

## ORPEA NOW BECOMES ONE OF THE WORLD LEADERS IN LONG-TERM CARE BY EXPANDING TO SOUTH AMERICA AND REINFORCING ITS EUROPEAN FOOTPRINT

**BRAZIL: 2,000 BEDS UNDER CONSTRUCTION**

**PORTUGAL: 1,000 BEDS UNDER CONSTRUCTION**

### EARLY REDEMPTION OF THE ORNANE 2020 BONDS

**STRONGER EQUITY SHAREHOLDER**

**REDUCTION IN FINANCIAL EXPENSE**

**Puteaux, 4 September 2017 (6:00 pm CEST)**

The ORPEA Group announces today its expansion into Brazil and Portugal and the early redemption of its ORNANE 2020 bonds.

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

*“ORPEA is already present in 10 countries, and in line with its strategy, ORPEA is accelerating its international expansion by expanding to South America and strengthening its European footprint. Brazil and Portugal offers opportunities ideally suited to the Group growth model. We already have 2,000 beds in Brazil and 1,000 beds in Portugal under construction in prime locations in these countries.*

*For this development, which mainly involves the construction of new facilities and will thus create substantial value over the long term, ORPEA is partnering with the SIS group. ORPEA has a longstanding relationship with the SIS group, which has considerable expertise in both these countries.*

*The expansion into South America via Brazil represents a tremendous promising source of growth for the future, as there is very strong demand for long-term care with a high-quality offering. Working together with the SIS group, ORPEA will actively continue to ramp up its activities in Brazil, both through additional construction projects and potential selective acquisitions. The development in Portugal will help amplify the European network.*

*At the same time, the early redemption of the ORNANE bonds in shares will help to reduce the borrowing costs and reinforce the Group investment capacity in order to finance the development and bolster the real estate portfolio.*

*With a presence across 12 countries on 3 continents, ORPEA is now a world leader in long-term care, with a range of services and care offers meeting the highest quality standards.”*

## Brazil: 2,000 beds under construction and very strong expansion potential

Brazil represents an exceptional development opportunity for ORPEA over the upcoming years given its size (over 200 million inhabitants), its health-focused culture, and its middle and upper classes with rapidly growing purchasing power.

In the sector of long-term care, conditions in Brazil are favourable for ORPEA's development:

- very rapid population ageing: the population of over 80s is set to rise fivefold by 2050, from 3.3 million at present to over 15 million, double the growth rate of European countries
- a concentration of elderly people in regions with strong purchasing power
- limited supply with 100,000 beds (3,500 facilities), i.e. approximately 3 beds per 100 people over 80, compared with 20 in Europe
- a sector predominantly composed of small-scale, medium-quality operators and dominated by public-sector and not-for-profit players
- no regulations on day rates, which are entirely paid by the residents and their families

To date, 2,000 beds are already under construction in locations with strong purchasing power, including Sao Paulo, Rio de Janeiro, Belo Horizonte and Fortaleza.

Brazil offers large development opportunities, and ORPEA is actively preparing to ramp up its operations there, through both organic growth with additional construction projects and a few selective acquisitions of existing facilities.

This presence in a new continent located far from Europe, in a complex country, reflects several years' groundwork by ORPEA's teams. They have carefully prepared the expansion in compliance with local standards and regulations. The Group now has the required organisation, control framework, development teams and infrastructure to succeed in Brazil.

## Portugal: 1,000 beds under construction in the country with the oldest population of Europe

Portugal meets all of ORPEA's selection criteria:

- the number of over-80s will more than double by 2050, rising from 630,000 at present to over 1.3 million
- regulations creating a barrier to entry with a licensing system
- limited supply in the sector of long-term care: small operators and very few private rooms
- a fragmented private sector accounting for merely 20% of the offer

To date, approximately 10 facilities accounting for 1,000 beds, are currently under construction in strategic locations such as Lisbon, Cascais and Porto.

## Investment in partnership with the SIS Group

ORPEA has decided to partner with the SIS Group to expand and grow in these two countries. The SIS group is a family-owned company that holds all the shareholdings and businesses of Philippe Austruy, a well-known entrepreneur and a pioneer in Europe's private health and the sector of long-term care. Over the past 40 years, he has been involved in the restructuring of the sector in France, setting up Générale de Santé, Medidep and, more recently Mediter and Medibelge (acquired by ORPEA in late 2010).

This will speed up ORPEA's expansion by several years, and ORPEA will also benefit from SIS' experience in both countries.

ORPEA and SIS have set up two joint ventures - one in Portugal and the other in Brazil - in which ORPEA owns 49% of the capital with an option to buy the remainder exercisable over the next few years. All development projects are considered and reviewed jointly by SIS' and ORPEA's teams, with

ORPEA taking charge of operational management. Following its real estate strategy, ORPEA will ultimately hold a majority part (over 50%) of the facilities to be built in each country.

### Early redemption of the ORNANE 2020 bonds

ORPEA has decided to redeem early all its ORNANE bonds (bonds convertible into new shares and/or exchangeable for existing shares) with a repayment option in cash and/or new shares (hereinafter “the ORNANE bonds”) due on 1 January 2020, issued on 17 July 2013 and still outstanding to date.

ORNANE bondholders who so wish will need to exercise their conversion right by 5:00 pm on 22 September 2017 at the latest, in line with the arrangements available on the ORPEA website: [www.orpea-corp.com](http://www.orpea-corp.com), under Publications/Other regulated information, or by clicking [here](#).

The concept of the ORNANE bonds is that the performance component is paid in shares and the nominal amount is repaid in cash or shares, as decided by the Company. In the case of a nominal repayment in shares following the exercise by the ORNANE bondholders of their conversion right, the total number of shares to be created remains unchanged throughout the life of the ORNANE bonds (unless the conversion ratio linked to the dividend, which currently stands at 1.068, is adjusted), irrespective of any changes in the share price.

On 4 September 2017, 3,695,897 ORNANE bonds remained outstanding, i.e. 86.75% of the initial tranche, representing approximately €172 million. In addition, upon the exercise of the conversion right, the ORNANE bonds, including the nominal value, will be redeemed in new shares. The Company will therefore issue a maximum of 3,947,218 new shares.

This deal enables ORPEA to:

- strengthen its balance sheet by reducing its gearing through the twin impact of the reduction in debt and increase in equity
- reduce its financial expenses
- enhance its borrowing capacity so that the Group can accelerate its expansion through acquisitions of operating and related real estate assets.

A notice will be published in the BALO on Wednesday, 6 September 2017.

**Next press release: Half-year 2017 results  
26 September 2017 after the market close**

#### About ORPEA ([www.orpea-corp.com](http://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 775 healthcare facilities, with 79,838 beds (9,371 of them under refurbishment or construction), including:

- 33,122 beds in France at 357 facilities (2,409 beds under refurbishment or construction);
- 46,716 beds outside France (Germany, Austria, Belgium, China, Spain, Italy, Czech Republic, Poland and Switzerland) at 418 facilities (6,962 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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