

5 December 2016

Response to media speculation

Estia Health Limited (ASX: EHE) ("Estia or the Company") wishes to update the market due to ongoing media speculation concerning certain elements of its outstanding net debt balances.

The Company notes that its net debt balance as at 30 November 2016 was \$265.6 million. This compares with the balance as at 31 October 2016 of \$254.7 million, as disclosed at the Company's Annual General Meeting on 23 November 2016.

The Company advises that the balance as at 30 November is after payment of the Company's final dividend in respect of FY16.

Estia Health Limited also notes that it has a Liquidity Management Policy, as is customary in the Australian Aged Care Industry. The effect of the Company's policy, which remains in place, is to notionally reserve 5% of the balance of the outstanding Refundable Accommodation Deposit (RAD) liability, in undrawn debt capacity or cash. This is a voluntary prudential measure designed to ensure that the Company can comfortably meet all resident obligations as they fall due. These occur at the time that a resident leaves the home.

It is relevant to note the Company's experience in RAD movements. These movements incorporate the value of RADs in relation to exiting residents; incoming residents who elect to pay a RAD; the effect of new residents adopting the Daily Accommodation Payment (DAP) option; those adopting a combination payment option; those electing to move from the DAP option and transfer to the RAD option; as well as incoming RAD cash flows from the opening of new places within brownfield and greenfield developments.

The Company notes that during FY16 it experienced positive net RAD inflows of \$76.4 million, as disclosed in its annual results release. Further, the Company highlighted in its AGM presentation that it generated positive net RAD inflows of \$20.7 million in the FY17 year to 31 October 2016. Positive net RAD inflows in the month to 30 November 2016 were \$7.8 million.

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