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27 October 2017

2017 Annual General Meeting

Chairman's Address
Linda Bardo Nicholls AO

Good morning ladies and gentleman. My name is Linda Nicholls and I am your Chairman at Japara Healthcare.

On behalf of the Board of Directors of Japara, I would like to welcome you to our 2017 Annual General Meeting. This includes our listeners joining us via the audio webcast.

Before we begin the formal business of the meeting, could everyone present please ensure that your mobile phone is turned off or switched to silent.

I also ask you to note that the exit is located at the rear of the room should we need to evacuate. In the unlikely event of an emergency, an alarm will sound and a member of the venue staff will provide you with directions.

Meeting opening

It is 2pm, the appointed time for holding the meeting. I have been advised that the necessary quorum is present, so I have much pleasure in declaring the meeting open.

No apologies have been received for today's meeting.

I would now like to explain the procedure to participate in today's meeting.

For those attendees holding a yellow admission card, you are entitled to vote.

For those attendees holding either a yellow or blue admission card, you may ask questions or make comments.

For those attendees holding a red admission card, you are attending as a visitor and cannot vote or ask questions or make comments.

If you don't have a yellow admission card and think you should have one, please now go to the registration desk outside the room and an officer of Link Market Services will help you.

I ask that attendees wishing to ask a question or make a comment during the meeting to raise their yellow or blue admission card for an attendant.

Please give the attendant your name, and if you are a proxy or corporate representative, the name of the shareholder you represent.

The attendant will introduce you and make a microphone available to you. Please hold the microphone close to your mouth when you speak which will assist our webcast listeners to hear you.

Please limit your questions to two questions at a time so that others have a chance to speak.

I have been advised that valid proxies have been received from 361 shareholders with approximately 98.2 million ordinary shares, being around 37% of the shares in the Company.

To ensure the voting results at today's meeting reflect the votes of all shareholders who are voting, including by proxy, we will be holding a poll on all the resolutions to be considered at this meeting.

A summary of the valid proxy votes received and exercisable for each resolution is set out on the screens behind me.

I now open the poll.

Any attendees who need to leave early may place their completed yellow admission Voting Cards in the ballot box which is near the exit door.

I will explain the voting procedures later in the meeting.

Introductions

I would now like to introduce you to your Board of Directors.

Andrew Sudholz, our Managing Director and Chief Executive Officer, who will present to you after my address;

JoAnne Stephenson, Non Executive Director and Chairman of the Zero Harm Committee, who will report to you on the work of the Committee during the year;

David Blight, Non-Executive Director and Chairman of the Remuneration and Nomination Committee, who will present the Company's 2017 Remuneration Report; and

Richard England, Non-Executive Director and Chairman of the Audit, Risk and Compliance Committee.

Also on the podium is Chris Price, our Chief Financial Officer; and

Bruce Paterson, our Company Secretary.

Present today is Darren Scammell from KPMG. Darren is the Lead Audit Partner responsible the Company's independent audit and will be available during the meeting to take questions.

Thank you Darren for your attendance.

Also joining us today are other members of Japara's senior executive team who are seated in the audience.

Formal address

Aged care is one of the most if not the most heavily regulated businesses in Australia. Whether the operator is a listed company, a private business or a not-for-profit organisation, the Government regulates bed licenses, facility accreditation, employee qualifications, daily care fees, clinical care funding and accommodation pricing.

This span of control is not new. What is new is the wide and growing gap between the costs of care, the number of aged needing care and the indexation of regulated funding for the provision of care.

Aged care industry representatives have identified a disconnect between what the community expects in terms of care and what the Government is prepared to fund providers to deliver. I would add there is a growing mismatch between the care residents need, the service quality the community expects and Government funding.

With that background, it is reasonable for shareholders to ask, ‘what is Japara doing about that mismatch?’ Our CEO will address that question shortly in his update on Japara’s strategy and operations but let me respond at a high level.

At Japara we are in the business of caring for the aged, not just in the aged care business. That means stepping up to meeting resident care needs and community expectations. Does that cost more? Yes.

Over 90% of our residents have high care needs and a majority are living with dementia. That reflects why our staff costs are high—the difference between a registered nurse and a personal care worker or nursing assistant is around \$20-\$30 an hour—and Japara continues to have a registered nurse on every shift in every home.

This is an important point of difference from many in our industry and one we are proud of. Higher care needs and expectations of wellness and lifestyle also provide opportunities for additional services and associated revenue.

Dementia is now understood to be the single biggest health issue of the 21st century. This ‘dementia epidemic’ explains why we are investing in dementia care. We recently employed an experienced and highly regarded dementia care strategist to further advance our existing initiatives and deliver the highest levels of wellness, leisure and lifestyle opportunities to our residents living with dementia.

While quality care is a priority, we are not taking the current funding situation lying down. Directly with Government and also through the Aged Care Guild, Japara is active in bringing real-world provider data, resident needs and policy alternatives to the attention of ministers and policy makers.

We are engaged with the various reviews currently underway including the Tune Review where the recommendations are awaiting ministerial response. Our challenge is to assist Government to improve funding flexibility for care providers in the context of Government’s Budget imperative to control aged care spending.

The indexation freeze on Government funding for care in FY18 will constrain earnings in the face of rising wage and energy costs. Even with this indexation freeze, the demands on the Government’s aged care budget from rising acuity and rapidly growing numbers of aged Australians needing care is expected to continue.

One answer could be allowing those who can afford to pay more towards their daily care to do so and that is one of the 38 ideas pursued in the recently completed Tune Review of Aged Care. We support industry calls for the Government to move quickly on the Tune Review recommendations.

Even with more care being delivered at home, the demand for additional aged care beds is strong, growing and unlikely to be fully met by current industry investment or development plans. Caring for the aged is a long-term business with good long-term growth and long-term returns. Japara has a busy development pipeline of new homes in locations with unmet demand and an active program of significant refurbishments and expansions of existing homes.

The industry doesn't just need more rooms, it needs aged care homes that meet residents' expectations for single rooms with en-suite facilities, WIFI, and modern décor. Currently, 87% of Japara rooms are single style with en-suites and within 12 months every resident room in every one of our homes will have WIFI available.

We are now building 10 new homes that will provide in excess of 1,100 new beds to meet market demand. These new homes are similar to 4-star hotels which provide social and community spaces and a variety of room size and amenity.

We have recently seen contracts associated with retirement villages criticised for poor consumer practices. Japara is not in the retirement village business. However, we do operate a small number of independent living units adjacent to 5 of our aged care homes and see a good future and real value in this style of accommodation which supports individuals and couples living together while ageing at different rates, with access to low-medium care from our aged care home staff.

Hand in hand with new developments, refurbishments, and extensions is the discipline of maintaining a sound balance sheet. That means adequate reserving to ensure Refundable Accommodation Deposits can be repaid promptly when residents leave and it means keeping construction and operating debt at moderate levels. At Japara we see our balance sheet as a particular strength.

In summary, the industry has challenges which we understand and Japara has a strategy which is clear and effective: quality resident care is a priority; working with Government to address policy and Budget issues matters; delivering new and refurbished facilities to meet growing demand is going well; and our balance sheet is strong.

Conclusion

Handling the demands of our industry while providing superior care to our aged residents requires a strong management team. During the year we appointed additional executives in key areas including home management, quality, safety, hospitality, infrastructure and dementia support. Each has settled in well and all are making a great contribution to resident care, day to day operations, business strategy and future corporate growth.

I would like to thank our 5,000+ strong team of nurses, carers and other support staff for their on-going dedication and commitment. Each one of you contributes in an important way to providing a high quality of life and a caring home for our residents.

Our Executive Leadership Team warrants acknowledgement for their tireless efforts in a challenging regulatory and operating environment. On behalf of the whole Board, thank you to Andrew Sudholz our CEO, Chris Price our CFO, Wendy Waddell our Group Executive Care and Commercial, and Ashley van Winkel our Group Executive People and Infrastructure. I would also like to thank my fellow directors for your support and dedication during the year.

Finally, a thank you to you our shareholders for your support throughout the year and your attendance today. I'd now like to invite Andrew to present on operations and our outlook. There will be time for questions after Andrew's remarks and during the formal proceedings of the meeting.

Thank you.

Managing Director and CEO's Address
Andrew Sudholz

Thanks Linda and good afternoon everyone.

I would like to start by providing a review of our FY2017 results. I will then provide a brief overview of our strategy and provide an update on year to date progress for FY2018.

FY2017 result summary

Japara again delivered a solid financial performance in FY2017. Total revenue was up 10.7% to $362.2 million, and EBITDA increased by 7.3% to $60.2 million.

This reflected a moderate uplift in income from care and accommodation, a full year's contribution from the Profke Group acquisition in December 2015 and steady underlying occupancy across our then 43 homes. Average underlying occupancy was at 94.6% excluding homes under development and total operational places were up 3.3% following completion of a number of brownfield developments. Active portfolio management of our substantial real estate assets also contributed around $5 million to the revenue uplift.

The ratio of staff costs to revenue in FY2017 increased moderately to around 68%. This reflects our high care focus, a slow down in the growth rate in government funding including ACFI and EBA increases during the year. Staff costs continued to be actively managed having regard to increasing resident needs, ramp-ups for completed developments and technology improvements.

Net profit after tax was $29.7 million, around $700,000 lower than in FY2016 due to an increase in depreciation and financing costs and a one-off tax benefit received in the prior period.

This result enabled us to pay out total dividends of 11.25 cents per share, maintaining our historical dividend payout ratio of 100%. The final dividend of 5.75 cents per share was franked to 70% due to a lower level of available franking credits as less tax has been paid mainly due to deductions received for our new developments. Going forward, we will continue to frank dividends to the maximum extent possible having regard to available franking credits.

We continued our excellent record of high cash generation during the year delivering net operating cash flows of $31.8 million plus net cash inflows from Refundable Accommodation Deposits (RADs) of $55.7 million. Our balance sheet is strong and well positioned to support future growth, with modest net bank debt of around $20 million at 30 June 2017 and available liquidity of around $190 million.

Operationally, occupancy levels remained constant at around 94% and our 100% accreditation record was maintained during the year. We also achieved healthy bed price growth of 8% and were successful in securing 266 additional bed licenses to support our developments program. We continued to make excellent progress with this program which I will shortly elaborate on.

I'll now move on to provide a brief overview of our medium-term strategy.

Medium-term strategy

Japara has an integrated medium-term strategy to significantly grow our business with a focus on continuing to invest in greenfield developments, which is enabled by our strong balance sheet and cash flows.

Underlying this strategy is a vision of providing the very best care in the very best environment to all our residents, including meeting their changing expectations. We seek to provide real choice for ageing Australians through providing:

- high quality care and lifestyle to residents needing to live in aged care homes;
- specialised dementia care; and
- assisted living to residents who reside in our co-located housing.

Our integrated strategy comprises several elements being:

- greenfield and brownfield developments;
- significant refurbishments;
- operations and innovation;
- acquisitions;
- co-location / assisted living; and
- active portfolio management of our real estate assets.

Greenfield developments

Our greenfield strategy is to build new, high quality and innovative homes in optimal metropolitan locations which are under-bedded, have strong projected demand for aged care and deliver higher bed contract values. These developments should deliver strong cash flow returns through Daily Accommodation Payments, additional services and higher RAD capital inflows.

We typically build to an operational model of 90 to 120 places per home with a variety of room sizes and amenity to the benefit of our residents and that also enable optimal workforce rostering and quality of service.

We have invested over $50 million in new site acquisitions since listing in 2014. We successfully secured 5 additional land sites during the year and have all required land and most of the operating licenses for our current greenfield program.

This program comprises 10 greenfield projects underway across Victoria, Queensland and New South Wales which are at various stages of development. With the addition of our recently completed Riverside Views home in Tasmania, we expect to deliver in excess of 1,100 new places by the end of FY2020.

Our bed price growth should consistently improve with new developments coming on line.

Brownfield developments

Our brownfield strategy is to add incremental capacity to our existing portfolio of homes to maximise their size, efficiency and returns having regard to our optimal operational model.

We completed 4 extensive brownfield projects in Victoria during the year delivering 124 new places. A further 6 projects are underway across 4 States and will deliver a further 139 net new places to our portfolio over the next 2 years.

Significant refurbishment

Our significant refurbishment strategy is to progressively update our existing homes to ensure we are maintaining high quality accommodation and extending the life of our assets. This will also enhance our residents' experience and improve room vales.

A 2 year significant refurbishment program commenced during the year across 14 of our homes which should generate additional EBITDA of around $4.5 million and improved returns through higher accommodation supplement income.

Operations and innovation

We are consistently seeking to improve our operations and expand our service offerings through innovation, technology and management.

We continued to invest in our internal capabilities and systems during the year to support the growing scale of our business and the large proportion of residents with high care and specialist dementia needs. As outlined by Linda, we added additional executives in key areas and are further enhancing IT infrastructure and systems across our business and homes.

We have also recently redesigned our additional services product, Japara Signature, to provide a more consistent and expanded offering of lifestyle and wellbeing services to our residents which we expect will result in greater penetration across our existing portfolio.

Acquisitions

Our acquisition strategy is to continue to grow our portfolio through selective acquisitions that align with our business and investment criteria.

Acquisitions have in the past been important to build scale and our footprint and we remain interested in continuing to acquire businesses which meet our strict investment fundamentals.

Co-location / assisted living

Our integrated living strategy is to provide low to medium-care services to ageing residents living independently in our senior living residences co-located to our aged care homes, supported by wellbeing and allied health services.

We currently have a small number of co-located independent living units in our existing portfolio as well as some 170 units and apartments in early development phase across 2 locations. We intend to continue to invest in the integrated continuum of care model over the medium-term.

Portfolio management

We have significant real estate assets on our balance sheet which in the majority are recorded at cost and through effective portfolio management we expect to extract value to shareholders. This strategy should result in additional revenue for the Company on an on-going basis.

I will now provide an update on year to date progress for FY2018

FY2018 trading update

This year the influenza outbreak across South Eastern Australia has been far greater than usual both in terms of duration and the number of people affected. The impact on the residential aged care sector includes a temporary reduction in occupancy levels and increasing care requirements for residents.

The abnormal severity of the outbreak has impacted Japara by reducing year to date occupancy by approximately 1.9% below original projections. The incidences of influenza have abated in October and occupancy levels have commenced increasing.

A further update on occupancy will be provided with the release of the Company's half year results.

Conclusion

I would like to conclude by thanking our management team and all of our other terrific staff working in our 44 homes, particularly our Facility Managers, and the support office for their dedication and contributions over the course of the year. We are very proud of the high quality of care and service we provide to our many residents and look forward to enhancing our accommodation and service offerings for the future through our new building program and operational initiatives being undertaken.

Finally, I would like to thank you for your support and attention today. I will now open the floor for any questions on Linda's address or my presentation. Please raise your yellow or blue card so an attendant can obtain your details and provide you with a microphone.

Thank you.

Zero Harm Committee Chairman's Address
JoAnne Stephenson

Thank you Linda, and good afternoon everyone.

I am pleased to report on the activities of the Zero Harm Committee during the year.

The Committee was formed in February 2016 and is responsible for overseeing the Group's care, safety and environmental activities to ensure that:

- policies and practices relating to resident safety and the delivery of high quality clinical care are embedded across all our residences;
- workplace health and safety practices to protect the wellbeing of our staff are in place; and
- we are conducting the business in an environmentally responsible and sustainable manner.

During the year, the Committee focussed on risk assessments, improved internal reporting and incident monitoring.

In particular we focussed on a shift to a more pro-active approach to injury reporting and management which included a new injury hotline and reporting software being introduced allowing earlier reporting, investigations and corrective actions to be taken. The results are promising with improvements in lost time injury frequency rates being achieved.

Common injuries experienced in the industry are largely preventable and include slips, trips, falls and injuries from manual handling activities. Japara introduced a number of proactive initiatives during the year including education and specific issues-focussed campaigns (for example relating to occupational violence, manual handling and falls risk), the results of which appear promising in improving resident and worker safety.

As mentioned by Linda, a majority of our residents are living with dementia. Changes in behaviour of people living with dementia are very common and this can include aggressive behaviours such as verbal abuse and physical violence toward both family and our staff.

Our new Dementia Specialist at Japara developed a dementia strategy during the year which is now being rolled out across the Group. The initiatives in this strategy, in conjunction with focussed training to support residents living with dementia related behaviours, should assist to both reduce occupational violence and improve the quality of daily life for our residents.

A number of key executive appointments were made during the year in the areas of safety, infrastructure and dementia support and each of these individuals are making a tremendous difference to our business.
Japara has a social responsibility to conduct its business in an environmentally responsible manner having regard to our residents' needs and the nature of services we provide. The recent appointment of a full-time infrastructure manager will assist the business to proactively meet this responsibility and ensure our physical assets are operated efficiently and maintained effectively. During the year, the Committee had oversight of an extensive infrastructure gap analysis program, with targeted areas for improvement now being implemented and monitored. This includes reviewing our waste management, water and energy usage practices.

Looking forward, the Committee’s focus for the 2018 year has shifted towards the development and implementation of improvement plans and the measurement of progress in priority areas. Some of the key initiatives being introduced include:

- targeting resident fall rates;
- piloting wearable technology to identify manual handling risks;
- rolling-out our specialist dementia care model; and
- piloting waste management, water and electricity consumption reduction programs.

I look forward to providing an update on our progress on these initiatives at next year’s meeting.

Thank you.

Remuneration & Nomination Committee Chairman's Presentation
David Blight

Thank you Linda, and good afternoon everyone.

My name is David Blight, and as the Chairman of Japara's Remuneration and Nomination Committee, I welcome this opportunity to present on Japara's 2017 Remuneration Report, as well as outline the new incentive arrangements the Board has put in place for senior executives for FY2018.

The Remuneration and Nomination Committee works closely with our in house experts as well as external remuneration consultants to make sure that our decisions on remuneration arrangements are soundly based and well informed.

Attending today's meeting is Ben Travers and Andrew Holland from KPMG's Executive Remuneration Group. KPMG has assisted the Board with remuneration arrangements and both Ben and Andrew have kindly made themselves available today.

2017 Remuneration Report

The Remuneration Report for FY2017 is set out in the Company's 2017 Annual Report.

As noted in the Report, an internal management reorganisation was undertaken in September 2016 to strengthen operations, improve efficiencies and help position the business for future growth. This resulted in a change to key management personnel (KMP) as defined for remuneration reporting purposes whereby the CEO and CFO were the only executive KMP members for the full period.

During FY2017 executives received a fixed salary and were also eligible for short term and long term incentive opportunities subject to achieving performance targets and gateway conditions.

While the underlying performance of the business was relatively strong in FY2017, the Group's profit result was not sufficient for a short-term incentive pool to form, and as such no STI was awarded.

Further, the earnings gateway for the long-term incentive for FY2017 was not met, resulting in this LTI being forfeited.

As you have seen, Japara's underlying business continued to perform well against relatively strong headwinds. This performance however was not sufficient to trigger the formation of the STI or LTI. Our entire team, and in particular our CEO and CFO, performed admirably in challenging conditions.

It is precisely this situation that requires the Board to carefully consider the needs of all stakeholders and to find a balanced outcome. The Board was unanimous in its view that despite not reaching the internal targets set for FY2017, and therefore foregoing over $2.25 million of incentive opportunity, the performance of both the CEO and CFO warranted recognition.

As a result, the Board took the decision to award a once only ex-gratia payment to the CEO of $100,000, and to the CFO of $50,000, in recognition of their excellent individual performances through FY2017.

The Board has re-tested annual gateway hurdles for FY2016 LTI and confirmed they continue to be met. This LTI will be tested at the end of FY2018 for award determination purposes. However, it is unlikely that any LTI will be awarded as the performance conditions are not expected to be met. The LTI for the earlier FY2015 period has previously been forfeited as gateway hurdles were not met.

So, now looking ahead to the FY2018 financial year.

The Board is tightly focussed on ensuring our executives are compensated fairly and competitively for their contributions and performance based remuneration arrangements are directly linked to the results and objectives of the business.

We recently reviewed the remuneration framework for Japara having regard to its suitability for the business. A key outcome of this review was that it was becoming increasingly difficult to set performance measures which would remain meaningful and motivating over a 3-year performance period, given the potential for changes in government regulation to have a significant impact on outcomes.

As a result, commencing in FY2018, the Board has changed the performance based incentive framework as follows:

- STI & LTI arrangements have been folded into a single incentive plan;
- The gateway measures and individually tailored performance hurdles to qualify for incentives have been retained. The gateways are as follows:
    - maintaining aged care accreditation at all our homes;
    - no material breach of regulatory or compliance guidelines; and
    - achieving a minimum level of EBITDA as set by the Board, being 5% growth for FY2018;
- The gateways and hurdles will be measured over a 12 month performance period to 30 June 2018;
- There are 3 potential levels of incentive being target, stretch and exceptional. The applicable level depends upon the level of EBITDA growth for FY2018;
- The incentive is awarded as a mix of cash and equity following the end of the performance period. This mix is dependant on the incentive level achieved with a larger proportion delivered in equity at higher incentive levels;
- The cash component will be received shortly after the end of the financial year;
- The equity component (shares) will be received 2 years after the end of the financial year and only if the executive remains at Japara;
- Further, the shares cannot be sold during the 12 months after receipt; and
- Executives will be entitled to dividends (or equivalent) on the equity component from the date of award.

A simple comparison of the old and new incentive framework is shown on the slide behind me.

As you can see:

- The cash component of the award is paid shortly after the end of the financial year – there is no longer a 1 year deferral of half of the cash component;

- Shares are received at the same time under both frameworks, being after year 3 but must be held for a further 12 month period under the new framework during which time they cannot be sold; and

- The equity component can be forfeited under both frameworks prior to being received where the executive is no longer at Japara.

This next slide shows a worked example for the CEO and CFO.

Let me explain how this works.

In order to qualify for the incentive, the gateways I previously mentioned must be met during FY2018. That is, maintaining full accreditation and compliance, and achieving a minimum 5% growth in EBITDA.

In addition, individual performance hurdles have been determined by the Board for each executive specific to the objectives of their roles. These include measures relating to return on invested capital, growth, costs and safety.

So, subject to meeting the gateways and the individual performance hurdles, the CEO and CFO can each achieve between 100% and 200% of their fixed annual remuneration in incentives depending on the level of EBITDA growth achieved during the year.

For example, if we assume EBITDA grows by 8%, the incentive opportunity would be up to 130% of the Executives' fixed annual remuneration - of which 44% would be paid in cash and 56% in equity. Of course, this 130% value represents the incentive opportunity and will only be achieved if all performance measures are achieved in full.

In this example, the incentive opportunity is lower than under the old framework. It is only when EBITDA growth exceeds 10% that incentives may exceed those achievable under the prior framework. This would be an extraordinary level of growth for FY2018 and we as a Board feel very comfortable in providing the corresponding level of incentive of up to 200% of base salary.

The Company also has the ability to clawback any incentive award received inappropriately.

The new framework provides a more focussed incentive arrangement aligned with the key objectives of the business and provides increased alignment between shareholders and executives. This is appropriate for shareholders, the business and our executives.

As a result of the adoption of the new incentive arrangements, there is no requirement to put forward a resolution at this AGM to approve the issue of Company securities to the CEO as has traditionally been the case. A resolution will be put forward, if required, at next year's AGM for this purpose should the CEO meet the gateway measures and performance hurdles for FY2018.

The Board has also reviewed other remuneration settings for FY2018 which resulted in:

- no increase in fixed remuneration for executives;

- no change in the total fee pool from which non-executive directors are remunerated;

- a market based adjustment of 11% to the Board Chairman's fees; and

- no change to other non-executive directors' fees.

In summary, the Board has taken a great deal of time and care to ensure that the remuneration structure is aligned with shareholder interests and value creation. This includes making it contemporary and appropriate to attract, retain and incentivise our senior executives and to encourage strong earnings performance directly aligned to the Company’s targets.

I can assure shareholders that the Board will continue to closely monitor the performance of the executive team and the Company relative to the gateways and performance hurdles, and will diligently determine the award of incentives.

Thank you

MD & CEO's Presentation
Andrew Sudholz

JAPARA
HEALTHCARE

2017 Annual General Meeting

Riverside Views - Launceston, Tasmania
Opened October 2017

FY2017 – Financial highlights

Capital structure and funding sources support growth

JAPARA HEALTHCARE

Total Revenue $362.2m
Up 10.7%

EBITDA $60.2m
Up 7.3% & in line with guidance

NPAT $29.7m
Down 2.3% due to prior year tax benefits

Full Year Dividend 11.25 cents
Interim: 5.5 cents (fully franked)
Final: 5.75 cents (franked to 70%)

Superior Capital Structure
Net bank debt $19.6m at 30 June 2017

RAD Cash Inflows Strong
$55.7m

FY2017 – Operational highlights

Strong operating performance maintained while growth foundation established

JAPARA HEALTHCARE

Bed Prices

Up 8% on pcp as portfolio continually enhanced

ACAR

266 additional bed licence approvals received in FY2017 (1,050 licences available)

Occupancy

Average underlying occupancy of 94.6%

Care

100% accreditation record maintained

FY2017 – Development highlights

Excellent progress on developments program

JAPARA HEALTHCARE

Greenfields Developments

Land now secured for all 11 greenfield projects (5 in FY2017) with 1,166 new beds being built

Brownfields Developments

124 premium rooms delivered & 179 in progress

Capital Expenditure

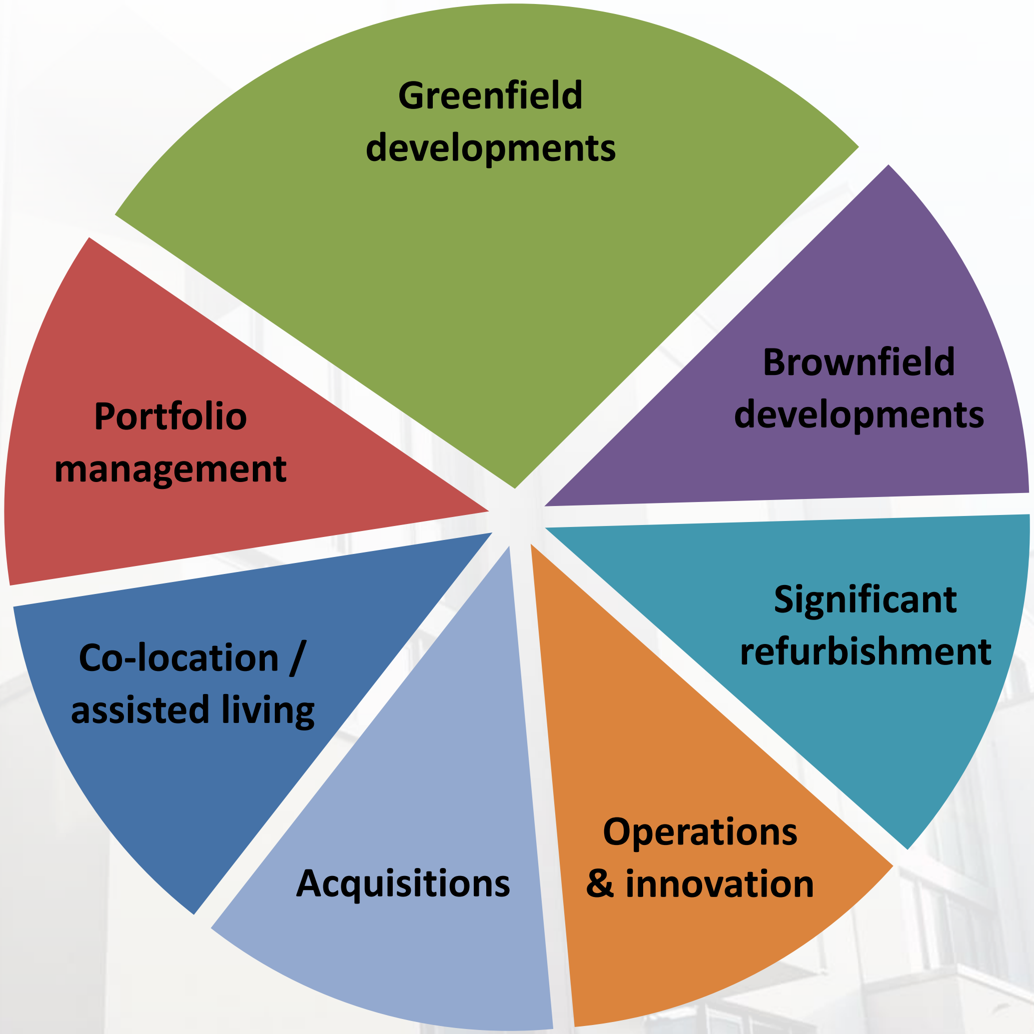
$50m spent on land and developments

Active Real Estate Management

- Sizeable $550m portfolio
- Sale of surplus assets
- Real estate value added

Integrated medium-term strategy

Core elements adding shareholder value



FY2018

Trading update

- This year the influenza outbreak across South Eastern Australia has been far greater than usual both in terms of duration and the number of people affected
- The impact on the residential aged care sector includes a temporary reduction in occupancy levels and increasing care requirements for residents
- The abnormal severity of the outbreak has impacted Japara by reducing year to date occupancy by approximately 1.9% below original projections
- The incidences of influenza have abated in October and occupancy levels have commenced increasing
- A further update on occupancy will be provided with the release of the Company's half year results

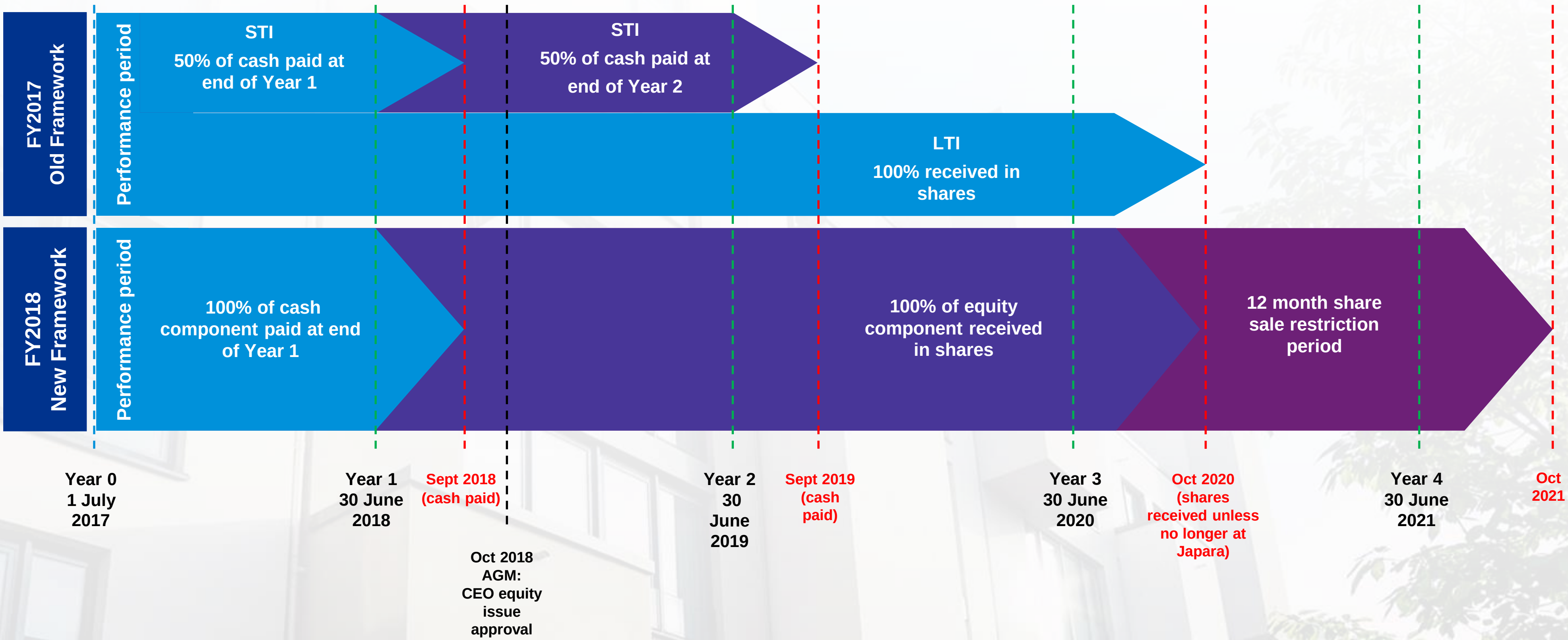
2017 Remuneration Report Presentation
David Blight

FY2018 performance based incentive framework

- STI & LTI arrangements folded into a single incentive plan
- Gateways and individually tailored performance hurdles retained
- Gateways and hurdles measured over a12 month period to 30 June 2018
- Three potential levels of incentive being target, stretch and exceptional
- Incentive awarded as a mix of cash and equity. Mix is dependant on the incentive level achieved
- Cash to be received shortly after the end of the financial year
- Equity to be received as shares 2 years after the end of the financial year and only if still at Japara
- The shares cannot be sold during the 12 months after receipt
- Entitlement to dividends (or equivalent) on equity component from the date of award

2017 Remuneration Report Presentation

Comparison of old and new performance based incentive frameworks



FY2018 incentive opportunity for the CEO & CFO

JAPARA HEALTHCARE

Gateways:

1. Maintain aged care accreditation at all homes
2. No material breach of regulatory or compliance guidelines across all business operations
3. Achieve a minimum 5% growth in EBITDA on the prior year

2018 Framework					FY2017 Framework
Incentive level	EBITDA growth	Incentive opportunity (% of fixed annual remuneration)[1]	% to be awarded in cash[2]	% to be awarded in equity[2]	Incentive opportunity (% of fixed annual remuneration)
Target performance	5%	100%	50%	50%	150%
Stretch performance	10%	150%	40%	60%	150%
Exceptional performance	15%	200%	35%	65%	150%
Example	**8%**	**130%**	**44%**	**56%**	**150%**

Notes:

1. *Where EBITDA growth falls in-between two levels, the incentive opportunity is determined on a straight line basis between the two levels.*
2. *Where EBITDA growth falls in-between two levels, the portion of the award delivered in equity increases and the portion delivered in cash decreases on a straight line basis from the threshold level.*

Disclaimer

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