Press release

H1 2021: STRONG GROWTH AND MARKED INCREASE IN PROFITABILITY

- REVENUE: +8.7% TO €2,070 MILLION
- EBITDAR MARGIN: +110 BPS TO 24.9%
- NET PROFIT: +40% TO €102 MILLION (€110 MILLION EXCL. IFRS 16)

ORPEA, LEADING EUROPEAN HEALTHCARE REAL-ESTATE COMPANY

- REAL ESTATE PORTFOLIO: +€463 MILLION TO €7.4 BILLION

CSR: AN AMBITIOUS 2023 ROADMAP

- 16 KEY PERFORMANCE INDICATORS

2021 GUIDANCE REITERATED

- REVENUE > €4,215 MILLION (+7.5%)
- EBITDAR MARGIN: H2 2021 > H1 2021
- REAL ESTATE DISPOSALS OF €400 MILLION

Puteaux, 21 September 2021 (6:00 pm CEST)

The ORPEA Group, a world leader in long-term care (nursing homes, post-acute and rehabilitation hospitals, psychiatric hospitals, home care services), today announces its consolidated results for H1 2021[1] (six months to 30 June), as approved by the Board of Directors on 21 September 2021.

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

"ORPEA posted a significant improvement in results during H1 2021. Net profit was up more than 40% and our real estate portfolio increased by €463 million, positioning the Group as the leading European healthcare real estate company with assets totalling €7.4 billion.

At the same time, we also pursued our development strategy with the creation of new facilities and sustained external growth, with six acquisitions representing almost 5,000 beds and €210 million in future revenue, as well as a significant boost to profitability. In terms of organic growth, ORPEA enjoys a record growth pipeline of more than 26,000 beds under construction, of which more than 4,000 will have opened in 2021. These new facilities, in prime locations, will drive future organic growth.

This strategy draws on highly ambitious 2023 CSR objectives that focus on the Group's five stakeholders – our residents, patients and families, employees, partners, local communities and the environment. At ORPEA, we believe that our sustainability commitments and financial performance are inextricably linked: creating the conditions for our employees to fulfil their career ambitions, building facilities that are authentic living spaces, constantly improving quality, and our resolute environmental commitment will together ensure the Group's long-term operational performance."

[1] Auditor's review in progress.

Covid-19: sanitary situation under control

Thanks to the vaccination campaign launched at the beginning of the year and constant vigilance as new variants appear, the sanitary situation has further improved and remains under control. The percentage of residents and employees who tested positive was less than 0.2% at 20 September 2021 (and for the last several months). 98% of our facilities now have no cases of Covid-19. This is down to the successful vaccination campaign, with more than 90% of residents and 85% of employees fully vaccinated (99% of them in France). These results underline, yet again, the professionalism of the Group's teams, who have demonstrated unwavering dedication over the past 18 months.

Strong improvement in results during H1 2021 [2]

Half-year results for 2021 are presented in line with IFRS, including IFRS 16, and in accordance with current regulations and recommendations.

In €m (IFRS)	**H1 2021**	H1 2020	***Chg.***
Revenue	**2,069.5**	1,904.2	*+8.7%*
EBITDAR (EBITDA before rental expenses)	**514.9**	453.4	*+13.6%*
EBITDA	**499.4**	439.0	*+13.8%*
Recurring operating profit	**230.7**	196.7	*+17.3%*
Net interest expense	**-109.2**	-113.3	*-3.7%*
Profit before tax	**133.1**	98.7	*+34.9%*
Net profit attributable to ORPEA's shareholders	**102.4**	**73.0**	*+40.3%*

At €2,069.5 million, H1 2021 **revenue** rose +8.7%, of which +5.2% was organic growth. Growth accelerated significantly in Q2 as the vaccination campaign was successfully rolled out, leading to a sustained recovery in nursing home admissions as of March 2021. Organic growth was therefore markedly stronger during Q2 2021 at +9.8% (versus +1% over Q1 2021).

EBITDAR (EBITDA before rental expenses) was up +13.6% to €514.9 million, representing a margin of 24.9%, mainly owing to strong growth in Central Europe, where margins topped pre-pandemic levels (26.6%). Moreover, the Iberian Peninsula and Latam region stood out, thanks to a significant increase in profitability (EBITDAR margin of 19.8%, +970 bps), despite a decline in activity levels.
The effects of coronavirus persisted across the half as a whole, with a gross Covid-19 impact of €133 million (drop in activity, additional costs for personal protective equipment and additional staff costs). Taking into account compensations received, net costs stood at €35 million, a decrease of 34% compared with H1 2020. These compensations are recognised in recurring operating profit, whether as an income in "other products" for those related to loss of business or as a reduction in costs for those related to additional costs.

EBITDA was up +13.8% at €499.4 million, giving a margin of 24.1% of revenue, representing a 100 bp increase compared with H1 2020.

Recurring operating profit came out at €230.7 million (+17.3%) after depreciation, amortisation and provisions of €268.7 million (+10.9%), reflecting the growth in our real estate portfolio.

[2] Limited review in progress

Net non-recurring gains were €11.6 million, compared with €15.3 million in H1 2020.

Net interest expense was down 3.7% at €109.2 million– a decline that confirms the attractiveness of the financing conditions obtained in recent quarters.

After accounting for an income tax expense of €30.9 million, **net profit attributable to ORPEA's shareholders** was up an impressive +40.3%, at €102.4 million. Excluding IFRS 16 impacts, consolidated net profit attributable to ORPEA's shareholders was €110.1 million.

Strengthening of the financial structure and continued diversification

Net debt stood at €6,841 million[3] at 30 June 2021, compared with €6,156 million at 31 December 2020. This increase reflects the high level of investments made by ORPEA during the first half of the year, which resulted in an equivalent increase in operating assets (intangible assets and real estate) of €685 million.

Real estate assets accounted for 86% of debt, stable compared with end-2020. Financial ratios governing debt remained below their ceilings, with financial leverage restated for real estate assets at 3.8 (5.5 authorised) and a restated gearing of 1.7 (2.0 authorised).

As part of its policy of diversifying financing, ORPEA has completed almost €1 billion in transactions since the beginning of the year:

- first sustainable bonds issue for €500 million over 7 years, completed in March 2021;
- issue of a Schuldschein worth €395 million in July 2021, 40% of which will be used to refinance 2022 maturities and 60% to finance further expansion.

Over the past 5 years, the Group has therefore significantly strengthened its financial structure to be more robust and flexible: duration has increased by 1.2 years (6.2 years at 30 June 2021), disintermediation is up 32% (53% of non-bank debt) and cost is down 120 bps (2.20% at 30 June 2021).

ORPEA, the leading European healthcare real estate company, with total assets of €7.4 billion

At 30 June 2021, ORPEA's real estate portfolio stood at €7,432 million[4], representing growth of +€463 million over the period, with new facilities notably in Ireland, Austria and France. ORPEA now owns 47% of its facilities.

With current healthcare real estate investment momentum strong (€7 billion in transactions in Europe in H1 2021 compared with €11 billion for 2020 as a whole[5]), ORPEA is also the leading healthcare real estate company in Europe, with 95% of its assets located in major Western European countries. The real estate capitalisation rate was stable at 5.3%, still cautious compared with recent market transactions on the same type of assets, with returns of between 4% and 5%[5].

ORPEA has continued its strategy of real estate disposals. To date, almost €300 million in disposals are already underway, with a target of €400 million for the year.

[3] Excluding €475 million in bridging loans relating to assets held for sale at 30 June 2021, which will be repaid using the proceeds from the disposal of assets held for sale.

[4] Excluding the impact of €475 million in real estate assets held for sale as of 30 June 2021.

[5] JLL: Survey: "European Healthcare" (July 2021)

Continued and accelerated expansion

Since the beginning of 2021, ORPEA has continued its strategy of positioning the network at the premium end of the market by creating new facilities centrally located in large cities. The Group has confirmed the planned opening of 4,055 new beds over the 2021 financial year.

In the same time, since the beginning of the year, ORPEA has completed six selective acquisitions (in Ireland, Spain and Switzerland) representing 4,700 beds and more than €210 million in revenue at maturity. These developments underline the unique nature of ORPEA's external growth model: medium-sized, high-quality groups that are easy to integrate and offer major revenue and profitability growth potential.

ORPEA is thus consolidating its position as world leader in long-term care, with 1,156 facilities, representing 116,514 beds, of which 90,155 are open, and a record growth pipeline of 26,359 beds under construction.

Faced with the demographic challenges of the years ahead and thanks to its innovative, high-quality and highly diversified care offering for all vulnerabilities at various stages of life – ranging from children and teenagers in mental health, to independent seniors in assisted-living facilities and at home, and highly dependent elderly persons in nursing homes – the Group is well positioned to continue its assertive and value-creating growth strategy.

CSR strategy: an ambitious and scalable 2023 roadmap

Our success is built around our people who look after the well-being of the men and women in our facilities every day. It is intrinsically linked to our social and environmental responsibility. CSR is therefore native for ORPEA and has always guided its actions and projects. Protecting the well-being and safety of patients and residents, supporting families and loved ones, fostering our employees' professional fulfilment, including through training and internal promotion, and building sustainable facilities that are great places to live are all key commitments made to the Group's stakeholders and key drivers of value creation.

Based on a proposal by Executive Management, the Board of Directors created a CSR and Innovation Committee in January 2021. Our CSR commitment is therefore present at each level of corporate governance: Board of Directors, Executive Committee, Executive management of geographical regions and Facility managers.

The Group has drawn up a CSR roadmap for 2023 that includes 16 ambitious objectives, coupled with key performance indicators (KPI) focused on the Group's five stakeholders:

- **Residents, patients and their loved ones**, with four objectives, including: 100% of facilities quality-certified by an external body (ISO or higher), a trained ethics officer for each facility, roll-out of three innovative well-being programmes;
- **Employees**, with five objectives, including: a 15% reduction in work-related accidents, 50% internal promotion, 50% of women in ORPEA's Top Management;
- **Partners**, with two objectives, including 100% of regional, national and international suppliers signed up to the Responsible Procurement Charter;
- **The environment,** with two objectives, including HQE certification for all new buildings and a 5% reduction in energy consumption;
- **Local communities**, with two objectives, including, 100% of facilities implementing a local solidarity action.

This roadmap was drawn up with the teams and is intended to take into account any changes to stakeholders' expectations: it is therefore scalable and firmly rooted in considerations on the ground so that each employee can feel truly involved in its implementation. Between now and the end of the year, ORPEA will build on the roadmap to finalise its global environmental strategy. This strategy will include a carbon footprint reduction target in order to contribute to the fight against global warming and ensure that biodiversity is taken into account at our facilities.

Several programmes and initiatives have already been launched to help accelerate the achievement of these 2023 objectives:

- The "Be Well" programme based on the creation of a Nutrition, Health & Wellness Charter to promote the Group's know-how in catering and the prevention of undernutrition and its commitment to food waste;
- The "Female success" programme with the signature of the United Nations' "Women Empowerment Principles" charter, the creation of a specific female leadership training course in partnership with HEC, learning and mentoring communities, and more;
- Participation in the French Corporate Climate Convention (*Convention des Entreprises sur le Climat*), alongside 150 other companies, to design a new greener business model;
- Participation in the "Disability Equality Index", the US benchmark for the integration of disabled employees.

ORPEA's extra-financial performance recognised by rating agencies

ORPEA's CSR commitments have gained recognition from the leading extra-financial rating agencies, with the Group's performance improving:

- **ISS ESG**: ORPEA is labelled Prime with a C+ rating in 2021, up from C previously, positioning the Group in the best performing 10% of the sector's 103 companies;
- **Vigeo Eiris**: rating improved significantly to 49, from 41 previously, placing ORPEA in 4th place in the sector compared with 14th 2 years ago;
- **Sustainalytics**: ORPEA is ranked "medium risk" with a strong improvement within its sector of 113 companies. ORPEA is ranked 5th in 2021 compared with 34th 3 years ago.

Reiterated 2021 targets

Driven by its excellent H1 performance, the Group has confidently reiterated its revenue growth target of more than +7.5% for the current financial year (> €4,215 million), coupled with further EBITDAR margin growth in H2 2021.

Next press release: Q3 21 revenue
3 November 2021 after market close

About ORPEA (www.orpea-corp.com)

Founded in 1989, ORPEA is one of the major world leaders in comprehensive long-term care, with a network of 1,156 facilities comprising 116,514 beds (26,359 of which are under construction) across 23 countries, which are divided into five geographical regions:

- France Benelux: 586 facilities/49,207 beds (5,672 of which are under construction)
- Central Europe: 268 facilities/28,419 beds (5,828 of which are under construction)
- Eastern Europe: 142 facilities/15,255 beds (4,101 of which are under construction)
- Iberian Peninsula/Latin America: 158 facilities/23,108 beds (10,373 of which are under construction)
- Rest of the world: 2 facilities/525 beds (385 of which are under construction)

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

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Glossary:

Organic growth	Organic growth of Group revenue 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 during the year or year-earlier period, and the change in revenue of recently acquired facilities by comparison with the previous equivalent period.
EBITDAR	EBITDA before rental expenses, including provisions related to external charges and staff costs
EBITDA	Recurring operating profit before net additions to depreciation and amortisation, including provisions related to external charges and staff costs
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)
Capitalisation rate	The real estate capitalisation rate or the rate of return is the ratio between the rental amount and the building's value

Consolidated income statement (Auditors' review in progress)

In €m	H1 2021	H1 2020	H1 2021 Restated for IFRS 16	H1 2020 Restated for IFRS 16
Revenue	2,069.5	1,904.2	2,069.5	1,904.2
Purchases used and other external expenses	-373.8	-342.7	-377.1	-512.2
Staff costs	-1,177.2	-1,080.0	-1,177.8	-1,080.0
Taxes other than on income	-83.8	-72.3	-83.8	-72.3
Depreciation, amortisation and charges to provisions	-268.7	-242.3	-123.5	-112.6
Other recurring operating income and expense	80.1	44.3	80.1	44.3
Rental expenses	-15.5	-14.4	-186.2	-169.5
Recurring operating profit	230.7	196.7	202.0	171.3
Other non-recurring operating income and expense	11.6	15.3	11.2	15.3
Operating profit	242.3	212.0	213.2	186.6
Net interest expense	-109.2	-113.3	70	-79.8
Profit before tax	133.1	98.7	143.2	106.8
Income tax expense	-30.9	-28.3	-33.2	-30.2
Share in profit/(loss) of associates and joint ventures	0.1	1.8	0.1	1.8
Net profit attributable to ORPEA's shareholders	102.4	73.0	110.1	79.1

Consolidated balance sheet (Auditors' review in progress)

In €m	30 June 2021	31 December 2020
Non-current assets	15,238	14,556
Goodwill	1,653	1,494
Intangible assets	2,944	2,881
Property, plant and equipment and properties under development	7,432	6,969
Right of use of assets	2,832	2,817
Other non-current assets	377	394
Current assets	2,033	1,860
Cash and short-term investments	*949*	*889*
Assets held for sale	475	550
TOTAL ASSETS	17,746	16,967
Equity attributable to ORPEA's shareholders and deferred taxes available indefinitely	4,161	4,071
Equity attributable to ORPEA's shareholders	3,569	3,495
Deferred taxes available indefinitely on operating intangible assets	592	576
Non-controlling interest	-4	-5
Non-current liabilities	10,506	10,268
Other deferred tax liabilities and other non-current liabilities	842	870
Provisions for liabilities and charges	182	191
Non-current financial liabilities	6,291	6,037
Long-term bridging loans	449	450
Long-term lease commitments	2,743	2,720
Current liabilities	3,084	2,633
Of which short-term debt	*1,458*	*1,008*
Short-term bridging loan debt	*66*	*48*
TOTAL EQUITY AND LIABILITIES	17,746	16,967

Cash flows excluding IFRS 16 (Auditors' review in progress)

In €m	H1 2021	H1 2020
Net cash generated by/(used in) operating activities	213	245
Investments in construction projects	-296	-168
Acquisitions of real estate	-158	-194
Disposals of real estate	29	1
Net investments in operating assets and equity investments	-378	-293
Net cash generated by/(used in) investing activities	-803	-654
Net cash generated by/(used in) financing activities	652	472
Change in cash over the period	60	63
Cash at end of period	949	902