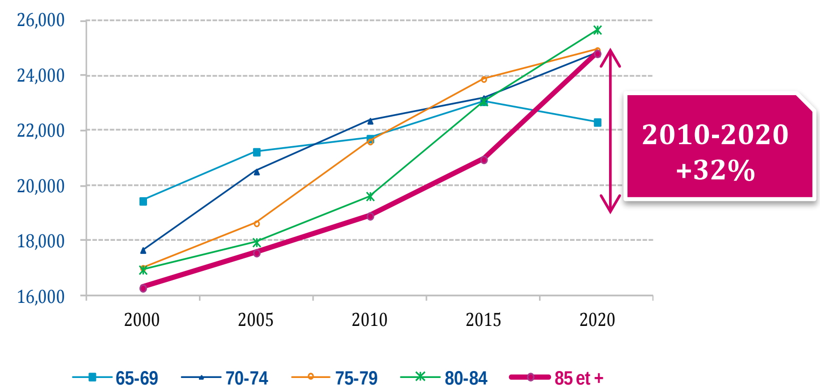
Source: IGAS 2010 report: €110,000 to €160,000

Income of elderly

Average pension (excluding other income)**:**
€1,300 per month with wide disparities



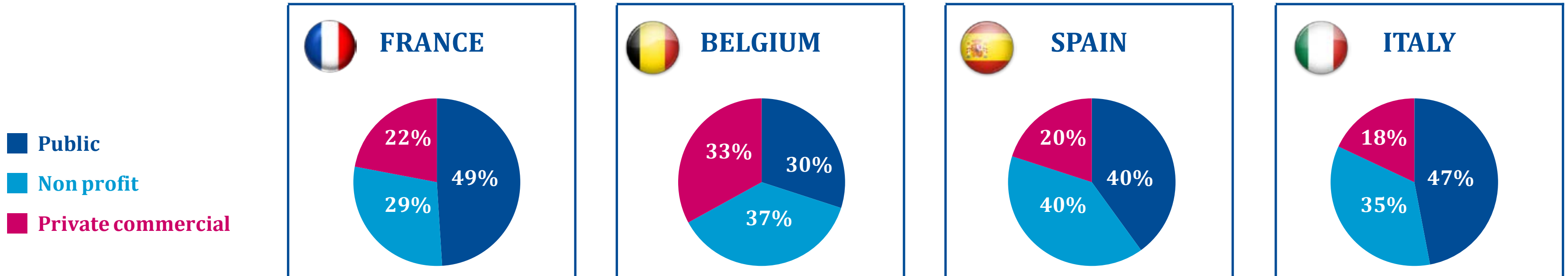
Trends in income of the elderly by age bracket



Source: Report by Jean De Kervasdoué, Professor of Health Services Economics and Management, CNAM

European nursing home sector

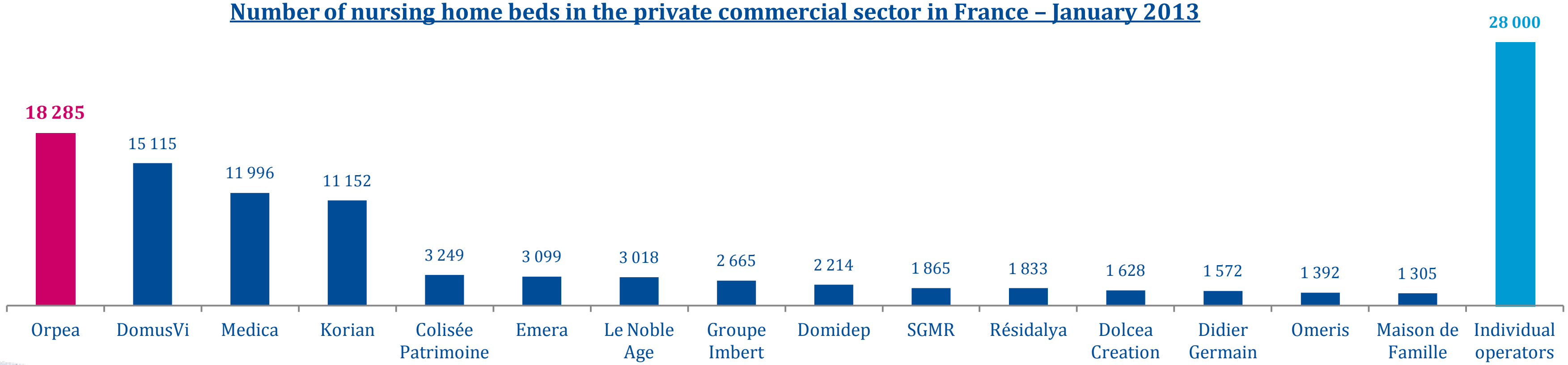
Low market share of the private sector in Europe



	FRANCE	BELGIUM	SPAIN	ITALY
Nbr. Of beds	540,000	135,000	350,000	340,000
ORPEA Market share	3.5%	4.8%	1%	<1%

Fragmented French private commercial sector

Number of nursing home beds in the private commercial sector in France – January 2013



Stock market information

Data as at September 5, 2013

- **Market data (last 12 months):**
  - **Average daily volume:** 79,000 shares (= €2.6m)
  - **Price**: €35.46
  - **High (12-month)**: €36.89
  - **Low (12-month)**: €29.90
  - **Turnover:** 38% in 12 months
  - **Market cap.**: €1,879m
  - **Number of shares:** 52,998,062

ORP LISTED NYSE EURONEXT

- **Indices:**
  - **Compartment A of Euronext Paris, NYSE Euronext**
  - **Member of CAC Mid 60, SBF 120 and MSCI Small Cap Europe**
  - **Member of SRD**

- **Contacts:**
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