

14 December 2016

Retail Information Booklet and Entitlement and Acceptance Form

Further to the announcement by Estia Health Limited (**Estia**) on 12 December 2016, attached is a copy of the Retail Information Booklet and pro forma Entitlement and Acceptance Form in connection with Estia's 1-for-3 accelerated non-renounceable pro rata entitlement offer of new Estia ordinary shares.

Media enquiries

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14 December 2016

Estia Health Limited (ACN 160 986 201)

Retail Entitlement Offer

Details of a 1 for 3 accelerated non-renounceable pro rata entitlement offer of new Estia Shares at an offer price of \$2.10 per new Estia Share.

The Entitlement Offer is underwritten.



Retail Entitlement Offer
closes at 5.00pm
(AEDT) on Wednesday,
11 January 2017

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED
STATES

This is an important document which is accompanied by an Entitlement and Acceptance Form. If you are an Eligible Retail Shareholder, you should read both in full. This Retail Information Booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC. If you have any doubt about whether you should participate in the Retail Entitlement Offer, you should seek professional advice from a licensed advisor before making any investment decision. You can also contact the Estia Health Limited Entitlement Offer Information Line on 1800 550 560 (within Australia) or +61 1800 550 560 (outside Australia) at any time from 8.30am to 5.30pm (AEDT) Monday to Friday during the Retail Entitlement Offer Period if you have any questions about the details of the Retail Entitlement Offer.

This Retail Information Booklet (other than the Announcements) is dated 14 December 2016.

The Retail Entitlement Offer is being made pursuant to section 708AA of the Corporations Act (as notionally modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73). This Retail Information Booklet does not contain all of the information which an Eligible Retail Shareholder may require to make an informed investment decision. This Retail Information Booklet is not a prospectus or other disclosure document under the Corporations Act and has not been lodged with ASIC.

The information in this Retail Information Booklet does not constitute financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Retail Information Booklet should be read in full before you decide to participate in the Retail Entitlement Offer. You should also read and understand the information on Estia and the Retail Entitlement Offer made publicly available by Estia, before deciding to participate. In particular, please refer to the enclosed materials and Announcements, Estia's interim and annual reports and other announcements made available at www.estiahealth.com.au or www.asx.com.au (including Estia's annual report for the year ended 30 June 2016).

By returning an Entitlement and Acceptance Form or otherwise paying for your New Shares through BPAY® in accordance with the instructions on the Entitlement and Acceptance Form, you acknowledge that you have read this Retail Information Booklet and you have acted in accordance with and agree to the terms of the Retail Entitlement Offer detailed in this Retail Information Booklet.

Future performance

This Retail Information Booklet contains certain "forward-looking statements", including Estia's expectations about the performance of its business. The words "forecast", "estimate", "likely", "anticipate", "believe", "expect", "project", "opinion", "predict", "outlook", "guidance", "intend", "should", "could", "may", "target", "plan", "project", "consider", "forecast", "aim", "will" and similar expressions are intended to identify such forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements. While due care and attention has been used in the preparation of any forward-looking statements, any such statements in this Retail Information Booklet are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates.

Any forward-looking statements contained in this Retail Information Booklet are not guarantees or predictions of future performance and involve known and unknown risks, contingencies and uncertainties and other factors, many of which are beyond the control of Estia, and may involve significant elements of subjective judgment and assumptions as to future events, which may or may not be correct and therefore you are cautioned not to place undue reliance on such information. Refer to the "Key Risks" section of the Investor Presentation for a non-exhaustive summary of certain general and company-specific risk factors that may affect Estia. Actual results, performance or achievements may vary materially from any forward-looking statements and the assumptions on which such statements are based, as may statements about market or industry trends, which are based on interpretations of current market conditions. Eligible Retail Shareholders should consider any forward-looking statements contained in this Retail Information Booklet in light of those risks and disclosures. Any forward-looking statements are based on information available to Estia as at the date of this Retail Information Booklet. Except as required by law or regulation (including the ASX Listing Rules), Estia disclaims any obligation and makes no undertaking to provide any additional or updated information whether as a result of new information, future events or results or otherwise, or to reflect any change in expectations or assumptions.

Past performance

Past performance and pro-forma historical information in this Retail Information Booklet is given for illustrative purposes only and cannot be relied upon as an indicator of (and provides no guidance as to) future Estia performance. The historical information in this Retail Information Booklet is, or is based upon, information that has been released to ASX.

Not for distribution outside Australia and New Zealand

This Retail Information Booklet does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The New Shares have not been, nor will be, registered under the U.S. Securities Act of 1933 (**U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States.

The Retail Entitlements may not be taken up by, and the New Shares may not be offered or sold to, any person in the United States or any person that is, or is acting for the account or benefit of, any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

This Retail Information Booklet may not be released or distributed in the United States. The distribution of this Retail Information Booklet in other jurisdictions outside Australia and New Zealand may also be restricted by law and any such restrictions should be observed. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Risks

An investment in Estia shares is subject to known and unknown risks, some of which are beyond the control of Estia, including possible loss of income and principal invested. Estia does not guarantee any particular rate of return or the performance of Estia nor does it guarantee the repayment or maintenance of capital or any particular tax treatment. Refer to the “Key Risks” section of the Investor Presentation included in Section 5 of this Retail Information Booklet for a summary of general and specific risk factors that may affect Estia.

Definitions and time

Defined terms used in this Retail Information Booklet are contained in the Glossary. All references to time are to Australian Eastern Daylight Time (**AEDT**), unless otherwise indicated.

Taxation

There will be tax implications associated with participating in the Retail Entitlement Offer and receiving New Shares. Section 6 provides for a general guide to the Australian income tax, goods and services tax and stamp duty implications of the Retail Entitlement Offer for Eligible Retail Shareholders. The guide does not take account of the individual circumstances of particular Eligible Retail Shareholders and does not constitute tax advice. Estia recommends that you consult your professional tax advisor in connection with the Retail Entitlement Offer.

Other general matters

Please read carefully Section 7 of this Retail Information Booklet for other important notices, disclaimers and acknowledgements.

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Summary of Entitlement Offer and Key Dates ¹

Summary of Entitlement Offer

Ratio	1 New Share for every 3 Estia Shares held on the Record Date
Offer Price	\$2.10 per New Share
Number of New Shares to be issued	Approximately 65,149,885 New Shares
Gross proceeds	\$136.8 million

Key Dates

EVENT	DATE
Announcement of the Entitlement Offer	12 December 2016
Retail Information Booklet lodged with ASX	14 December 2016
Record Date for determining eligibility for the Retail Entitlement Offer (7.00pm)	14 December 2016
Despatch of Retail Information Booklets and Entitlement and Acceptance Forms to Eligible Retail Shareholders	19 December 2016
Retail Entitlement Offer opens	19 December 2016
New Shares under the Institutional Entitlement Offer are issued and commence trading on ASX on a normal settlement basis	21 December 2016
Retail Entitlement Offer closes (5.00pm)	11 January 2017
Issue of New Shares under the Retail Entitlement Offer	19 January 2017
Despatch of holding statements for New Shares issued under the Retail Entitlement Offer	19 January 2017
New Shares issued under the Retail Entitlement Offer commence trading on ASX on a normal settlement basis	20 January 2017

These dates are indicative only and are subject to change without notice. All references to time are to Australia Eastern Daylight Time (**AEDT**). Subject to the requirements of the Corporations Act, the ASX Listing Rules and any other applicable laws, Estia has the right, with the consent of the underwriter, to amend the timetable. In particular, Estia reserves the right to extend the Retail Closing Date, to accept late Applications under the Retail Entitlement Offer (either generally or in particular cases) and to withdraw the Retail Entitlement Offer without prior notice. Any extension of the Retail Closing Date will have a consequential effect on the Issue Date.

The quotation of New Shares is subject to confirmation from the ASX.

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application once it has been accepted. Eligible Retail Shareholders wishing to participate in the Retail Entitlement Offer are encouraged to submit their Entitlement and Acceptance Form as soon as possible after the Retail Entitlement Offer opens.

Enquiries

If you have any doubt about whether you should participate in the Retail Entitlement Offer, you should seek professional advice from a licensed advisor before making any investment decision.

If you have questions on how to complete the Entitlement and Acceptance Form or how to take up your Retail Entitlement, or have lost your Entitlement and Acceptance Form and would like a replacement form, please call the Estia Health Limited Entitlement Offer Information Line on 1800 550

Summary of Entitlement Offer and Key Dates ²

560 (within Australia) or on +61 1800 550 560 (outside Australia) at any time from 8.30am to 5.30pm Monday to Friday during the Retail Entitlement Offer Period. A replacement Entitlement and Acceptance Form can also be accessed online by following the Entitlement Offer website link at www.estiahealth.com.au.



14 December 2016

Dear Shareholder,

On behalf of the Estia Board, I invite you to participate in Estia's recently announced underwritten 1 for 3 accelerated non-renounceable pro rata entitlement offer of new Estia ordinary shares (**New Shares**) at an offer price of \$2.10 per New Share (**Offer Price**) to raise approximately \$136.8 million (**Entitlement Offer**).

Proceeds from the Entitlement Offer will be used to reduce core debt¹ and provide additional balance sheet strength and flexibility to execute Estia's preferred business strategy, including greenfield and brownfield development pipeline and significant refurbishment.

Details of the Entitlement Offer

The Entitlement Offer comprises an institutional component to raise approximately \$72 million (**Institutional Entitlement Offer**), and a retail component to raise approximately \$65 million (**Retail Entitlement Offer**). The Entitlement Offer is underwritten.

The Institutional Entitlement Offer was successfully completed on Monday, 12 December 2016, receiving strong support from existing institutional shareholders. The Retail Entitlement Offer opens at 9.00am on Monday, 19 December 2016 and closes at 5.00pm on Wednesday, 11 January 2017.

The Entitlement Offer is non-renounceable and therefore Entitlements will not be tradeable on the ASX or any other exchange, or otherwise transferable. This means that Eligible Retail Shareholders (as defined in Section 1 of this Retail Information Booklet) who do not take up their Retail Entitlements will not receive any value for those Retail Entitlements and their proportionate interest in Estia will also be diluted.

Eligible Retail Shareholders are entitled to subscribe for 1 New Share at the Offer Price for every 3 existing ordinary shares in Estia (**Estia Shares**) held at 7.00pm on Wednesday, 14 December 2016 (**Record date**) (**Retail Entitlement**).

The Offer Price of \$2.10 per New Share represents a discount of 21.6% to the closing price of Estia Shares on 9 December 2016 and a 17.2% discount to the theoretical ex-rights price (**TERP**) of \$2.54².

How to apply

Accompanying this Retail Information Booklet is your personalised Entitlement and Acceptance Form, which contains details of your Retail Entitlement and how to apply.

To participate in the Retail Entitlement Offer, you need to ensure that you have paid your Application Monies by BPAY, or lodged your personalised Entitlement and Acceptance Form with your Application Monies paid by cheque, bank draft or money order, so that they are received before 5.00pm on Wednesday, 11 January 2017.

Further information

Further information on the Retail Entitlement Offer is detailed in this Retail Information Booklet. You should read this Retail Information Booklet in full before deciding whether to participate in the Retail Entitlement Offer. In particular, you should read and consider the risk factors outlined in the "Key Risks" section of the enclosed Investor Presentation.

¹ Core debt refers to total debt less debt for development purposes.

² TERP is the theoretical price at which Estia Shares should trade immediately after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Estia Shares traded immediately after the ex-date for the Entitlement Offer depended on many factors and may not have been equal to TERP.

For further information on the Entitlement Offer, please call the Estia Health Limited Entitlement Offer Information Line on 1800 550 560 (within Australia) or on +61 1800 550 560 (outside Australia) at any time from 8.30am to 5.30pm Monday to Friday during the Retail Entitlement Offer Period. You can also go to Estia's website at www.estiahealth.com.au.

On behalf of the Estia Board, I invite you to consider this investment opportunity and thank you for your continued support.

Patrick Grier, AM
Chairman

Section 1: Who does this Retail Information Booklet apply to?

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This Retail Information Booklet is important for people who meet all of the following requirements (referred to as “**Eligible Retail Shareholders**” in this Retail Information Booklet):

- you are registered as a holder of Estia Shares as at the Record Date, being 7.00pm on 14 December 2016; and
- you have a registered address on the Estia Share register in Australia or New Zealand; and
- you are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent you hold Estia Shares for the account or benefit of such person in the United States); and
- you did not receive an offer to participate (other than as a nominee) or were otherwise ineligible to participate under the Institutional Entitlement Offer; and
- you are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

If you are a retail Shareholder that is **not** an Eligible Retail Shareholder, then you are referred to as an “**Ineligible Retail Shareholder**” in this Retail Information Booklet.

To help you understand the terminology used in this Retail Information Booklet:

- references to ‘you’ are references to Eligible Retail Shareholders; and
- references to ‘your Retail Entitlement’ are references to the Retail Entitlements of Eligible Retail Shareholders; and
- references to ‘your Entitlement and Acceptance Form’ are references to the form of that name accompanying this Retail Information Booklet that you can use to take up your Retail Entitlement.

If you are an Eligible Retail Shareholder, you may take one of the following actions:

- take up all of your Retail Entitlement (**Option 1**);
- take up part of your Retail Entitlement and allow the balance to lapse, in which case you will receive no value for those lapsed Retail Entitlements (**Option 2**); or
- do nothing, in which case your Retail Entitlements will lapse and you will receive no value for those lapsed Retail Entitlements (**Option 3**).

If you are a retail Shareholder that is **not** an Eligible Retail Shareholder, you are an Ineligible Retail Shareholder. Ineligible Retail Shareholders are not entitled to participate in the Retail Entitlement Offer.

Option	Key considerations	Where to find more information about your options
Option 1 Take up all of your Retail Entitlement	<ul style="list-style-type: none"> To take up all of your Retail Entitlement, you need to complete and return your personalised Entitlement and Acceptance Form with the requisite Application Monies or pay your Application Monies via BPAY pursuant to the instructions set out on the Entitlement and Acceptance Form. If you decide to submit your payment via BPAY you should instruct payment well before 5.00pm on the Retail Closing Date to enable its receipt by that time. If you decide to submit your payment by cheque, bank draft or money order, you must ensure that the payment (along with your personalised Entitlement and Acceptance Form) is received by no later than 5.00pm on the Retail Closing Date. 	Section 4.1
Option 2: Take up part of your Retail Entitlement and allow the balance to lapse, in which case you will receive no value for those lapsed Retail Entitlements	<ul style="list-style-type: none"> To take up part of your Retail Entitlement, you need to complete and return your personalised Entitlement and Acceptance Form (noting the number of New Shares you wish to take up) with the requisite Application Monies or pay your Application Monies via BPAY pursuant to the instructions set out on the Entitlement and Acceptance Form. If you decide to submit your payment via BPAY you should instruct payment well before 5.00pm on the Retail Closing Date to enable its receipt by that time. If you decide to submit your payment by cheque, bank draft or money order, you must ensure that the payment (along with your personalised Entitlement and Acceptance Form) is received by no later than 5.00pm on the Retail Closing Date. Estia will treat you as applying for as many New Shares as your payment will pay for in full. The part of your Retail Entitlement not taken up will lapse and the New Shares not subscribed for will form part of the Retail Shortfall. If you do not take up your Retail Entitlement in full, 	Section 4.2

	<ul style="list-style-type: none"> • you will receive no value for those Retail Entitlements not taken up. • If you do not take up all of your Retail Entitlement, your proportionate interest in Estia will be diluted. • Your Retail Entitlements are non-renounceable. This means they cannot be traded on ASX or any other exchange and cannot be privately transferred. 	
Option 3: Do nothing, in which case your Retail Entitlement will lapse and you will receive no value for those lapsed Retail Entitlements	<ul style="list-style-type: none"> • If you do not take up your Retail Entitlement, you will not be issued New Shares and your Retail Entitlements will lapse. • The New Shares not subscribed for will form part of the Retail Shortfall. • Your Retail Entitlements are non-renounceable. This means they cannot be traded on ASX or any other exchange and cannot be privately transferred. • If you do not take up your Retail Entitlement, you will receive no value for those Retail Entitlements. • If you do not take up your Retail Entitlement, your proportionate holding in Estia will be diluted. 	Section 4.3

If you have any doubt about how you should deal with your Retail Entitlement, you should seek professional advice from a licensed advisor.

Section 3: Further information about the Retail Entitlement Offer

3.1 Your Retail Entitlement

Your Retail Entitlement is set out on the accompanying personalised Entitlement and Acceptance Form. It has been calculated as 1 New Share for every 3 Estia Shares you held as at the Record Date, being 7.00pm on 14 December 2016, at the Offer Price of \$2.10 per New Share.³

If you have more than one holding of Estia Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Retail Entitlements for each separate holding. Note that the Retail Entitlement stated on your personalised Entitlement and Acceptance Form may be in excess of the actual Retail Entitlement you may be permitted to take up where, for example, you are holding Shares on behalf of a person in the United States (see the definition of “**Eligible Retail Shareholder**” in Section 1).

3.2 Closing date

If you take up and pay for all or part of your Retail Entitlement before the Retail Closing Date, you will be issued your New Shares on 19 January 2017 (**Issue Date**).

New Shares issued under the Entitlement Offer will be fully paid and rank equally with Estia Shares from issue, including in respect of dividends.

3.3 Consequences of not accepting all or part of your Retail Entitlement

If you do not accept all or part of your Retail Entitlement in accordance with the instructions set out in this Retail Information Booklet, those New Shares that you would have otherwise been entitled to under the Retail Entitlement Offer (including New Shares that relate to the portion of your Entitlement that has not been accepted) will be acquired by the underwriter or any sub-underwriters.

By allowing your Retail Entitlement to lapse, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up your Retail Entitlement and you will not receive any value for your Retail Entitlement. Your proportionate interest in Estia will also be diluted.

3.4 Nominees

The Retail Entitlement Offer is being made to all Eligible Retail Shareholders. Nominees with registered addresses in the eligible jurisdictions, irrespective of whether they participate under the Institutional Entitlement Offer, may also be able to participate in the Retail Entitlement Offer in respect of some or all of the beneficiaries on whose behalf they hold Estia Shares, provided that the applicable beneficiary would satisfy the criteria for an Eligible Retail Shareholder.

Nominees and custodians which hold Estia Shares as nominees or custodians will have received, or will shortly receive, a letter from Estia. Nominees and custodians should consider carefully the contents of that letter and note in particular that the Retail Entitlement Offer is not available to:

- beneficiaries on whose behalf they hold Estia Shares who would not satisfy the criteria for an Eligible Retail Shareholder;
- Eligible Institutional Shareholders who received an offer to participate in the Institutional Entitlement Offer (whether they accepted their Entitlement or not); or

³ Where fractions arise in the calculation of a Retail Entitlement, the Retail Entitlement will be rounded up to the nearest whole number of New Shares.

Section 3: Further information about the Retail Entitlement Offer

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→ Ineligible Institutional Shareholders who were ineligible to participate in the Institutional Entitlement Offer.

Due to legal restrictions, nominees and custodians may not send copies of this Retail Information Booklet or accept the Retail Entitlement Offer on behalf of any person in the United States or other jurisdiction outside Australia or New Zealand, except to beneficial shareholders who are institutional or professional investors in certain foreign countries to the extent contemplated in the Investor Presentation under the section titled "International Offer Restrictions" or as the Company may otherwise permit in compliance with applicable law.

Estia is not required to determine whether or not any registered Shareholder is acting as a nominee or the identity or residence of any beneficial owners of Estia Shares.

4.1 Option 1 – Take up all of your Retail Entitlement

To take up all of your Retail Entitlement, you must:

- pay by BPAY (see Section 4.4); or
- complete your personalised Entitlement and Acceptance Form and return it by mail with your Application Monies in the form of a cheque, bank draft or money order (see Section 4.5),

in each case, by no later than 5.00pm on the Retail Closing Date.

4.2 Option 2 – Take up part of your Retail Entitlement

To take up part of your Retail Entitlement, you must:

- pay by BPAY (see Section 4.4); or
- complete your personalised Entitlement and Acceptance Form (indicating the number of New Shares you wish to take up) and return it by mail with your Application Monies, in the form of a cheque, bank draft or money order (see Section 4.5),

in each case, by no later than 5.00pm on the Retail Closing Date.

The part of your Retail Entitlement not taken up will lapse and the New Shares not subscribed for will form part of the Retail Shortfall.

4.3 Option 3 – Take no action

If you take no action, you will not be issued New Shares and your Retail Entitlement will lapse. Your Retail Entitlement is non-renounceable and is not tradeable or otherwise transferable. Eligible Retail Shareholders who do not take up their Retail Entitlements in full will not receive any value for those Retail Entitlements they do not take up.

Eligible Retail Shareholders who do not participate fully in the Retail Entitlement Offer will have their proportionate interests in Estia diluted.

4.4 Payment by BPAY

To pay by BPAY, please follow the instructions on your personalised Entitlement and Acceptance Form (which includes the Biller Code and your unique Customer Reference Number). You can only make a payment via BPAY if you are the holder of an account with an Australian branch of a financial institution that supports BPAY transactions.

You should instruct payment well before 5.00pm on the Retail Closing Date to enable its receipt before the Retail Entitlement Offer closes.

If you pay by BPAY, your Entitlement and Acceptance Form is **not** required to be lodged with the Registry and you will be deemed to have made the declarations set out in this Retail Information Booklet and on the Entitlement and Acceptance Form.

Estia will treat you as applying for as many New Shares as your payment will pay for in full up to your Retail Entitlement.

Any Application Monies received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Retail Entitlement Offer. No interest will be paid to applicants on any Application Monies received or refunded.

Please make sure to use the specific Biller Code and unique Customer Reference Number on your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form, you will need to complete individual BPAY transactions using the Customer Reference Number specific to each individual personalised Entitlement and Acceptance Form that you receive.

You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. You may also have your own limit on the amount that you can pay via BPAY. It is your responsibility to check that the amount you wish to pay via BPAY does not exceed your limit.

4.5 Apply by post with cheque, bank draft or money order

To pay by cheque, bank draft or money order, you must complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form, indicating the number of New Shares you wish to apply for and return it by mail or delivery to the address set out below, accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies, payable to "Estia Health Limited" and crossed "Not Negotiable". Any agreement to issue New Shares to you following receipt of your personalised Entitlement and Acceptance Form is conditional on your cheque, bank draft or money order in payment of the Application Monies for those New Shares being honoured on first presentation.

Your cheque, bank draft or money order must be:

- for an amount equal to \$2.10 multiplied by the number of New Shares that you are applying for; and
- in Australian currency, drawn on an Australian branch of a financial institution.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies. If the amount of your cheque, bank draft or money order for Application Monies (or the amount for which the cheque clears in time for issue) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your personalised Entitlement and Acceptance Form). Alternatively, your Application will not be accepted.

Any Application Monies received for more than your final allocation of New Shares will be refunded. No interest will be paid to applicants on any Application Monies received or refunded (wholly or partially).

Cash payments will not be accepted. Receipts for payment will not be issued.

It is important to note that the Retail Entitlement Offer closes at 5.00pm on Wednesday, 11 January 2017. To participate in the Retail Entitlement Offer, your payment must be received no later than this date. Eligible Retail Shareholders who make payment via cheque, bank draft or money order should mail or deliver their cheque, bank draft or money order and their completed Entitlement and Acceptance Form to the address below:

Mail to:

Estia Health Limited

C/- Link Market Services Limited

GPO Box 3560

Sydney NSW 2001

Hand deliver to:

Estia Health Limited

C/- Link Market Services Limited

1A Homebush Bay Drive

Rhodes NSW 2138

Entitlement and Acceptance Forms (and payments of any Application Monies) will not be accepted at Estia's registered or corporate offices.

For the convenience of Eligible Retail Shareholders in Australia, an Australian reply paid envelope with the appropriate address has been included with this Retail Information Booklet. Shareholders outside of Australia will need to affix the appropriate postage.

This Retail Information Booklet (other than the Announcements) is dated 14 December 2016. The Announcements are current as at 14 December 2016. This Retail Information Booklet remains subject to change without notice, and Estia is not responsible for updating this Retail Information Booklet.

There may be additional announcements that have been made by Estia after 14 December 2016 and throughout the Retail Entitlement Offer Period that may be relevant in your consideration of whether to take part in the Retail Entitlement Offer. Therefore, it is prudent that you check whether any further announcements have been made by Estia before submitting an Application.

12 December 2016

Not for release or distribution in the United States

Highlights

- Strategic and operational review finalised
- Underwritten entitlement offer of \$136.8 million announced (**Entitlement Offer**)
- Proceeds used to reduce core debt¹ and provide additional balance sheet strength and flexibility to execute Estia's preferred business strategy, including greenfield and brownfield development pipeline and significant refurbishment
- Pro-forma total net leverage reduced to 1.62x EBITDA
- No interim dividend to be paid for first half of FY17 and dividend policy revised to pay at least 70% of NPAT
- Dr Gary Weiss to succeed Mr Pat Grier as Estia Chairman

Strategic and operational review completed

Estia Health Limited (**Estia** or the **Company**) is pleased to announce the strategic and operational review, announced on 6 October 2016, is now finalised.

Following an update on the progress of the strategic and operational review provided at Estia's Annual General Meeting on 23 November 2016, a number of key initiatives have been implemented or are in the process of being actioned to ensure Estia continues to provide quality services to its residents and to maximise returns to its shareholders, including:

- Regeneration of leadership and management structure
- Enhanced operational structure
- Comprehensive operational, financial and business system review
- Reconfirmed greenfield and brownfield development pipeline and significant refurbishment opportunities
- Assessment of asset portfolio, which is now complete but will be reviewed on an ongoing basis

Estia also announced at the AGM that, as part of the strategic and operational review, it was in the process of assessing a range of options to facilitate a reduction in core debt¹ over the medium term. The range of options included:

- Alternative capital raising methods (including equity and hybrid capital raising and DRP underwriting)
- Amendments to dividend payout policy
- Review of development program and associated capex
- Sale and leaseback of facilities
- Going concern facility sales

Estia has concluded that in the current operating environment its optimal maximum leverage position should be in the range of 1.5x - 1.8x EBITDA and therefore is undertaking the following initiatives to facilitate a reduction in core debt over the medium term:

- An underwritten \$136.8 million accelerated non-renounceable entitlement offer

¹ Core debt refers to total debt less debt for development purposes

- No interim dividend to be paid in March 2017 in respect of the first half of FY17
- Thereafter, the expectation is that Estia's dividend policy will be to pay at least 70% of net profit after tax for the period to which the dividend relates²

Leverage position

The Entitlement Offer announced today reduces leverage in the business to within the revised target levels, while also enabling Estia to:

- Operate at all times within its revised lower leverage guidelines
- Continue to pursue its preferred business strategy including greenfield and brownfield development pipeline and significant refurbishment over the period to the end of FY18 and beyond
- Operate with a management team focused on optimising core business

The impact of today's announcement significantly improves Estia's net leverage and interest coverage ratios

- Core debt reduces to \$85.5 million and net debt reduces to \$143.0 million³
- Pro forma net leverage ratio (total) of 1.62x⁴ EBITDA
- Pro forma net leverage ratio for covenant purposes of 0.83x⁵ EBITDA (covenant limit of 3.50x)
- Pro forma interest coverage ratio of 26.73x EBITDA⁶

Operational initiatives

Estia's strategic and operational review has identified areas of recent business underperformance. Initiatives have been implemented or are in the process of being actioned to address these areas under the guidance of COO Ian Thorley and other senior management. These include:

- Replacing the existing operational matrix structure with a regional structure based around major states in which Estia operates
- Improving sales and client relations to drive occupancy uplift
- Rollout of home level profit and loss reporting from mid December 2016
- Improved roster to commence mid December 2016
- New Head of Quality role established with Quality Managers and Clinical Educators in each State
- Restructure of quality and operations teams to strengthen local and national support
- Deployment of market standard business systems across Estia's full asset portfolio
- Procurement process improvements and technological efficiencies
- Increasing penetration of additional service offerings to residents

Estia Chief Executive Officer, Mrs Norah Barlow, said "The initiatives we have announced today flow from a thorough and wide ranging strategic review and reflect a very prudent and flexible approach going forward.

² The payment of a dividend is at the discretion of the Directors and the level of dividend payout ratio may vary depending on a range of factors including general business and financial conditions; Estia's cash flows including consideration of net RAD cash flows; capital expenditure and working capital requirements; potential acquisition opportunities; taxation requirements; and other factors that the Directors consider relevant

³ Pro forma as at 31 October 2016

⁴ Pro forma as at 31 October 2016

⁵ Pro forma as at 31 October 2016. Net leverage ratio for covenant purposes is calculated per Estia's Syndicated Facility Agreement

⁶ Based on mid-point of FY17 guidance range (EBITDA: \$86m - \$90m). Reflects actual interest expense for the prior 12 month period less pro forma annualised interest savings based on a weighted average cost of debt for the prior 12 months of 3.44%

Today's announcements put Estia on a fresh footing with a strengthened balance sheet and, along with a new senior management team and corporate structure, provides the company with the ability to boost earnings and restore shareholder value.

We will continue with our greenfield and brownfield development pipeline and refurbishment opportunities program, but under a more conservative business plan and growth agenda.

We have also identified some non-core assets that will be divested and we will continue to review our portfolio to ensure that we have the right mix of assets going forward."

Earnings and dividend guidance

Estia reconfirms its FY17 EBITDA guidance range of \$86 – \$90 million. Guidance is re-affirmed based on year to date results and recently observed performance across key areas of the business, including occupancy, resident mix, average revenue rates, wage costs and non-wage costs. Over FY17 to 31 October 2016, Estia has generated EBITDA of \$28.5 million.

In light of the Entitlement Offer announced today, the Board has determined that no interim dividend will be paid in March 2017 in respect of the first half of FY17.

The Board has reviewed Estia's dividend policy in the context of its capital structure. The Board believes that a payout ratio of at least 70% of net profit after tax is appropriate in the context of the current operating environment as well as the expected future capital requirements of Estia's development and significant refurbishment pipeline⁷.

Board changes

Mr Pat Grier will retire as Estia Chairman on 31 December 2016 and will continue in a Non-Executive Director role. Current Estia director Dr Gary Weiss will replace Mr Grier as Chairman.

Mr Grier said that he believed that now was the right time for Estia to transition to a new chairman.

"Dr Weiss is a very experienced and widely respected businessman and I look forward to working closely with him and the Board as a non-executive director to drive the Estia business forward."

Entitlement Offer

Estia will undertake an underwritten 1-for-3 accelerated non-renounceable entitlement offer at \$2.10 per new share (**Offer Price**).

The Offer Price represents a discount of 17.2% to Estia's theoretical ex-rights price⁸ and a 21.6% discount to Estia's last closing price on 9 December 2016.

⁷ The payment of a dividend is at the discretion of the Directors and the level of dividend payout ratio may vary depending on a range of factors including general business and financial conditions; Estia's cash flows including consideration of net RAD cash flows; capital expenditure and working capital requirements; potential acquisition opportunities; taxation requirements; and other factors that the Directors consider relevant

⁸ Theoretical ex-rights price (TERP) is the theoretical price at which Estia shares should trade after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Estia shares should trade immediately after the ex-date from the Entitlement Offer depends on many factors and may not equal TERP.

The Entitlement Offer is non-renounceable and rights will not be traded on the ASX or otherwise transferable. Eligible shareholders who do not take up their entitlement under the Entitlement Offer in full or in part, will not receive any value in respect of those entitlements not taken up.

The new shares issued under the Entitlement Offer will rank equally with existing Estia shares in all respects including future dividends.

Macquarie Capital (Australia) Limited (**Macquarie**) is lead manager and underwriter to the Entitlement Offer⁹.

Timetable

Event	Date
Entitlement Offer announcement	Monday, 12 December 2016
Institutional Entitlement Offer conducted	
Trading in Estia shares resumes on an ex-entitlement basis	Tuesday, 13 December 2016
Record date for determining entitlements for the Entitlement Offer	7:00pm Wednesday, 14 December 2016
Dispatch of Retail Information Booklet	Monday, 19 December 2016
Retail Entitlement Offer opens	
Settlement of Institutional Entitlement Offer	Tuesday, 20 December 2016
Allotment and normal trading of new shares issued under the Institutional Entitlement Offer	Wednesday, 21 December 2016
Retail Entitlement Offer closing date	Wednesday, 11 January 2017
Settlement of Retail Entitlement Offer	Wednesday, 18 January 2017
Allotment of new shares issued under the Retail Entitlement Offer	Thursday, 19 January 2017
Despatch of holding statements	
Normal trading of new shares issued under the Retail Entitlement Offer	Friday, 20 January 2017

⁹ The underwriter may terminate the underwriting agreement on the occurrence of specified events. Those events include where either of two shareholder groups (holding approximately 11% of Estia's shares in aggregate) who have provided binding commitments to subscribe for their full pro-rata entitlement fail to take up their full pro-rata entitlement in accordance with those commitments.

These dates are indicative and subject to change. All dates and times refer to Sydney, Australia time.

Shareholder enquiries

Eligible shareholders will be sent further details in relation to the Entitlement Offer via a Retail Information Booklet expected to be lodged with the ASX by 14 December 2016 and distributed to shareholders on 19 December 2016.

Further information in relation to the Entitlement Offer and the matters set out above, including important notices and key risks, are set out in the investor presentation lodged with ASX on 12 December 2016.

The outcome of the Institutional Entitlement Offer is expected to be announced to the market before commencement of normal trading on 13 December 2016. Pending this announcement, Estia shares have been placed in a trading halt. Trading in Estia shares is expected to resume on 13 December 2016.

Eligible retail shareholders who have any questions regarding the Retail Entitlement Offer should contact the Estia Health Limited Entitlement Offer Information Line on 1800 550 560 (within Australia) or on +61 1800 550 560 (outside Australia) from 8.30am to 5.30pm AEDT Monday to Friday during the Retail Entitlement Offer period.

In considering the information contained in this announcement, please also refer to the Important Information section of the Investor Presentation lodged with Australian Stock Exchange today.

ENDS

Media enquiries

John Hurst
Quay Advisers
0418 708 663

About Estia

Estia Health is one of the largest private providers of residential aged care services in Australia, operating 5,782 places (as at 30 June 2016) in 68 homes across New South Wales, Victoria, Queensland and South Australia.

Estia aims to provide its residents with the highest standards of aged care services in a supportive and caring environment and is focused on improving and expanding its portfolio to meet the growing demand for residential aged care services in Australia.

Estiahealth.com.au

Important Information

Determination of eligibility of investors for the purposes of the Institutional Entitlement Offer and Retail Entitlement Offer is determined by reference to a number of matters, including legal requirements and the discretion of Estia and Macquarie. Estia and Macquarie disclaim any liability in respect of the exercise or otherwise of that discretion, to the maximum extent permitted by law.

Forward-looking statements

This announcement contains a number of forward looking statements including indications of, and guidance on, future earnings and financial position and performance. Such forward looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements, opinions and estimates are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Estia Health Limited that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements and neither Estia Health Limited, nor any of its directors, employees, servants, advisers or agents assume any obligation to update such information. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This announcement contains such statements that are subject to risk factors associated with the industries in which Estia Health Limited operates.

Disclaimer

To the maximum extent permitted by law, Macquarie and its related bodies corporate (as defined in the Corporations Act 2001 (Cth)), and the officers, directors, employees and agents of those entities, expressly disclaim all or any liability which may arise out of the provision to, or use by, any person of the information contained in this announcement and make no recommendation as to whether investors should participate in the offer of shares under the Entitlement Offer. Without limiting the foregoing, any forecast, budget, target, projection or other forward looking statement (projection) is provided for information purposes only and comprises Estia Health Limited's estimates of future prospects. No representation or warranty is given as to the accuracy, completeness or reasonableness of any such projection, or that any such projection will actually be met. As the achievement of any projection is dependent upon future events, the outcome of which cannot be assured, the actual results may vary materially from the projection.



Finalisation of Strategic and Operational Review and Equity Raising

Monday, 12 December 2016

Estia Health Limited (EHE)

Photo: Golden Grove, South Australia

DISCLAIMER

Important notices and disclaimers

This investor presentation (Presentation) has been prepared by Estia Health Limited (ABN 37 160 986 201) (Estia) in relation to a pro-rata accelerated non-renounceable entitlement offer of new Estia ordinary shares (New Shares) to be made to eligible institutional shareholders of Estia (Institutional Entitlement Offer) and eligible retail shareholders of Estia (Retail Entitlement Offer) (together, the Entitlement Offer).

Not an offer

This Presentation (i) contains summary information about Estia and its subsidiaries which is current as at the date of this Presentation; (ii) is for information purposes only and is not, and does not contain all of the information which would be required to be disclosed in, a prospectus, product disclosure statement or other offering document under Australian law or any other law (and will not be lodged with ASIC or any foreign regulator); (iii) is not an invitation or offer of securities for subscription, purchase or sale in any jurisdiction; (iv) does not constitute investment or financial product advice (as Estia is not licensed to provide such advice) or any recommendation to acquire existing shares or New Shares; (v) does not and will not form any part of any contract for the acquisition of New Shares; and (vi) should be read in conjunction with Estia's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at www.asx.com.au.

Not investment advice

This Presentation has been prepared without taking account of any person's investment objectives, financial situation or particular needs and does not contain all the information which a prospective investor should consider when making an investment decision. Before applying to participate in the Entitlement Offer investors should consider seeking professional guidance which takes into account their particular investment objectives, financial situation and needs from a professional adviser who is licensed to give such advice. Cooling off rights do not apply to the acquisition of New Shares under the Entitlement Offer.

Not for release or distribution in the United States of America

This Presentation may not be released or distributed in the United States. This Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The New Shares have not been, nor will they be, registered under the U.S. Securities Act of 1933 (U.S. Securities Act) or the securities laws of any state or other jurisdiction of the United States. The entitlements may not be taken up by, and the New Shares may not be offered or sold to any person in the United States or any person that is, or is acting for the account or benefit of, any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The distribution of this Presentation in other jurisdictions outside Australia may also be restricted by law and any such restrictions should be observed. Any failure to comply with such restrictions may constitute violation of applicable securities laws. Refer to Appendix D of this Presentation for information on international selling restrictions and eligibility to exercise entitlements.

Future performance

This Presentation contains certain "forward-looking statements", including Estia's expectations about the performance of its business. The words "forecast", "estimate", "likely", "anticipate", "believe", "expect", "project", "opinion", "predict", "outlook", "guidance", "intend", "should", "could", "may", "plan", "target", "project", "consider", "forecast", "aim", "will" and similar expressions are intended to identify such forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements. While due care and attention has been used in the preparation of any forward-looking statements, any such statements in this Presentation are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates.

Any forward-looking statements contained in this Presentation are not guarantees or predictions of future performance and involve known and unknown risks, contingencies and uncertainties and other factors, many of which are beyond the control of Estia, and may involve significant elements of subjective judgment and assumptions as to future events, which may or may not be correct and therefore you are cautioned not to place undue reliance on such information. Refer to Appendix C 'Key Risks' for a non-exhaustive summary of certain general and company-specific risk factors that may affect Estia. Actual results, performance or achievements may vary materially from any forward-looking statements and the assumptions on which such statements are based, as may statements about market or industry trends, which are based on interpretations of current market conditions. Investors should consider any forward-looking statements contained in this Presentation in light of those risks and disclosures. Any forward-looking statements are based on information available to Estia as at the date of this Presentation. Except as required by law or regulation (including the ASX Listing Rules), Estia disclaims any obligation and makes no undertaking to provide any additional or updated information whether as a result of new information, future events or results or otherwise, or to reflect any change in expectations or assumptions.

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Past performance and pro-forma historical information in this Presentation is given for illustrative purposes only and cannot be relied upon as an indicator of (and provides no guidance as to) future Estia performance. The historical information in this Presentation is, or is based upon, information that has been released to ASX.

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Disclaimer

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- exclude and disclaim all liability, including without limitation for negligence or for any expenses, losses, damages or costs incurred by you as a result of your participation in the Entitlement Offer and the information in this Presentation being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise; and
- make no representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of information in this Presentation or any constituent or associated presentation, information or material, or the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in, or implied by, the information in this Presentation or any part of it.

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Investors acknowledge and agree that determination of eligibility of investors for the purposes of the Institutional Entitlement Offer or Retail Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Estia and/or the underwriter, and each of Estia and the underwriter and each of their respective affiliates disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law. The underwriter may rely on information provided by or on behalf of institutional investors in connection with managing, conducting and underwriting the Entitlement Offer without having independently verified that information and the underwriter does not assume responsibility for the accuracy or completeness of that information.

Investment risk

An investment in Estia shares is subject to known and unknown risks, some of which are beyond the control of Estia, including possible loss of income and principal invested. Estia does not guarantee any particular rate of return or the performance of Estia nor does it guarantee the repayment or maintenance of capital or any particular tax treatment. Investors should have regard to the Key Risks outlined in Appendix C this Presentation when making their investment decision.

Financial data

All dollar values are in Australian dollars (A\$) unless otherwise stated. All references starting with "FY" refer to the financial year ended 30 June. All references starting with "1H FY" refer to the financial half year ended 31 December.

Investors should be aware that certain financial data included in this Presentation may be "non-IFRS financial information" under Regulatory Guide 230 Disclosing non-IFRS financial information published by ASIC. These non-IFRS financial measures do not have a standardised meaning prescribed by Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Although Estia believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-IFRS financial measures included in this Presentation. Non-IFRS information has not been audited or reviewed.

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Presentation.

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2. Operational structure
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6. Care, quality and compliance
7. Operational efficiencies
8. Earnings initiatives
9. Acquisitions
10. Brownfield and greenfield development
11. Significant refurbishment
12. Non-core assets

Equity raising details

1. Offer details
2. Leverage and liquidity
3. Summary pro forma balance sheet
4. Entitlement offer timetable

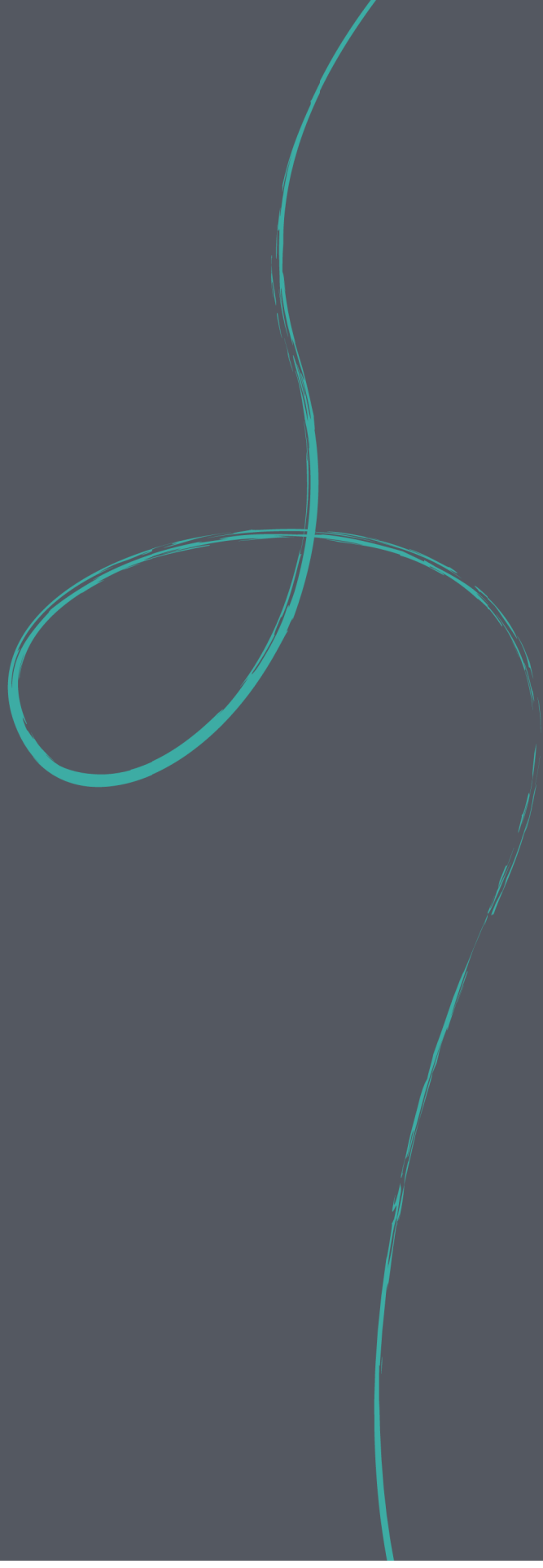
Appendix A – Estia overview

Appendix B – Development pipeline

Appendix C – Key risks

Appendix D – Selling restrictions

Executive summary



EXECUTIVE SUMMARY

Estia has finalised its strategic and operational review

- **Estia Health Limited (“Estia”) announced a strategic and operational review on 6 October 2016**
 - An update was provided at Estia’s Annual General Meeting (“AGM”) on 23 November 2016
- **The strategic and operational review is now finalised**
 - A number of key initiatives have been implemented or are in the process of being actioned to ensure Estia continues to provide quality services to its residents and to maximise returns to its shareholders, including:
 - Regeneration of leadership and management structure
 - Enhanced operational structure
 - Comprehensive operational, financial and business system review
 - Reconfirmed greenfield and brownfield development pipeline and significant refurbishment opportunities
 - Assessment of asset portfolio complete, but will be reviewed on an ongoing basis
- **Estia also announced at the AGM, as part of the strategic and operational review, that it was in the process of assessing a range of options to facilitate a reduction in core debt¹ over the medium term**
 - Assessment of those options is now complete
- **The range of options included:**
 - Alternative capital raising methods (including equity and hybrid capital raising and DRP underwriting)
 - Amendments to dividend payout policy
 - Review of development program and associated capex
 - Sale and leaseback of facilities
 - Going concern facility sales

1. “Core debt” refers to total debt less debt for development purposes (“Development Debt”).

EXECUTIVE SUMMARY

Estia is undertaking an underwritten \$136.8 million equity raising to reduce core debt

- **Estia has concluded that in the current operating environment its optimal maximum leverage position should be in the range of 1.5x - 1.8x EBITDA and therefore is undertaking the following initiatives to facilitate a reduction in core debt over the medium term:**
 - An underwritten \$136.8 million non-renounceable entitlement offer of 1 New Share for every 3 existing shares at an offer price of \$2.10 ('Entitlement Offer')
 - No interim dividend to be paid in March 2017 in respect of the first half of FY17
 - Thereafter, the expectation is that Estia's dividend policy will be to pay at least 70% of net profit after tax for the period to which the dividend relates¹
- **Proceeds from the Entitlement Offer will be used to reduce core debt by ~\$131.0 million and pay transaction costs of ~\$5.8 million**
- **The equity raising announced today will allow Estia to:**
 - Reduce leverage in the business to within revised target levels
 - Operate at all times within its revised lower leverage guidelines
 - Continue to pursue Estia's preferred business strategy, including greenfield and brownfield development pipeline and significant refurbishment, over the period to the end of FY18 and beyond
 - Operate with a management team focused on optimising core business

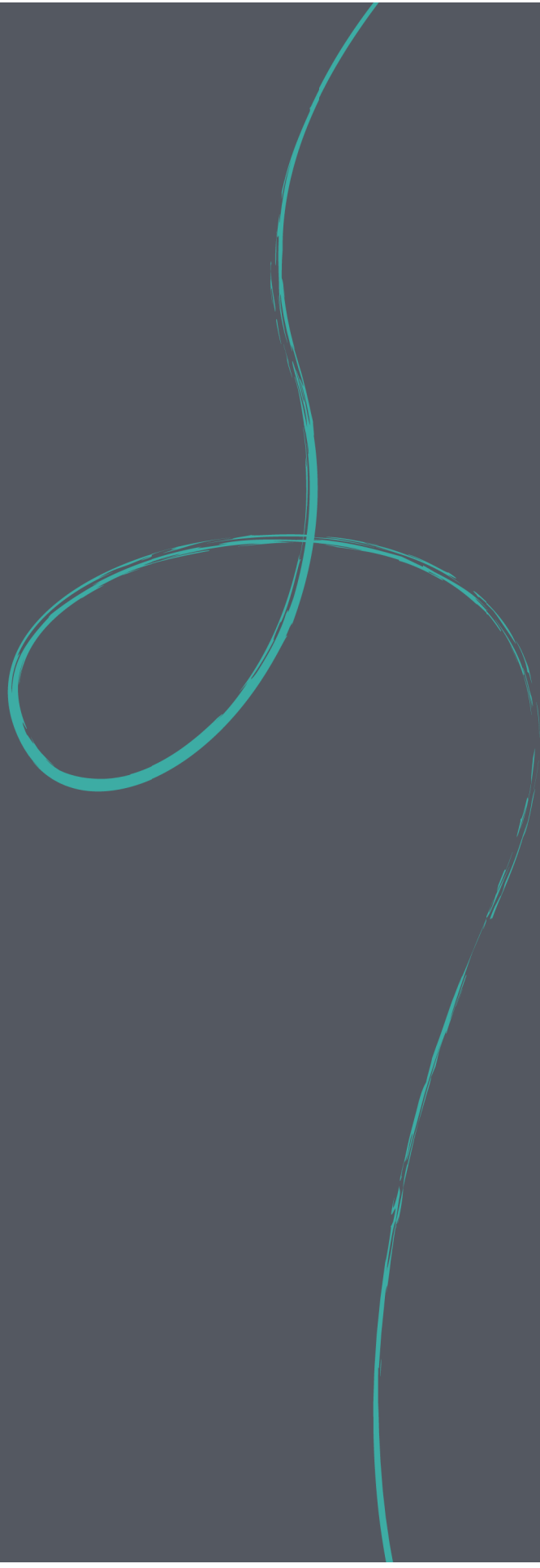
1. The payment of a dividend is at the discretion of the Directors and the level of dividend payout ratio may vary depending on a range of factors including general business and financial conditions; Estia's cash flows including consideration of net RAD cash flows; capital expenditure and working capital requirements; potential acquisition opportunities; taxation requirements; and other factors that the Directors consider relevant.

EXECUTIVE SUMMARY

Estia re-confirms its EBITDA guidance range of \$86 million - \$90 million

- **Guidance for FY17 underlying EBITDA of \$86 million – \$90 million re-confirmed**
 - This guidance range was previously based on an assumed occupancy for the full FY17 year of 93.7%
 - Guidance is re-affirmed based on year to date results and recently observed performance across key areas of the business, including occupancy (slide 12), resident mix (slide 13), average revenue rates, wage costs and non-wage costs
 - Estia expects overall occupancy levels for the remainder of the year to increase from its current level of 92.8% as a result of targeted initiatives at under-performing NSW facilities aimed at bringing their performance closer to the level of the broader portfolio
 - Estia also expects improved earnings performance resulting from a range of initiatives identified as part of the strategic and operational review and outlined in more detail in this presentation
 - EBITDA to 31 October 2016 was \$28.5 million

Strategic and operational review



MANAGEMENT STRUCTURE

Leadership regeneration and management structure transition significantly advanced

- **Board changes**
 - Mr Pat Grier will retire as Estia Chairman on 31 December 2016 and will continue in a Non-Executive Director role
 - Dr Gary Weiss will replace Mr Grier as Chairman
- **Senior management changes**
 - Appointment of Norah Barlow as CEO and Ian Thorley as COO
 - A search for a permanent CFO is underway
 - New Head of Quality role established with Quality Managers and Clinical Educators in each State
 - Creation of Chief Policy and Regulatory Officer role
 - The cost of management changes is reflected within the existing cost structure of the business and is incorporated in FY17 guidance

OPERATIONAL STRUCTURE

Operational review complete, and implementation underway

- **Operational restructure**
 - Led by Ian Thorley (appointed as COO in October 2016)
 - Replaced matrix structure with a regional structure based around major states in which Estia operates
 - Will improve alignment of accountability, operational focus and role clarity
 - Structure designed for executing strategy, and implementing policies and the key business priorities developed at a corporate level
 - Key priority is whole of business standardisation
 - Improved sales and client relations to drive occupancy uplift (see over page)
 - Rollout of home level profit and loss (P&L) reporting from mid December 2016
 - Suite of 23 key performance indicators developed to support the P&L and to assist Executive Directors to undertake rate and volume analysis of key revenue and expense items
 - Increases financial accountability
 - Improved roster to commence mid December 2016, expected to:
 - Better align roster with model of care
 - Increase focus on roster efficiency through introduction of key performance indicators
 - Increased focus on efficient labour mix

OCCUPANCY

Measures in place to improve portfolio occupancy

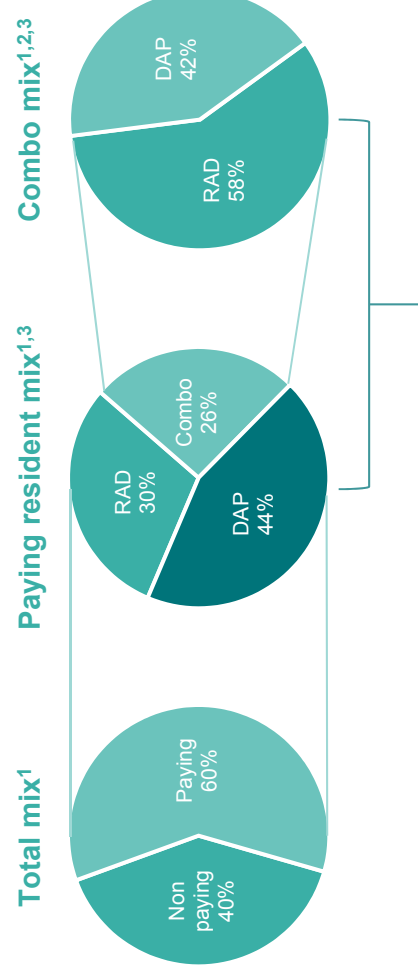
- **Estia's average occupancy for the FY17 year to 30 November 2016 was 93.1%, down from an average of 94.4% across FY16**
 - Actual occupancy at 30 November 2016 was 92.8%
 - Decline primarily driven by the underperformance of newly acquired homes
 - 14 homes have been identified as underperforming in occupancy
- **New processes put in place to improve portfolio occupancy**
 - Establishment of a specialised occupancy team as part of operational restructure
 - Formal sales and client relations structure established and resources appointed with additional support being provided by high performing Executive Directors with immediate focus on occupancy uplift
 - Immediate focus on 14 underperforming homes with action plans in progress
 - Key priority to re-engage with the 5 top referrers in all Estia markets
 - Respite initiative launched to mitigate typical seasonal downturn
 - Overhaul of enquiry management system underway

RESIDENT MIX

Changes in the incoming resident mix have been observed in recent months

- **Based on recent trends¹:**
 - Approximately 60% of incoming residents (excluding respite residents) have been paying (or non-concessional) residents, consistent with the mix of the overall portfolio in place at 31 October 2016
 - Approximately 45%^{2,3} of paying residents pay a RAD (either in full or as an element of a combination payment)
 - This mix has been consistent across the three months to 31 October 2016
 - This compares with approximately 70% of the overall portfolio in place at 31 October 2016 paying a RAD
- **Management believes that these observations are broadly consistent with observed incoming resident mix trends across the industry**

Weighted paying resident mix^{1,3}



1. Reflects the 3 months to 31 October 2016.
2. Breakdown of combination payments reflects the weighted average proportion of combination payments made as a RAD compared with a DAP. For example, a resident who elects to pay 20% of their assessed entry value as a RAD would be reflected as 20% RAD and 80% DAP.
3. Excludes conversions from DAPs to RADs following the 30 day resident selection period (estimated to be approximately 5% based on prior experience).

IMPACT OF RESIDENT MIX ON RADs

Refundable Accommodation Deposit (RAD) receipts continue to generate positive inflows for the business

- The cash flow impact of the increased proportion of incoming residents electing to pay for accommodation via DAPs instead of RADs is mitigated by:
 - Indicative new incoming RAD prices of ~\$371,000 compared with outgoing RAD prices of ~\$299,000 (based on recent trends)
 - The positive EBITDA impact from increased DAPs which add approximately \$21,400 annual EBITDA per resident (at current average prices)
 - New RAD inflows from greenfield and brownfield facilities
- In aggregate, Estia continues to experience positive net RAD inflows
 - \$76.4 million in FY16 as disclosed in its annual results release
 - \$28.5 million of net RAD inflows in the FY17 year to 30 November 2016
- Estia also has a Liquidity Management Policy which is to notionally reserve 5% of the balance of outstanding RADs in undrawn debt capacity or cash
 - Voluntary prudential measure customary in the Australian aged care industry
- If the recently observed resident mix preferences continue, Estia does not anticipate net RAD outflows, even before new inflows from development activities

CARE, QUALITY & COMPLIANCE

Estia is committed to excellence in quality of care and compliance at all times

- **Estia is focused on and committed to providing high quality care to its 5,500 residents**
 - Every home is under the leadership of an Executive Director and Care Director supported by a team of registered nurses
 - New Head of Quality role established with Quality Managers and Clinical Educators in each State
 - Systems and audit processes are in place to support quality and compliance throughout the portfolio
 - 18 homes re-accredited over the last 12 months
 - Restructure of quality and operations teams to strengthen local and national support
- **Estia remains committed to excellence in quality of care and compliance at all times**
 - As of 7 December, 2016, all 68¹ homes are accredited by the Australian Aged Care Quality Agency (“Quality Agency”) and all meet all accreditation standards
 - There have been 87 audit visits across 63 of Estia’s homes between 1 July 2016 and 7 December 2016
 - 74 of these visits were for the purposes of assessment contacts by the Quality Agency. While a number of these visits were notified by the Quality Agency in advance, 62 of these visits were unannounced.
 - There were nine reaccreditation audits. All of these homes were assessed as meeting all expected outcomes and accredited for three years
 - Four of the audits were review audits
 - In relation to the review audits, two homes met all expected outcomes as determined by the Quality Agency, following application for reconsideration of the first decision
 - Following remedial action at one home, the Quality Agency has determined that all 44 expected outcomes have been met
 - One home met all expected outcomes, requiring no action, and consequently had no change in accreditation
 - Estia is confident that the business has sufficiently robust procedures in place to enable the company to deliver the appropriate quality of care required

1. There were 69 homes as at 30 June 2016. Subsequent to that date, the licences of two homes have been merged resulting in Estia now operating 68 homes.

OPERATIONAL EFFICIENCIES

Estia has performed a detailed review of its operating systems and procurement practices

- **Business and operating system optimisation**
 - Market standard business systems have been fully deployed across the portfolio, including (but not limited to):
 - Epicor
 - Healthmetrics
 - Time Target
 - ARM Procurement
 - ELMO (online training)
 - Injury Connect and Safety Max (WHS)
 - Optimisation opportunities have been identified which remain ongoing and are expected to take between 6 – 12 months
 - Maximising technology efficiencies
 - Enhancing quality of information for improved analysis and evaluation of key business drivers
- **A plan is being implemented to review and secure procurement process improvements**
 - Renegotiation of significant contracts such as food, physiotherapy and medical supplies
 - Rationalising product lines and supplier base
 - Improving inventory management and reporting within homes
 - Ensuring compliance to group preferred supplier arrangements

EARNINGS INITIATIVES

A range of measures are being adopted to enhance earnings

- **Impact of Government funding cuts**
 - Changes to government funding will increasingly impact Estia's business over coming years, particularly in relation to complex health care funding and ACFI indexation
 - Impact more significant in FY18 and FY19
 - The management team is implementing a range of strategies to mitigate the impact on revenues
 - Increased significant refurbishment activity
 - Increased additional services penetration and pricing
 - Maximising occupancy
 - Ensuring ACFI claims align with resident needs
 - Government advocacy
 - The Department of Health released a statement on 2 September 2016 regarding permitted additional charges under the Aged Care Act
 - Estia has ceased charging the Asset Replacement Charge in response to the Department's advice
- **Additional services**
 - While Estia has a range of additional service offerings, these services are currently not fully developed or marketed well
 - As a result, Estia has lower penetration of the sale of additional services than other leading market participants
 - Estia intends further developing and marketing the additional service offerings across a higher proportion of its facilities
 - Estia believes a more sophisticated and complete range of additional services will be well received by its resident population

ACQUISITIONS

Significant acquisitions in FY16

- **Acquisition of 1,920 places completed in FY16**
 - Integration of Kennedy acquisition near complete
 - All FY16 single site acquisitions fully integrated
 - All prior year acquisitions integrated and operational
- **No remaining deferred consideration payments post October 2016**
- **Future acquisition opportunities to be assessed on their merits, however, no further acquisitions anticipated in the short to medium term**



BROWNFIELD AND GREENFIELD DEVELOPMENT

Reconfirmed greenfield and brownfield development pipeline which is progressing according to plan

- **Brownfield development**
 - 330 new places (net 108) opened in FY17 YTD
 - FY17 capex of \$3 million – \$4 million
 - FY18 capex of \$20 million – \$24 million
- **Greenfield development**
 - 186 new places (net 123) expected to open in FY18
 - FY17 capex of \$35 million – \$40 million
 - FY18 capex of \$40 million – \$46 million
- **Construction of a further 718 new places (net 546) anticipated to commence from FY18**



- Estia will periodically review its brownfield and greenfield development pipeline beyond FY18. Decisions about timing and quantum of further development will be based around market demand, the level of additional bed licences secured or available and the detailed analysis of benefits and risks associated with these developments, together with Estia's financial capacity to execute on these developments at the time

SIGNIFICANT REFURBISHMENT

Estia has identified a number of significant refurbishment opportunities

- Program to provide enhanced accommodation and living environment to residents and enable higher supplements
- Six significant refurbishment projects representing approximately 330 concessional places complete
 - Four homes now receiving significant refurbishment subsidies
 - Two further applications submitted on completed homes
 - Expected to deliver approximately \$2 million of annual EBITDA on a stabilised basis from FY18
- A further six “Phase One” homes identified as eligible for significant refurbishment
 - To be refurbished during FY17 for estimated capex of ~\$9 million
 - Expected to generate additional annual EBITDA of ~\$2 million on a stabilised basis
- Process of identification and execution of “Phase Two” opportunities underway
 - Expectation that a further 16 homes representing ~671 places may be eligible
 - Anticipated capex of \$20 million – \$25 million and stabilised incremental annual EBITDA contribution expected to be ~\$5 million

Home	State	Status
Completed		
Bexley Park	NSW	Receiving subsidy
Craigmore	SA	Receiving subsidy
Gold Coast	QLD	Receiving subsidy
Kadina	SA	Receiving subsidy
Encounter Bay	SA	Completed and application submitted
Mudgeeraba	QLD	Completed and application submitted
Phase One ¹		
Burton	SA	Phase one (underway)
Melton South	VIC	Phase one (yet to commence)
Dandenong	VIC	Phase one (yet to commence)
Mt Coolum	QLD	Phase one (yet to commence)
Salisbury	SA	Phase one (yet to commence)
Tuncurry	NSW	Phase one (yet to commence)
Phase Two ¹		
16 additional facilities		Phase two

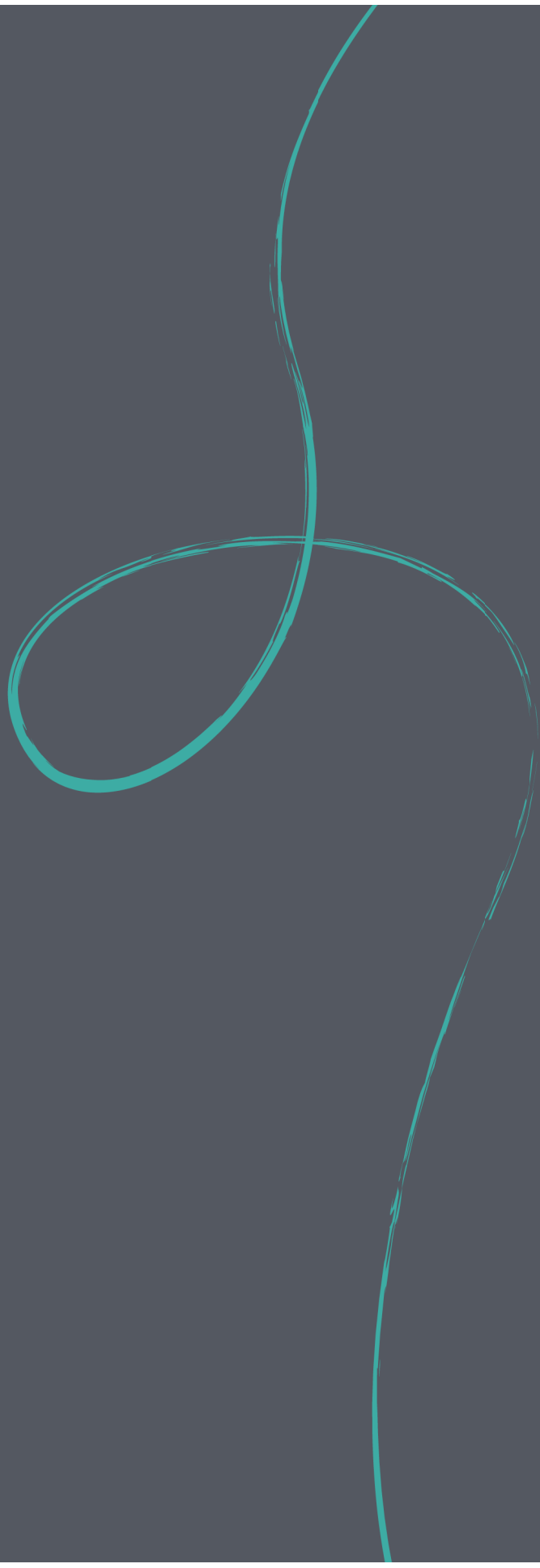
1. The actual timing of the Phase One and Phase Two significant refurbishment is subject to a range of factors that may influence the timing of completion. This list should be regarded as indicative.

NON-CORE ASSETS

Estia operates a significant portfolio of strategic assets that it wishes to retain

- A comprehensive review of Estia's assets has been completed
- An assessment of each asset considered a number of factors including:
 - Strategic nature of the asset
 - Current or potential future value
 - Saleability and current market value
- Estia has determined that a significant portion of the portfolio comprises key strategic assets
- An initial suite of 9 non-core assets with a total value of ~\$6 million has been identified as suitable for sale in the short term
 - Primarily residential property and surplus land
 - An agent has been instructed in relation to the sale of each of these properties
- Ongoing process of evaluation
 - Any other assets that are identified as no longer meeting Estia's ongoing strategic criteria and are saleable will be divested

Equity raising details



OFFER DETAILS

The Entitlement Offer comprises a 1 for 3 Entitlement Offer of \$136.8 million

Entitlement Offer price	<ul style="list-style-type: none">• Equity raising will be conducted at \$2.10 per New Share (Offer Price)<ul style="list-style-type: none">• 21.6% discount to the last closing price of \$2.68¹• 17.2% discount to TERP² of \$2.54¹
Entitlement Offer	<ul style="list-style-type: none">• Record date Wednesday, 14 December 2016• Eligible institutional shareholders may choose to take up part, all or none of their entitlements• Eligible retail shareholders may choose to take up part, all or none of their entitlements
Ranking	<ul style="list-style-type: none">• New Shares issued will rank pari passu with existing shares
Underwriting	<ul style="list-style-type: none">• The equity raising is underwritten by Macquarie Capital (Australia) Limited³

1. As at 9 December 2016.

2. Theoretical ex-rights price ("TERP") is the theoretical price at which Estia shares should trade after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Estia shares should trade immediately after the ex-date for the Entitlement Offer depends on many factors and may not equal TERP.

3. The underwriter may terminate the underwriting agreement on the occurrence of specified events (see slide 44). Those events include where either of two shareholder groups (holding approximately 11% of Estia's shares in aggregate) who have provided binding commitments to subscribe for their full pro-rata entitlement fail to take up their full pro-rata entitlement in accordance with those commitments.

LEVERAGE AND LIQUIDITY

Net leverage ratio to reduce on a pro forma basis to 1.62x EBITDA

- Proceeds from the Entitlement Offer will be used to reduce core debt by ~\$131.0 million and pay transaction costs of ~\$5.8 million
- Net leverage and interest coverage ratios significantly improved
 - Core debt reduces to \$85.5 million and net debt reduces to \$143.0 million on a pro forma basis²
 - Pro forma net leverage ratio for covenant purposes of 0.83x^{2,3} (covenant limit of 3.50x)
 - Pro forma interest coverage ratio of 26.73x^{1,8}
- Provides additional Balance Sheet strength and flexibility to pursue business strategy including greenfield and brownfield development pipeline and significant refurbishment opportunities
- Target maximum leverage range of 1.5x – 1.8x EBITDA
- Immediately following the receipt of the proceeds of the equity raising, Estia expects its net debt position to be less than approximately \$145 million
- Prudential reserve to be maintained for RAD liquidity at 5% of the balance of outstanding RADs in undrawn debt capacity or cash

Debt facility (\$m)	30 Jun 16	31 Oct 16	Pre entitlement offer	Entitlement offer	Post entitlement offer
	<i>Actual</i>	<i>Actual</i>	<i>Pro-forma²</i>	<i>Pro-forma</i>	<i>Pro-forma²</i>
Available	330.0	330.0	330.0	-	330.0
Undrawn ^{5,6}	76.5	43.5	43.5	131.0	174.5
Drawn down	253.5	286.5	286.5	(131.0)	155.5
Core debt	183.5	216.5	216.5	(131.0)	85.5
Development debt	70.0	70.0	70.0	-	70.0
Cash	29.8	31.8	12.5 ⁷	-	12.5
Net debt	223.7	254.7	274.0	(131.0)	143.0
Acquisition payable (non interest bearing)	84.5	-	-	-	-
Net leverage ratio (NLR)					
NLR (total)	2.41x	2.89x	3.11x	n/a	1.62x
NLR (covenant calculation) ²	1.66x	2.10x	2.32x	n/a	0.83x
NLR (covenant limit)	3.50x	3.50x	3.50x	n/a	3.50x
NLR (covenant headroom)	1.84x	1.40x	1.18x	n/a	2.67x
Interest coverage (ICR)					
ICR	12.88x	11.28x ⁶	11.28x ^{1,4}	n/a	26.73x ^{1,8}
ICR (covenant limit)	3.00x	3.00x	3.00x	n/a	3.00x
ICR (headroom)	9.88x	8.28x	8.28x	n/a	23.73x

(1). Based on mid point of FY17 guidance range (EBITDA: \$86m - \$90m) (2). Pro forma as at 31 October 2016 (3) Net leverage ratio for covenant purposes is calculated per Estia's Syndicated Facility Agreement (4). Estimated based on actual interest expense for the prior 12 month period (5). \$3.6m is currently used for bank guarantees for rental properties (6). Estimated based on actual total drawn debt of \$286.5m as at 31 October 2016 and a weighted average cost of debt of 3.18% (7). Adjusted to reflect the dividend payment made on 7 November 2016 (8). Reflects actual interest expense for the prior 12 month period less pro forma annualised interest savings based on a weighted average cost of debt for the prior 12 months of 3.44%.

SUMMARY PRO FORMA BALANCE SHEET

\$ millions	30 June 2016	YTD movement	Payment of deferred consideration	Share issue	31 October 2016	Dividends Paid	Pro forma (pre Entitlement Offer)	Entitlement Offer	Pro forma (post Entitlement Offer)
Cash	29.8	30.0	(43.0)	15.0	31.8	(19.3)	12.5		12.5
PPE	711.4	6.8	-	-	718.2		718.2		718.2
Intangibles	934.2	4.3	-	-	938.5		938.5		938.5
Other assets	23.2	(4.7)	-	-	18.5		18.5	1.7	20.2
Total assets	1,698.6	36.4	(43.0)	15.0	1,707.0	(19.3)	1,687.7	1.7	1,689.4
RADs	652.7	20.7	-	-	673.4		673.4		673.4
Debt	253.5	(10.0)	43.0	-	286.5		286.5	(131.0)	155.5
Acquisition payable	84.5	1.5	(86.0)	-	-		-		-
Other liabilities	116.2	10.8	-	-	127.0		127.0		127.0
Total liabilities	1,106.9	23.0	(43.0)	-	1,086.9	-	1,086.9	(131.0)	955.9
Net assets	591.7	13.4	-	15.0	620.1	(19.3)	600.8	132.7	733.5
Shares on issue	188.2	188.2	188.2	5.5	193.7	1.8	195.5	65.1	260.6

Basis of preparation

The Pro-forma Balance Sheet has been prepared for illustrative purposes only, to show the impact on the actual historic balance sheet as at 30 June 2016 of the following events:

- trading conditions and estimated financial performance during the period 1 July 2016 to 31 October 2016 (unaudited)
- final payments made to the Kennedy family as deferred consideration for the acquisition of the Kennedy aged care business
- Subscription by the Kennedy family of \$15 million shares at the DRP price resulting in the issue of 5.49 million shares
- adjustments for the payment in November 2016 of the final dividend reflecting a dividend of \$24.1 million less \$4.8 million participation in Estia's dividend reinvestment plan (DRP) resulting in the issue of 1.77 million shares
- gross underwritten proceeds from the capital raising of ~\$136.8 million less expected costs of ~\$5.8 million applied to reduce core debt and adjustment for the tax effect of transaction costs

The Pro-forma Balance Sheet is presented in abbreviated form and does not contain disclosures that are usually provided in a financial report prepared in accordance with the Corporations Act.

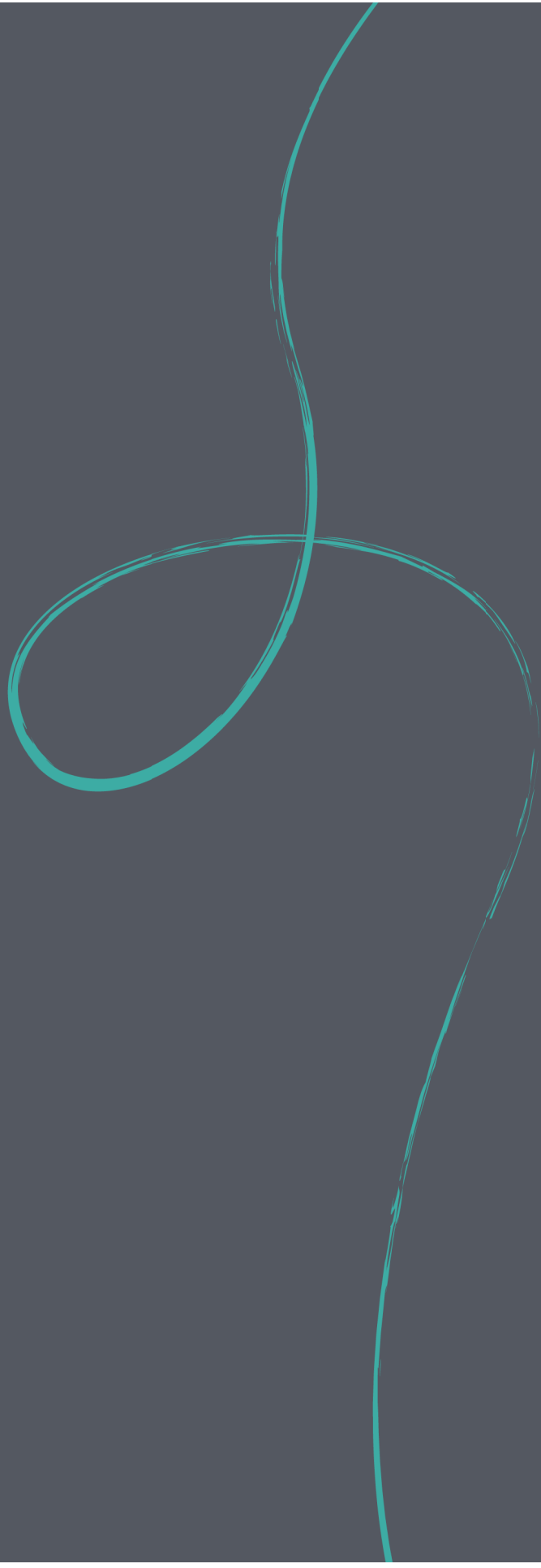
The Pro-forma Balance Sheet is not represented as being indicative of Estia's view of its future financial position. The Pro-forma Balance Sheet is presented based on the specific pro-forma adjustments and transactions, and except as disclosed above does not take account of the financial performance, cash flows or other movements in balance sheet items of Estia for the period 30 June 2016 to the date of this Presentation.

ENTITLEMENT OFFER TIMETABLE

Event	Date
Entitlement Offer announcement and Institutional Entitlement Offer conducted	Monday, 12 December 2016
Trading in Estia shares resumes on an ex-entitlement basis	Tuesday, 13 December 2016
Record date for determining entitlements for the Entitlement Offer	7:00pm on Wednesday, 14 December 2016
Dispatch of Retail Information Booklet and Retail Entitlement Offer opens	Monday, 19 December 2016
Institutional entitlement offer settlement	Tuesday, 20 December 2016
Allotment and normal trading of New Shares issued under the Institutional Entitlement Offer	Wednesday, 21 December 2016
Retail Entitlement Offer closing date	Wednesday, 11 January 2017
Settlement of Retail Entitlement Offer	Wednesday, 18 January 2017
Allotment of New Shares issued under the Retail Entitlement Offer and despatch of holding statements	Thursday, 19 January 2017
Normal trading of New Shares issued under the Retail Entitlement Offer	Friday, 20 January 2017

These dates are indicative and subject to change. All dates and times refer to Sydney, Australia time.

Appendix A: Estia overview



ESTIA OVERVIEW

Estia Health is one of the largest private providers of residential aged care services in Australia

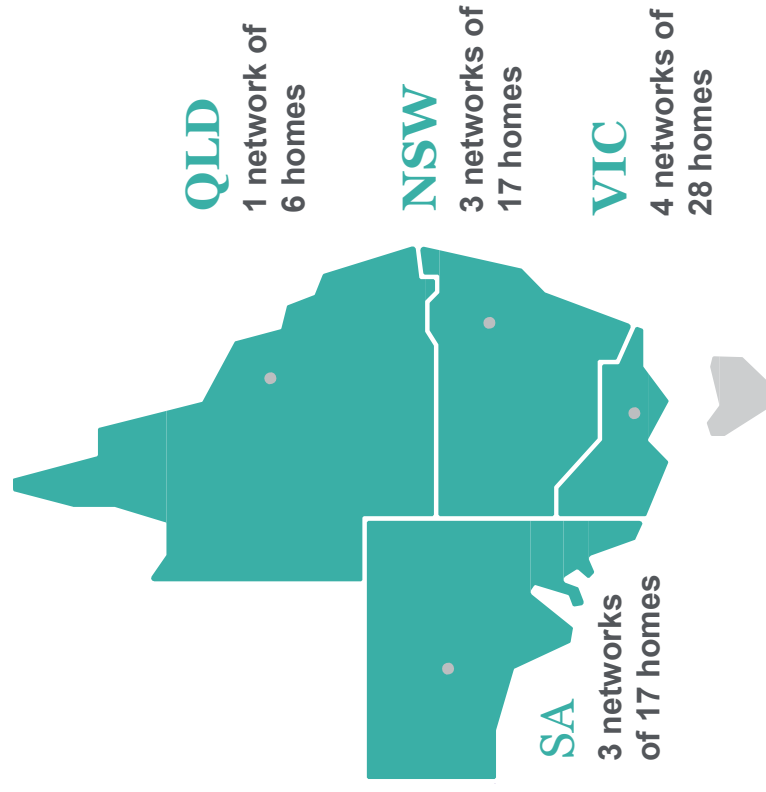
Estia Health (ASX: EHE) is one of the largest private providers of residential aged care services in Australia. Estia aims to provide its residents with the highest standards of aged care services in a supportive and caring environment.

Estia is focused on improving and expanding its portfolio to meet the growing demand for residential aged care services in Australia, underpinned by an ageing population and increasing demand for higher care services.

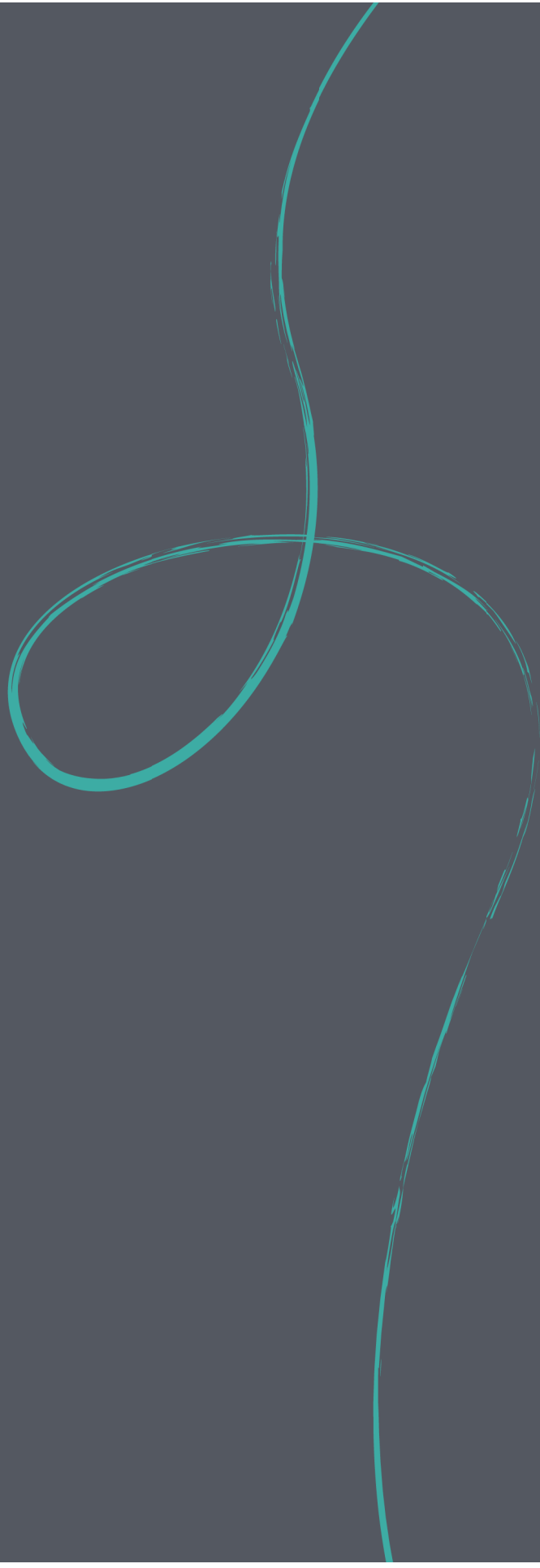
Underlying financial and operational performance			
	FY16	FY15	
Number of homes	68 ¹	48 ³	
Total operational places	5,782 ²	4,010 ³	
Average occupancy	94.4%	93.6%	
Total revenue (\$m)	446.5	297.5	
EBITDA (\$m)	92.7	69.7	
NPAT (\$m)	51.8	44.6	
EPS (per share)	28.3 cents	24.5 cents	
Net RAD flows (\$m)	76.4	88.5 ⁴	

1. There were 69 homes as at 30 June 2016. Subsequent to that date, the licences of two homes have been merged resulting in Estia now operating 68 homes.
2. As at 30 June 2016.
3. As at 30 June 2015.
4. Pro forma net RAD flow.

5,782 operating places in 68 homes¹



Appendix B: Development pipeline



DEVELOPMENT PIPELINE

Estia has opened five facilities YTD and commenced construction of a further 186 new places

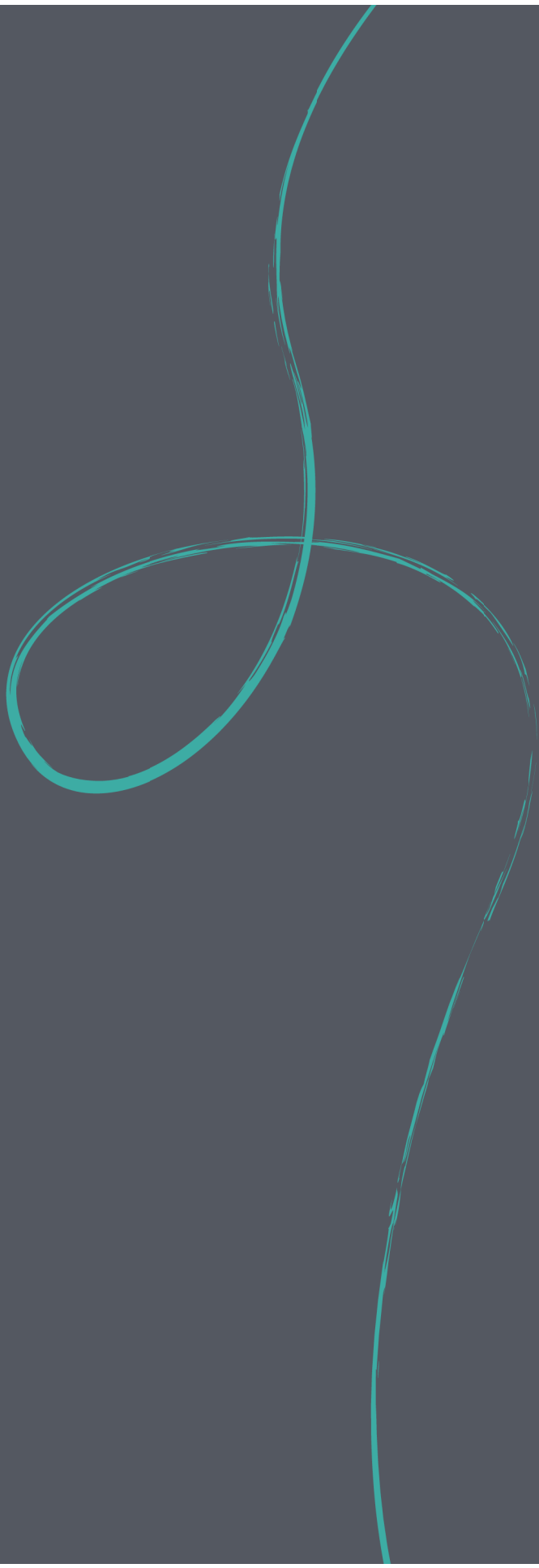
Development	State	Type	Land owned	Development approval	Licenses held	Total new places built	Net new places	Single bed rooms	Additional services	Construction start	Construction completion	First resident expected
Epping	NSW	Brownfield	Yes	Yes	Yes	2	2	100%	Yes		Jun-16	Jul-16
Gold Coast	QLD	Brownfield	Yes	Yes	Yes	84	56	100%	Yes		Jun-16	Jul-16
Encounter Bay	SA	Brownfield	Yes	Yes	Yes	66	2	100%	Yes		Jul-16	Jul-16
Tea Gardens	NSW	Brownfield	Yes	Yes	Yes	106	36	100%	Yes		Jul-16	Jul-16
Kadina	SA	Brownfield	Yes	Yes	Yes	72	12	77%	Yes		Sep-16	Sep-16
Completed						330	108	95%				
Twin Waters	QLD	Greenfield	Yes	Yes	Yes	114	114	100%	Yes	Feb-16	FY18	Q1 FY18
Kogarah	NSW	Greenfield	Yes	Yes	Yes	72	9	97%	Yes	May-16	FY18	Q1 FY18
Underway						186	123	99%				

DEVELOPMENT PIPELINE

Further pipeline of 718 new potential places with construction commencement anticipated post FY18

Development	State	Type	Land owned	Development approval	Licenses held	Total new places built	Net new places	Single bed rooms	Additional services	Construction start	Construction completion	First resident expected
Southport	QLD	Brownfield	Yes	DA submitted	72	111	51	100%	Yes	FY18	FY19	FY19
St Ives	NSW	Greenfield	Yes	DA submitted	0	120	120	100%	Yes	FY18	FY19	FY19
Sunshine Cove	QLD	Greenfield	Yes	DA approved	8	108	108	100%	Yes	FY18+	FY19+	FY20
Ryde	NSW	Brownfield	Yes	DA submitted	40	58	18	100%	Yes	FY19	FY20	FY20
DA approved or submitted												
Blakehurst	NSW	Brownfield	Yes	DA not submitted	72	108	36	100%	Yes	FY18+	FY20+	FY20+
Wollongong	NSW	Greenfield	Yes	DA not submitted	0	108	108	100%	Yes	FY19+	FY20+	FY20+
Wombarra	NSW	Greenfield	Yes	DA not submitted	0	105	105	100%	Yes	FY19+	FY21+	FY21+
No formal decision to proceed												
Total projects not yet commenced						718	546	100%				
Total projects not completed						904	669	99%				

Appendix C: Key risks



KEY RISKS

Estia is subject to various risk factors. Some of these are specific to its business activities while others are of a more general nature. Individually, or in combination, these risk factors may affect the future operating and financial performance of Estia, its investment returns and the value of shares in Estia.

The risks listed in this section are not an exhaustive list of risks associated with an investment in Estia, either now or in the future, and this information should be considered in conjunction with Estia's other periodic and continuous disclosure announcements lodged with ASX (including all information in this Presentation). There is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge. Additional risks and uncertainties that Estia is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect Estia's operating and financial performance and the value of an investment in Estia.

Before investing in Estia, you should consider whether such an investment is suitable investment for you, having regard to publicly available information (including this Presentation) and your own investment objectives, financial circumstances and taxation position. You should also consider seeking professional guidance from your stockbroker, solicitor, accountant or other professional adviser before deciding whether to invest.

Operating risks

The regulatory or funding framework may change in ways that harm Estia's business

The Australian aged care industry is highly regulated and subject to change. The way that the industry is regulated and funded by the Australian Government has a fundamental influence on Estia's business model. From 1 July 2014, the Australian Government's Living Longer Living Better aged care reform package took effect, and has subsequently been subject to a number of further legislative, regulatory and policy changes.

More recently, changes in government policy, particularly in relation to aged care funding, have been more unpredictable. Any further regulatory change for the industry, or any change in the level of government funding or the funding model, may have an adverse impact on the way Estia promotes, manages and operates its facilities, and its financial performance. Examples of these adverse changes may include:

- policy initiatives by the Australian Government to limit or reverse increases in subsidy payments (potentially through the modification of Aged Care Funding Instrument (ACFI) fee schedules or other methods) to stem growth to historical levels. For example, in May 2016, the Government announced in the 2016 Budget its proposed initiatives to stem higher than expected growth in ACFI expenditure through amendments to the ACFI scoring matrix, particularly to the Complex Health Care component of the ACFI;
- increased focus on a "user pays" model of aged care with more limited Australian Government funding;
- reductions in, or the elimination of, Australian Government subsidies and other financial support resulting from an Australian Government objective of reducing the level of Government spending;
- limits on amounts that can be charged, or restrictions upon the receipt, replacement and refunding of, refundable deposits, or limits and restrictions on charges for extra services provided to residents;
- prudential or regulatory restrictions on the use of RADs;
- increased funding for home and community care packages by the Australian Government with a view to having elderly people continue to live in their homes which may result in reduced demand for residential aged care facilities;
- increased funding for not-for-profit operators compared to for-profit operators;
- changes to the physical building and structure requirements for aged care facilities, resulting in increased capital expenditure requirements;

KEY RISKS

- deregulation of approved places by the Australian Government leading to a rapid increase in the supply of places;
- restrictions or requirements placed on the allocation of any new approved places by the Australian Government; and
- changes to accreditation standards, which have the effect of increasing compliance costs.

In addition, there is a risk that other participants in the industry may, through their actions and business practices cause future regulatory changes that will have an adverse impact on Estia's financial performance. Any further regulatory restrictions or changes in Australian Government policies in relation to any or all of the existing regulatory areas could adversely impact on the financial performance and position and future prospects of Estia. There is also a risk that regulatory restrictions may become more burdensome in the future. If this were to happen, Estia may be required to dedicate more time and expenditure to ensuring that it complies with these regulations, which could also adversely affect its financial performance and position and future prospects.

Repayment and value of RADs / accommodation bonds

Estia is exposed to risks associated with the repayment of refundable deposits (including RADs) and accommodation bonds and future receipt of refundable deposits (including RADs), as the value of, and returns from, Estia's accommodation bonds and refundable deposits may fluctuate depending on investment market conditions and general investment risk. Estia's current practice is to ensure that approximately 5% of RAD liabilities are retained in the form of available cash (either cash at hand or through undrawn debt facilities).

Estia also needs to be able to liquidate accommodation bond / refundable deposit balances quickly as they are repayable as follows:

- within 14 days of the resident ceasing to receive care at the facility;
- (where a resident moves to another facility) on the day on which the resident ceases to receive care at the facility (if notice was given more than 14 days prior to departure);
- (where a resident moves to another facility) within 14 days of a resident giving notice of their departure (if notice was given within 14 days prior to departure);
- (where a resident moves to another facility) within 14 days of a resident leaving the facility (if no notice of the move was given to the provider by the resident); or
- within 14 days of the provider being shown the probate of the resident's will (or letters of administration) following the resident's death,

and within 14 to 90 days (depending on the particular circumstances) of an approved provider ceasing to be an approved provider with respect to the facility.

If a larger than expected number of bond / refundable deposit paying residents were to leave Estia's aged care facilities (for example because a facility lost its accreditation, or suffered a clinical issue, or if Estia decided to renovate or develop its existing facilities and needed its residents to vacate its facilities), Estia would be required to repay a large sum of accommodation bonds/refundable deposits, all of which may not be able to be replaced immediately. There is a risk that if Estia does not have sufficient capital to replace the bonds / refundable deposits immediately, Estia may be required to borrow funds at terms that are unfavourable to Estia, or (in extreme circumstances) may not be able to borrow funds at all.

Estia is exposed to risks that may adversely affect the future value of Estia's total accommodation bonds / refundable deposits including:

- specific issues arising in Estia's business, such as a non-compliance or loss of certification at a facility. A sanction could prohibit the admission of new residents and collection of ACFI funding from existing residents. In addition, a sanction could prohibit the charging of accommodation payments or accommodation contributions that Estia could typically charge for a place;

KEY RISKS

- a general reduction in the price that can be achieved for new refundable deposits, which may result from falls in residential property prices, lower levels of personal wealth or a deterioration of market conditions in the areas surrounding Estia's facilities. As incoming residents typically move into a facility after selling their family homes, there is a risk that a downturn in the property market may limit potential residents' ability to relocate into a facility. Specifically, such a downturn may affect the ability of potential incoming residents to sell their own homes or sell them at prices that allow them to pay the facility's minimum accommodation payment amount;
- a failure of Estia's pricing models to determine a competitive or market pricing of refundable deposits, which may deter prospective residents from entering into Estia's facilities;
- the offer by competitor facilities of places at more attractive facilities or places comparable to Estia's (and/or with lower refundable deposits), within catchment areas in which Estia operates, resulting in residents choosing an alternative facility;
- demand for Estia's aged care services changing over time due to general economic factors impacting the ability of prospective residents to pay for such services (such as economic downturns, softness in the housing market, unemployment among a resident's family members, lower levels of consumer confidence and personal wealth, and share market volatility) and social factors (such as population demographics and an increased demand for home and community care); and
- regulatory changes that limit Estia's ability to acquire replacement or new RADs.

Any one or a combination of these events could result in a reduction in the price and amount of new refundable deposits received, or the length of time it takes for Estia to reach agreement with new residents or collect new refundable deposits, which would have an adverse impact on Estia's liquidity and funding, and may adversely affect Estia's financial performance, financial position and future prospects.

A failure to meet clinical care standards may damage Estia's business

Aged care providers require an effective system of clinical governance to promote the health, safety and quality of care of their residents, and to ensure compliance with applicable legislation and departmental policy requirements.

Estia may experience a decline in its clinical outcomes in circumstances where:

- clinical incidents are not identified, assessed or reported appropriately (including due to ineffective communication from individual facilities to management at the regional or national level, or delays in implementing Estia's quality assurance systems across newly acquired facilities);
- Estia's employees do not follow processes and/or procedures, whether inadvertently or deliberately;
- external health consultants do not provide services they were engaged to provide or do not provide them at the expected level of service; or
- residents and/or their relatives or friends do not follow Estia's instructions or guidelines.

In addition, in the event that a resident or visitor is injured at an Estia facility, or an Estia employee or contractor is injured in the course of their employment, Estia may be liable for penalties, sanctions or damages.

Any failure to meet clinical care standards may attract adverse publicity and damage Estia's reputation, and limit Estia's ability to market its facilities on the basis of high quality clinical care.

Clinical care failures may also constitute breaches of Estia's regulatory compliance obligations, which could lead to a loss of accreditation or approved provider status.

Such a decline in clinical outcomes or clinical failures could adversely impact Estia.

KEY RISKS

Estia may fail to comply with legislation, regulation and other professional standards

Failure to comply with legislation, regulation and other professional standards and accreditation (including because of a decline in clinical outcomes) could have an adverse impact on Estia's reputation, and ability to accept new residents, claim ACFI funding, attract residents and operate its business.

Aged care facilities need to be accredited by the Australian Aged Care Quality Agency in order to receive Commonwealth Subsidies and are subject to periodic audits. These audits are an assessment of performance against the residential aged care standards. In particular, facilities are assessed against four key standards – management systems, staffing and organisational development; health and personal care; care recipient lifestyle; and physical environment and safe systems, under which there are 44 expected outcomes to be met.

Accreditation may be revoked following a review audit.

Estia is also required to maintain its approved provider status in order to receive Commonwealth subsidies and must hold licences for its places. In addition, aged care facilities are required to hold other permits and licences, such as controlled substance licences, food licences and fire safety approvals. If Estia does not comply with regulations, maintain its approved provider status or accreditations, or comply with the terms of its licences, this could result in the following:

- Estia's existing approvals or accreditations may be adversely amended or revoked and Estia may be unable to continue to operate its aged care facilities;
- Estia's facilities could become subject to sanctions by the Department of Health;
- Estia may be unable to secure approvals for the operation of any new additional aged care facilities;
- Estia may not be able to secure resident places in Aged Care Approvals Rounds (ACARs) in the future; and
- Estia may not be able to obtain timely approval from the Australian Government to transfer places obtained via an asset acquisition,

each of which could adversely impact Estia's ability to operate its facilities and Estia's financial performance and position and future prospects.

Four of Estia's homes were recently subject to review audits by the Australian Aged Care Quality Agency. One home was found to be compliant at the audit. The other three homes were determined compliant following successful applications for review of the first decision. All of Estia's aged care homes are accredited.

Further, if Estia is required to undertake facility refurbishments or make significant structural changes to facility buildings to retain its approvals, the cost of these works may impact its profitability.

A loss of accreditation or approved provider status will also result in a review event under Estia's debt facilities which may lead to an acceleration of the debt or cancellation of the facilities, and could adversely impact the financial performance and position and future prospects of Estia.

KEY RISKS

Occupancy levels may fall

Estia's occupancy levels may fall below expectations as a result of factors such as increased competition in the residential aged care industry, specific issues arising at any of Estia's facilities which adversely impact its reputation and/or perceptions of the quality of clinical care provided, loss of accreditation, any trend towards home and community care, a deterioration in general economic and housing market conditions, or a decline in referrals from hospitals and other referral sources. The resident turnover rates in Estia's facilities are difficult to predict and multiple residents may leave Estia's facilities at or around the same time.

Government subsidies, and resident contributions, constitute substantially all of Estia's revenue. Reduced occupancy levels may adversely affect Estia's financial performance as it would reduce:

- the amount of Australian Government funding to which Estia is entitled, which is calculated per resident, and accounts for a large proportion of Estia's revenue;
- resident contributions; and
- the level of accommodation bonds and RADs held.

To the extent a decrease in occupancy levels resulted in a reduction in the level of Estia's accommodation bonds and RADs, Estia's financing costs could increase. Any of these occurrences could adversely affect Estia's financial performance, financial position and future prospects.

Estia's reputation may be damaged

Estia's reputation could be adversely impacted if it, or the aged care sector generally, suffers from any adverse publicity. Examples of adverse publicity may include reports of inappropriate care of residents, inquiries or investigations relating to the operation of aged care facilities or incidents at aged care facilities, health and safety issues affecting residents, staff or visitors or poor maintenance of, or delivery of services at, aged care facilities. Any such adverse publicity could result in declining occupancy, increased regulatory scrutiny or increases compliance costs at Estia's facilities which could adversely impact Estia's financial performance and position and future prospects.

Estia may have to pay a levy under the Government's Guarantee Scheme

If an approved provider becomes insolvent and is unable to refund accommodation payment balances (including RAD or accommodation bond balances) that are owing to its residents, the Government may repay the outstanding balances to affected residents under the Accommodation Payment Guarantee Scheme ("Guarantee Scheme").

The Aged Care (Accommodation Payment Security) Levy Act 2006 (Cth) allows the Government to recover the costs of refunding these accommodation payment balances (along with interest and administrative costs incurred by the Government in administering the default event) from approved providers via a levy. If a levy is imposed in these circumstances, this may require significant cash outlays, which would adversely impact on Estia's cash flows. The regulations imposing the levy may provide different rates (including a zero rate) of the levy for different classes of approved providers, but must not otherwise discriminate between different approved providers.

The Government could choose to recover costs from approved providers in instalments over several years to minimise the potential impact on approved providers. The Australian Government is currently reviewing the effectiveness of the existing Guarantee Scheme, however no proposed amendments have been announced to date.

KEY RISKS

Past acquisitions

Historically, Estia has grown primarily through acquisitions of aged care facilities. Most recently, these included the acquisition of the Kennedy Health Care Group in February 2016 and 13 other single facility acquisitions over FY2016. At the time each aged care facility was acquired, Estia conducted due diligence enquiries. Notwithstanding this due diligence, it is possible that one or more material issues or liabilities may not have been identified, or are of an amount that is greater than expected, and that the standard protections (in the form of representations, warranties and indemnities) negotiated by Estia prior to the relevant acquisition are inadequate in the circumstances. Past acquisitions may also give rise to integration risks, such as challenges in implementing a consistent culture across the business, the loss of key personnel, higher than anticipated integration costs, delays in achieving integration and the realisation of lower than anticipated synergies. Each of these factors could adversely affect Estia's financial performance and position and future prospects.

Increased competition may affect Estia's competitive position

Estia operates in a sector with established competitors, including a number of other residential aged care providers with a large number of facilities across multiple jurisdictions. Estia may face increased competition from these established competitors, for example, through:

- competitors undertaking aggressive marketing campaigns or price discounting strategies;
- new competitors that enter the market;
- consolidation between existing competitors; or
- existing competitors upgrading or expanding their facilities.

There is also the possibility of a competitor introducing new technology or products in connection with their aged care facilities which could impact demand for places at Estia's facilities.

A substantial increase in the level of competition could result in, among other things, Estia experiencing lower occupancy rates than anticipated, revenue reductions, reduced operating margins, lower RAD levels and loss of market share.

Each of these factors may adversely affect Estia's business, financial performance and position and future prospects.

KEY RISKS

Estia may lose key personnel

Estia has recently undergone several key changes in its senior management team, including the recent appointments of a new CEO, interim CFO and Chief Operating Officer.

Estia relies on a high quality management team with significant aged care industry experience.

The loss of key personnel could undermine Estia's ability to operate its facilities and its business to the current standard, and to effectively comply with regulations. This may, in turn, result in a reduction in demand for Estia's aged care services from new and existing residents and could adversely impact Estia's financial performance and position and future prospects.

The loss of key personnel could also jeopardise Estia's approved provider status if they are not replaced promptly with other approved individuals.

Estia may experience a shortage of employees and/or upward wage pressure

Estia's business depends on a specialised health and aged care workforce. There is a risk that Estia may not be able to retain or expand a workforce that is appropriately skilled and trained to meet the existing or future demands of residents at its facilities and/or a risk that a shortage of employees leads to upward wage pressure which may adversely affect Estia's business, financial performance and position and future prospects. This may arise as a result of:

- increases in wages which Estia is unable to pass on to residents or is not recognised in full in the ACFI consumer price index adjustments;
- a general industry shortage of staff in key areas, such as nurses and other skilled staff. This may increase the bargaining power of medical professionals and can lead to upward pressure on applicable wages and salaries;
- competition from other health care providers, such as hospitals and nursing homes, for appropriately skilled staff; and
- increases in the use of agency staff, which typically results in higher staffing costs to Estia.

In addition, many of Estia's employees are covered by collective enterprise bargaining agreements. Disputes may arise in the course of the periodic renegotiation and replacement of such agreements, or in connection with issues arising at certain facilities, which may lead to strikes and other forms of industrial action that could disrupt Estia's operations.

Staff costs represented approximately 63% of Estia's total revenue as at 31 October 2016. As a result, if any of the above events were to occur, Estia's cost structure or financial performance and position and future prospects may be adversely impacted.

KEY RISKS

The value of Estia's facilities portfolio may decline

The value of Estia's portfolio, including any other facilities held by Estia in the future, may be impacted by a number of risks affecting Estia and the property market generally, including:

- changes in property yields;
- fluctuating occupancy levels;
- a downturn in the property markets in general;
- changes in prices of comparable facilities; and
- increased competition from new or existing facilities.

A reduction in the value of Estia's portfolio may adversely impact on Estia's ability to procure debt financing arrangements, which could, in turn, adversely impact on Estia's financial performance and position and future prospects.

Estia's portfolio may be subject to impairments

Estia is required to monitor the carrying value of its assets to ensure that the values represented on its balance sheet are appropriate. There is a risk that the carrying value of Estia's assets may be higher than their value in use or fair value less costs to sell. In such a case, Estia would be subject to impairments which may impact upon its balance sheet position and profitability, including amounts available for dividends.

Construction and property development

Estia's performance relies in part on its ability to identify existing sites on which to develop or expand new brownfield facilities or acquire suitable sites on which to develop new greenfield facilities. However, there is no assurance that Estia will be able to develop new brownfields sites or secure new greenfield sites, on favourable economic terms or at all. Estia also faces construction and property development risks when developing new facilities or expanding existing facilities, including:

- construction risk arising from unexpected cost increases, latent conditions, quality issues, delays in obtaining or failure to obtain regulatory approvals (such as required permits, development approvals and relocation of easements), and delays in the completion of its projects due to weather or unforeseen events;
- changes in laws and governmental regulations including zoning, planning and environmental laws;
- default risk arising from participants in the construction process, including construction contractors, defaulting in the performance of their respective obligations;
- marketing risk arising from changing market conditions, design expectations or sentiment affecting property prices, and payment expectations for and in respect of accommodation bonds/RADs;
- industrial relations risk affecting construction progress;
- the internalisation of development capabilities which may not result in the advantages that Estia expects will be achieved; and
- an inability to finance construction and property development.

In addition, poor site selection may result in Estia developing a brownfield or greenfield facility at a site that is not attractive to potential residents.

KEY RISKS

Any of the above factors could adversely impact Estia's financial performance and position and future prospects.

Estia's portfolio is illiquid

Estia's portfolio is, by its nature, comprised of illiquid assets. Estia may not be able to realise the value of the facilities within its portfolio within a short period of time or at valuation.

In particular, the risks generally associated with acquiring property assets can be greater for special purpose assets such as aged care facilities. If a facility cannot be sold as an aged care facility, any purchaser may need to incur extensive capital expenditure (for example to rezone the land) in order for a facility to be suitable for other commercial purposes. This may affect Estia's ability to sell its facilities to third parties who intend to use the land for an alternative use, and this could have an adverse impact on Estia's future financial performance and position.

Estia's fixed costs may impact its flexibility

Estia's capital expenditure includes fixed costs pertaining to property ownership, such as maintenance costs, property rates and taxes. Because of those fixed costs, a reduction in revenue as a result of reduced demand for Estia's facilities, together with the illiquid nature of property investments (including an inability to sell facilities quickly if required), could adversely impact on Estia's financial performance and position and future prospects.

Estia leases certain of its properties from third party lessors

Estia currently leases eleven properties from third party lessors. Estia may also lease additional properties from third parties in the future. Failure of a third party lessor to discharge its obligations as agreed with Estia or vice versa, or failure by Estia to exercise remaining options or renew any leases when such leases are due to expire, could adversely affect Estia's operations and financial performance.

Estia may be subject to litigation (including medical indemnity claims)

Health care providers are exposed to the risk of litigation, medical indemnity claims and coronial inquests. Subject to the insurance arrangements that Estia has in place, any future medical malpractice litigation, or threatened litigation, against Estia could have an adverse impact on the financial performance and position and future prospects of Estia.

While Estia believes that it holds appropriate insurance cover, there can be no assurance that such litigation would not have an adverse impact on Estia. Further, if the costs of medical malpractice insurance were to rise (which may occur if the frequency of medical malpractice litigation were to increase or as a result of other factors), this could also have an adverse impact on Estia's financial performance and position and future prospects. If Estia is involved in actual or threatened litigation or coronial enquiries, the cost of such actions may also adversely affect Estia's financial performance and give rise to adverse publicity.

KEY RISKS

Estia may be unable to refinance debt or access debt markets on attractive terms

Estia may require funding or working capital in the future in order to fund its operations. Given the nature of Estia's revenue profile and the potentially capital intensive nature of its business, there is no assurance that any such additional capital or funding will be available on favourable terms or at all and that Estia will be able to comply with the terms of such facilities. If adequate funds are not available, Estia may not be able to achieve its performance targets or respond to competitive pressures.

Estia may finance its investment in new facilities or in construction and property development with borrowed funds or gearing. Geared assets magnify investment gains or losses and increase the volatility of returns to movements in interest rates and property values.

In addition, bad debts or delays in receiving expected revenue could impact on the financial performance and position and future prospects of Estia.

Environmental issues or incidents may affect facilities or the buildings and structures

There is a risk that the land on which one of Estia's facilities operates and/or the buildings and structures may be or become contaminated, and that environmental authorities may require such contamination to be remedied. To the extent that Estia is required to undertake any remedial work at its own cost, this could adversely impact Estia's financial performance and position and future prospects.

In addition, environmental laws impose penalties for environmental damage and contamination which can be material. If a person is exposed to a hazardous substance at a facility, they may make a personal injury claim against Estia. Such a claim could be for an amount that is greater than the value of the contaminated facility.

An environmental issue may also result in interruptions to the operations of a facility. Any income lost as a result of such an interruption may not be recoverable.

Estia and its operations are subject to environmental legislation. While environmental issues are continually monitored, there is no assurance that the operation of any of Estia's facilities will not be affected by an environmental incident or subject to environmental liabilities, which could adversely impact Estia's financial performance and position and future prospects.

Estia may lose or be unable to secure insurance and may be subject to increases in insurance rates

Estia currently maintains insurance within ranges of coverage consistent with industry practice, including professional indemnity, worker's compensation and general liability insurance. However, no guarantee can be given that such insurance will be available in the future on commercially attractive terms, or that such cover will be adequate and available to cover claims. Estia may be unable to secure insurance to satisfactorily cover all anticipated risks or the cost of insurance may increase above anticipated levels. This may result in increased insurance payments by Estia or Estia being unable to insure certain business risks, which could adversely impact its operations.

KEY RISKS

Estia's IT systems may fail

Estia relies on a number of IT systems to support its business operations including:

- to record and manage resident data;
- labour and roster management; and
- accounting and financial reporting systems.

Any fraud, equipment faults, data integrity risk, or other failure of Estia's information systems, technology or business continuity planning could adversely affect Estia's operations, and therefore its financial performance and position and future prospects.

Adverse interest rate movements may affect Estia's performance

Under Estia's existing debt facilities, Estia has floating rate borrowings, part of which may be required to be hedged by way of interest rate swaps into fixed rate payments. Changes in interest rates will affect Estia's borrowings which bear interest at floating rates. Any increase in interest rates will affect Estia's cost of servicing these borrowings and could adversely affect its financial performance and position and future prospects. In addition, interest rates will impact any return on surplus RADs held by Estia and fluctuations will impact the interest revenue received which will impact on the financial performance of Estia.

Adverse movements in operating costs may affect Estia's performance

Estia incurs various expenses which may be outside its control in operating residential aged care facilities. Examples include electricity, gas and water charges. Due to supply and demand issues affecting Estia's operating costs, Estia may be subject to increased costs which could lead to adverse effects on Estia's business and its financial performance.

Catastrophic events could damage facilities

Insured or uninsured catastrophic events such as fires, floods, earthquakes, widespread health emergencies, pandemics, epidemics, wars and strikes could affect the value of Estia's facilities and the conduct of its business operations. Some events of this type are uninsurable. To the extent they do occur, there may be adverse effects on Estia's business and its financial performance.

Dividends

The payment of dividends on Estia's shares is dependent on a range of factors including Estia's profitability, the availability of cash and capital requirements. Any future dividend levels will be determined by the Estia board having regard to its operating results and financial position at the relevant time. There is no guarantee that any dividend will be paid by Estia or, if paid, that they will be paid at previous levels.

KEY RISKS

Entitlement Offer and general risks

Dilution

Your percentage shareholding in Estia will be diluted if you do not participate to the full extent in the Entitlement Offer and you will not be exposed to future increases or decreases in Estia's share price in respect of the New Shares which would have been issued to you had you taken up your full entitlement.

Underwriting risk

The underwriting agreement relating to the Entitlement Offer sets out various events, the occurrence of which will entitle the underwriter to terminate the underwriting agreement. Accordingly, there is a risk that the underwriter may terminate its obligations under the underwriting agreement if any such events occur. These events include (but are not limited to the following):

- Estia ceases to be admitted to the official list of ASX or Estia's shares are suspended from quotation on ASX;
- Estia or one of its subsidiaries becomes insolvent;
- (*) Estia is in breach of the underwriting agreement or any of the representations or warranties given by it under the underwriting agreement;
- any statement in the materials published in connection with the Entitlement Offer becomes misleading or deceptive, or is likely to mislead or deceive, or a matter required to be included in such materials was omitted from those materials;
- (*) there is an adverse change (or an event that is likely to lead to an adverse change) in the assets, liabilities, financial position or performance, profits, losses or prospects of Estia or any member of the Estia group (insofar as the position in relation to that group member affects the overall position of Estia), from the position disclosed in the materials on announcement of the Entitlement Offer, or as otherwise disclosed to ASX prior to the date of the underwriting agreement;
- the ASX/S&P 200 Index falls to a level that is 10% or more below the level at market close on the business day immediately preceding the date of the underwriting agreement and is at or below that level at close of trading: (1) for 2 consecutive business days during the period until completion; or (2) on the business day immediately prior to the settlement date for the Institutional Entitlement offer and the Retail Entitlement offer;
- where either of two shareholder groups (holding approximately 11% of Estia's shares in aggregate) who have signed binding commitments to subscribe for their pro rata entitlement in full fail to take up their full pro-rata entitlement in accordance with those commitments;
- (*) any of Estia's debt facilities are withdrawn, reviewed, breached or challenged or there is an event of default under any debt facility;
- Estia receives a non-compliance notice or a sanction from the Department of Health or a new non-compliance notice is listed on the Department of Health register of non-compliances and sanctions; and
- ASIC makes an order or issues or gives notice of an intention to issue proceedings or commences any inquiry or investigation in relation to the Entitlement Offer or materials published in connection with the Entitlement Offer.

The ability of the underwriter to terminate the underwriting agreement in respect of some events (denoted with an asterisk (*) above) will depend on whether the underwriter has reasonable and bona fide grounds to believe, and does believe, that the event has given or is likely to give rise to a liability of the underwriter under any law or regulation, or has or is likely to have a materially adverse effect on the marketing, settlement or outcome of the Entitlement Offer or the likely trading price of shares in Estia.

KEY RISKS

Investment in capital markets

The price of Estia shares on the ASX may rise or fall due to numerous factors, including:

- Australian and international general economic conditions, including inflation rates, the level of economic activity, interest rates and currency exchange rates;
- tensions and acts of terrorism in Australia and around the world; and
- investor perceptions in the local and global markets for listed securities.

Estia shares may trade below the offer price and no assurances can be given that Estia's market performance will not be materially adversely affected by any such market fluctuations or factors. Neither Estia, nor any of its directors or any other person, guarantees Estia's market performance.

Changes to accounting standards

Australian accounting standards are set by the Australian Accounting Standards Board (AASB). Changes to accounting standards issued by the AASB could materially adversely affect Estia's reported results in any given period or Estia's financial condition from time to time.

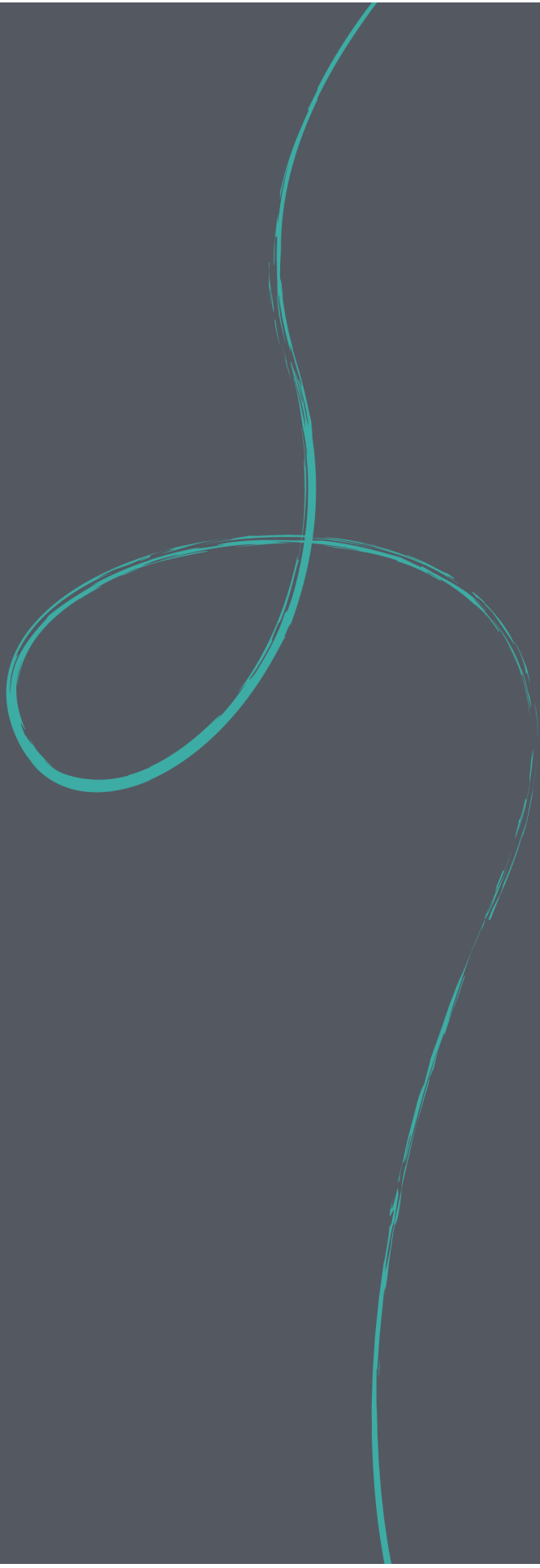
Tax changes

Any change to the taxation of shares (including the taxation of dividends) and the taxation of companies (including the existing rate of company income tax) may adversely impact on Estia shareholder returns, as may a change to the tax payable by Estia shareholders in general. Any other changes to Australian tax law and practice that impact Estia, or the aged care industry generally, could also have an adverse effect on Estia shareholder returns.

General economic risks

The operating and financial performance of Estia is influenced by a variety of general economic and business conditions, including inflation, interest rates and exchange rates, supply and demand, industrial disruption, access to debt and capital markets and government fiscal, monetary and regulatory policies. Changes in general economic conditions could adversely impact the operating and financial performance of Estia.

Appendix D: Selling restrictions



SELLING RESTRICTIONS

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Denmark

The information in this document has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Denmark, from the requirement to publish a prospectus for offers of securities.

An offer to the public of New Shares has not been made, and may not be made, in Denmark except pursuant to one of the following exemptions under the Prospectus Directive as implemented in Denmark:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000; and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID"); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "Prospectus Regulations"). The New Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to "qualified investors" as defined in Regulation 2(l) of the Prospectus Regulations.

SELLING RESTRICTIONS

Japan

The New Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the New Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires New Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of New Shares is conditional upon the execution of an agreement to that effect.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Malaysia

This document may not be distributed or made available in Malaysia. No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of New Shares. The New Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

SELLING RESTRICTIONS

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Sweden

This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the New Shares be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (*Sw. lag (1991:980) om handel med finansiella instrument*). Any offering of New Shares in Sweden is limited to persons who are "qualified investors" (as defined in the Financial Instruments Trading Act). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other offering or marketing material relating to the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document is personal to the recipient only and not for general circulation in Switzerland.

SELLING RESTRICTIONS

United Arab Emirates

Neither this document nor the New Shares have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates, nor has the Company received authorization or licensing from the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates to market or sell the New Shares within the United Arab Emirates. No marketing of any financial products or services may be made from within the United Arab Emirates and no subscription to any financial products or services may be consummated within the United Arab Emirates. This document does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the New Shares, including the receipt of applications and/or the allotment or redemption of New Shares, may be rendered within the United Arab Emirates by the Company.

No offer or invitation to subscribe for New Shares is valid in, or permitted from any person in, the Dubai International Financial Centre.

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Estia Health

Photo: Golden Grove, South Australia

13 December 2016

Successful completion of Institutional Entitlement Offer

Not for release or distribution in the United States

Highlights

- Total of approximately A\$72 million raised under the Institutional Entitlement Offer at A\$2.10 per New Share
- Strong support from existing eligible institutional shareholders with take up of 93% under the Institutional Entitlement Offer
- Retail Entitlement Offer to raise approximately a further A\$65 million
- The Retail Entitlement Offer to eligible retail shareholders will be open from Monday, 19 December 2016 to Wednesday, 11 January 2017

Completion of Institutional Entitlement Offer

Estia Health Limited (**Estia**) is pleased to announce the successful completion of the institutional component (**Institutional Entitlement Offer**) of its 1-for-3 pro-rata accelerated non-renounceable entitlement offer (**Entitlement Offer**) of new shares (**New Shares**) which was launched on Monday, 12 December 2016.

The Institutional Entitlement Offer raised a total of approximately A\$72 million at A\$2.10 per New Share (**Offer Price**) and was strongly supported by existing eligible institutional shareholders, who took up approximately 93% of their entitlements.

New Shares issued under the Institutional Entitlement Offer will rank equally with existing shares on issue and are expected to be allotted on Wednesday, 21 December 2016. Trading will commence on a normal settlement basis on the Australian Securities Exchange (**ASX**) on the same day.

Chief Executive Officer and Managing Director, Norah Barlow said, "Strong support was received from existing institutional investors to strengthen Estia's balance sheet and grow the broader development portfolio. We appreciate the support we received and look forward to delivering sustainable growth for shareholders over the long term."

Retail Entitlement Offer

The retail component of the Entitlement Offer is fully underwritten and seeks to raise approximately A\$65 million through a 1-for-3 pro-rata non-renounceable entitlement offer (**Retail Entitlement Offer**) at A\$2.10 per New Share.

The Retail Entitlement Offer will open on Monday, 19 December 2016 and close at 5.00pm on Wednesday, 11 January 2017.

Eligible retail shareholders with registered addresses in Australia or New Zealand on the record date of 7.00pm on Wednesday, 14 December 2016 (**Record Date**), have the opportunity to invest in New Shares at the Offer Price.

The terms and conditions under which eligible retail shareholders may apply are outlined in the retail information booklet (**Retail Information Booklet**) expected to be lodged on ASX on Wednesday, 14 December 2016 and despatched to eligible retail shareholders on Monday, 19 December 2016. In deciding whether or not to participate in the Retail Entitlement Offer, eligible retail shareholders should read the Retail Information Booklet carefully.

The Retail Information Booklet and the accompanying personalised entitlement and acceptance form will contain instructions on how to apply by the closing date of Wednesday, 11 January 2017.

Key dates for the Retail Entitlement Offer are set out below.

Key event	Date
Record Date	7.00pm, Wednesday, 14 December 2016
Retail Information Booklet lodged on ASX	Wednesday, 14 December 2016
Retail Information Booklet despatched and Retail Entitlement Offer opens	Monday, 19 December 2016
Settlement of New Shares issued under the Institutional Entitlement Offer	Tuesday, 20 December 2016
Allotment and normal trading of New Shares issued under the Institutional Entitlement Offer	Wednesday, 21 December 2016
Retail Entitlement Offer closes	Wednesday, 11 January 2017
Settlement of New Shares issued under the Retail Entitlement Offer	Wednesday, 18 January 2017
Allotment of New Shares issued under the Retail Entitlement Offer and despatch of holding statements	Thursday, 19 January 2017
Commence trading of New Shares issued under the Retail Entitlement Offer	Friday, 20 January 2017

These dates are indicative only and subject to change without notice. All dates and times refer to Sydney, Australia time. Subject to the requirements of the *Corporations Act 2001* (Cth), the ASX listing rules and any other applicable laws, Estia has the right, with the consent of the underwriter, to amend the timetable. In particular, Estia reserves the right to extend the closing date for the Retail Entitlement Offer, to accept late applications under the Retail Entitlement Offer and to withdraw the Retail Entitlement Offer without prior notice. There will be no trading of entitlements on ASX or any other exchange, nor can they be privately transferred.

Additional information

Additional information regarding the Entitlement Offer is contained in the investor presentation released to the ASX on Monday, 12 December 2016.

Eligible retail shareholders who have any questions regarding the Retail Entitlement Offer should contact the Estia Health Limited Entitlement Offer Information Line on 1800 550 560 (within

Australia) or on +61 1800 550 560 (outside Australia) from 8.30am to 5.30pm (AEDT) Monday to Friday during the Retail Entitlement Offer period.

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should seek appropriate professional advice before making any investment decision.

Macquarie Capital (Australia) Limited (**Macquarie**) is lead manager and underwriter to the Entitlement Offer¹.

ENDS

Media enquiries

John Hurst
Quay Advisers
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¹ The underwriter may terminate the underwriting agreement on the occurrence of specified events. Those events include where either of two shareholder groups (holding approximately 11% of Estia's shares in aggregate) who have provided binding commitments to subscribe for their full pro-rata entitlement fail to take up their full pro-rata entitlement in accordance with those commitments.

About Estia

Estia Health is one of the largest private providers of residential aged care services in Australia, operating 5,782 places (as at 30 June 2016) in 68 homes across New South Wales, Victoria, Queensland and South Australia.

Estia aims to provide its residents with the highest standards of aged care services in a supportive and caring environment and is focused on improving and expanding its portfolio to meet the growing demand for residential aged care services in Australia.

Estiahealth.com.au

Important Information

Determination of eligibility of investors for the purposes of the Institutional Entitlement Offer and Retail Entitlement Offer is determined by reference to a number of matters, including legal requirements and the discretion of Estia and Macquarie. Estia and Macquarie disclaim any liability in respect of the exercise or otherwise of that discretion, to the maximum extent permitted by law.

Forward-looking statements

This announcement contains a number of forward looking statements including indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements, opinions and estimates are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Estia Health Limited that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements and neither Estia Health Limited, nor any of its directors, employees, servants, advisers or agents assume any obligation to update such information. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This announcement contains such statements that are subject to risk factors associated with the industries in which Estia Health Limited operates.

Disclaimer

To the maximum extent permitted by law, Macquarie and its related bodies corporate (as defined in the Corporations Act 2001 (Cth)), and the officers, directors, employees and agents of those entities, expressly disclaim all or any liability which may arise out of the provision to, or use by, any person of the information contained in this announcement and make no recommendation as to whether investors should participate in the offer of shares under the Entitlement Offer. Without limiting the foregoing, any forecast, budget, target, projection or other forward looking statement (projection) is provided for information purposes only and comprises Estia Health Limited's estimates of future prospects. No representation or warranty is given as to the accuracy, completeness or reasonableness of any such projection, or that any such projection will actually be met. As the achievement of any projection is dependent upon future events, the outcome of which cannot be assured, the actual results may vary materially from the projection.

6.1 Introduction

Set out below is a summary of the Australian income tax, goods and services tax (**GST**) and stamp duty implications of the Retail Entitlement Offer for Eligible Retail Shareholders who are residents of Australia for income tax purposes and who hold their Estia Shares (and will hold their New Shares) on capital account.

The summary below does not apply to Eligible Retail Shareholders who:

- hold their Estia Shares (or will hold their New Shares) as revenue assets (such as assets used in carrying on a business of share trading, banking or insurance), or as trading stock or those who have acquired Estia Shares for the purpose of on-sale at a profit;
- acquired the Estia Shares in respect of which their Retail Entitlements are issued under any employee share scheme or where New Shares are acquired pursuant to any employee share scheme; or
- may be subject to special tax rules, such as insurance companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents.

This taxation summary is based on the Australian tax law as it applies as at 9.00am on the date of this Retail Information Booklet. Other than as expressly discussed or specified, the comments do not take into account or anticipate changes in Australian tax law or future judicial interpretations of law after this time. This summary also does not take account of any individual circumstances of any particular Eligible Retail Shareholder and does not constitute tax advice. It does not purport to be a complete analysis of the potential tax consequences of the Retail Entitlement Offer and is intended as a general guide to the Australian tax implications. Eligible Retail Shareholders should seek specific advice applicable to their own particular circumstances from their own financial or tax advisors.

6.2 Issue of Retail Entitlements

The issue of a Retail Entitlement should not, of itself, result in any amount being included in your assessable income.

6.3 Exercise of Retail Entitlements

You will acquire New Shares where you exercise all or part of your Retail Entitlements under the Retail Entitlement Offer.

You should not derive any assessable income, or make any capital gain or loss, at the time of exercising (i.e. taking up) your Retail Entitlement.

If you take up all or part of your Retail Entitlement, the cost base of New Shares for capital gains tax (**CGT**) purposes will be equal to the Offer Price payable by you for those New Shares plus certain non-deductible incidental costs you incur in acquiring them.

6.4 Lapse of Retail Entitlement

If you do not take up all or part of your Retail Entitlement in accordance with the instructions set out above, then that Retail Entitlement will lapse and you will not receive any consideration for your Retail Entitlement that is not taken up. There should be no tax implications for you from the lapse of your Retail Entitlement.

6.5 Dividends on New Shares

Any future dividends or other distributions made in respect of New Shares will be subject to the same income taxation treatment as dividends or other distributions made on Estia Shares held in the same circumstances.

6.6 Disposal of New Shares

The disposal of a New Share will constitute a disposal for CGT purposes.

On disposal of a New Share, you will make a capital gain if the capital proceeds on disposal exceed the cost base of the New Share. You will make a capital loss if the capital proceeds are less than the reduced cost base of the New Share. The cost base of New Shares is described above in Section 6.3.

If you are an individual, trustee or complying superannuation entity that has held New Shares for 12 months or more at the time of disposal you should be entitled to apply the applicable CGT discount factor to reduce the capital gain (after offsetting capital losses). The CGT discount factor is 50% for individuals and trustees and 33½% for complying superannuation entities.

You will be taken to have acquired New Shares on the day you exercise your Retail Entitlement. Accordingly, to be eligible for the CGT discount, you must have held New Shares for at least 12 months after the date that you exercised your Retail Entitlement.

If you make a capital loss, you can only use that loss to offset other capital gains; i.e. the capital loss cannot be used against taxable income on revenue account. However, if the capital loss cannot be used in a particular income year, you can carry it forward to use in future income years, providing certain loss utilisation tests are satisfied.

6.7 Taxation of Financial Arrangements (TOFA)

The TOFA provisions operate to make assessable or deductible, gains or losses arising from certain 'financial arrangements' (importantly, the CGT discount is not available for any gain that is subject to the TOFA provisions).

The application of the TOFA provisions depends on your specific facts and circumstances. You should seek advice from an appropriate professional advisor in relation to the implications of the TOFA provisions to you.

6.8 Other Australian taxes

No GST or stamp duty should be payable by you in respect of the issue or taking up of Retail Entitlements, or the acquisition of New Shares, pursuant to the Retail Entitlement Offer

This Retail Information Booklet (including the enclosed Announcements) and attached personalised Entitlement and Acceptance Form have been prepared by Estia.

This Retail Information Booklet (other than the Announcements) is dated 14 December 2016. The Announcements are current as at 14 December 2016. This Retail Information Booklet remains subject to change without notice, and Estia is not responsible for updating this Retail Information Booklet.

There may be additional announcements that have been made by Estia after 14 December 2016 and throughout the Retail Entitlement Offer Period that may be relevant in your consideration of whether to take part in the Retail Entitlement Offer. Therefore, it is prudent that you check whether any further announcements have been made by Estia before submitting an Application.

No party other than Estia has authorised or caused the issue of this Retail Information Booklet, or takes any responsibility for, or makes, any statements, representations or undertakings in this Retail Information Booklet.

For the avoidance of doubt, to the maximum extent permitted by law, the underwriter and its affiliates, related bodies corporate, officers, employees, agents and advisors disclaim all liability, including (without limitation) liability arising from fault or negligence, for any loss howsoever and whenever arising from the use of any of the information contained in this Retail Information Booklet, and the underwriter does not act as a fiduciary or agent of each other or any other person.

This information is important and requires your immediate attention.

You should read this Retail Information Booklet in full before deciding how to deal with your Retail Entitlement. In particular, you should consider the risk factors outlined in the “Key Risks” section of the enclosed Investor Presentation, which could affect the operating and financial performance of Estia or the value of an investment in Estia.

You should consider these risk factors in light of your personal circumstances, including financial and taxation issues, before making a decision in relation to your Retail Entitlement. It is recommended that you seek professional advice from a licensed advisor before deciding whether or not to participate in the Retail Entitlement Offer.

7.1 Trading of New Shares

Estia has applied to the ASX for official quotation of the New Shares. If ASX does not grant quotation of the New Shares, Estia will repay all Application Monies (without interest). Subject to approval being granted, it is expected that trading of New Shares on ASX will commence on 20 January 2017 on a normal settlement basis.

Estia, the underwriter and their advisors will have no responsibility and disclaim all liability (to the maximum extent permitted by law) to persons who trade New Shares they believe have been issued to them before they receive their holding statements, whether on the basis of a confirmation of issue provided by Estia or the Registry or otherwise or who otherwise trade or purport to trade New Shares in error or which they do not hold or are not entitled to.

If you are in any doubt as to these matters, you should seek professional advice.

7.2 Eligible Retail Shareholders

This Retail Information Booklet contains an offer of New Shares to Eligible Retail Shareholders in Australia and New Zealand and has been prepared in accordance with section 708AA of the

Corporations Act (as notionally modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73).

Estia may (in its absolute discretion) extend the Retail Entitlement Offer to any Institutional Shareholders in foreign jurisdictions which did not participate in the Institutional Entitlement Offer (excluding the United States and subject to compliance with applicable laws).

7.3 Ranking of New Shares

New Shares issued under the Retail Entitlement Offer will be fully paid and rank equally in all respects with Estia Shares.

The rights attaching to the New Shares are set out in Estia's Constitution and are regulated by the Corporations Act, ASX Listing Rules and general law.

7.4 Rounding of New Shares

Where fractions arise in the calculation of Retail Entitlements, they will be rounded up to the next whole number of New Shares.

7.5 Reconciliation and the rights of Estia and the underwriter

As with any entitlement offer, investors may believe that they own more Estia Shares on the Record Date than they ultimately do, or are otherwise entitled to more New Shares than initially offered to them. These matters may result in a need for reconciliation to ensure all Eligible Retail Shareholders have the opportunity to receive their full Retail Entitlement.

If reconciliation is required, it is possible that Estia may need to issue a small quantity of additional New Shares (**Top-Up Shares**) to ensure that all Eligible Retail Shareholders have the opportunity to receive their full Retail Entitlements. The price at which these Top-Up Shares will be issued will be the same as the Offer Price.

Estia also reserves the right to reduce the number of New Shares issued to Eligible Retail Shareholders or persons claiming to be Eligible Retail Shareholders, if their Retail Entitlement claims prove to be overstated, if they or their nominees fail to provide information requested to substantiate their Retail Entitlement claims, or if they are not Eligible Retail Shareholders. In that case, Estia may, at its discretion, require the relevant Shareholder to transfer excess New Shares to the underwriter at the Offer Price per New Share. If necessary, the relevant Shareholder may need to transfer Estia Shares held by them or to purchase additional Estia Shares on-market to meet this obligation. The relevant Shareholder will bear any and all losses caused by subscribing for New Shares in excess of their Retail Entitlement, and any actions they are required to take in this regard.

By applying under the Entitlement Offer, those doing so irrevocably acknowledge and agree to do the above as required by Estia in its absolute discretion. Those applying acknowledge that there is no time limit on the ability of Estia or the underwriter to require any of the actions set out above.

7.6 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application once it has been accepted.

7.7 No entitlements trading

Retail Entitlements are non-renounceable and cannot be traded on ASX or any other exchange, nor can they be privately transferred.

7.8 Not financial product advice

This Retail Information Booklet is not a prospectus, product disclosure statement or other offering document under Australian law or any other law (and will not be lodged with ASIC or any foreign regulator). This Retail Information Booklet is for information purposes only and is not an invitation or offer of securities for subscription, purchase or sale in any jurisdiction. Any Eligible Retail Shareholder who wishes to participate in the Retail Entitlement Offer should consider this Retail Information Booklet in full. Any Eligible Retail Shareholder who wishes to subscribe for and purchase New Shares will need to follow the instructions contained in this Retail Information Booklet and the Entitlement and Acceptance Form which accompanies it. This Retail Information Booklet does not constitute investment or financial product advice or any recommendation to acquire Estia Shares or New Shares and does not and will not form any part of any contract for the acquisition of New Shares.

Each recipient of this Retail Information Booklet should make their own enquiries and investigations regarding all information in this Retail Information Booklet, including but not limited to the assumptions, uncertainties and contingencies which may affect future operations of Estia and the impact that different future outcomes may have on Estia. This Retail Information Booklet has been prepared without taking account of any person's investment objectives, financial situation or particular needs. Before making an investment decision, Eligible Retail Shareholders should consider the appropriateness of the information having regard to their own objectives, financial situation and needs, make their own assessment of the information and seek advice appropriate to their jurisdiction in relation to the information and any action taken on the basis of the information. Any reference to, or explanations of legislation, regulatory issues or any other legal commentary (if any) are indicative only, and do not summarise all relevant issues and are not intended to be a full explanation of a particular matter. Estia is not licensed to provide financial product advice in respect of Estia Shares.

If, after reading this Retail Information Booklet, you have any questions about whether you should invest in the Retail Entitlement Offer, you should seek professional advice from a licensed advisor before making any investment decision.

Nominees and custodians may not distribute any part of this Retail Information Booklet in the United States or in any other country outside Australia and New Zealand except (i) Australian and New Zealand nominees may send this Retail Information Booklet and related offer documents to beneficial holders who are professional or institutional holders in other countries (other than the United States) listed in, and to the extent permitted under, the Investor Presentation and (ii) to beneficial holders in other countries (other than the United States) where Estia may determine it is lawful and practical to make the Retail Entitlement Offer.

7.9 Financial data

All dollar values in this Retail Information Booklet are in Australian dollars (A\$).

7.10 Underwriting

The Entitlement Offer is underwritten by the underwriter and Estia and the underwriter have entered into an Underwriting Agreement. Any New Shares which are not taken up by Eligible Retail Shareholders pursuant to their Retail Entitlement will form part of the Retail Shortfall to be taken up by the underwriter or sub-underwriters, on the terms and conditions of the Underwriting Agreement.

Customary with these types of arrangements, pursuant to the Underwriting Agreement:

- Estia has agreed, subject to certain carve-outs, to indemnify the underwriter and its related bodies corporate, and each of their officers, partners, employees, agents and advisors, representatives and agents against any losses they may suffer or incur in connection with the Entitlement Offer or any of their acts or omissions under the Underwriting Agreement;
- Estia and the underwriter have given certain representations, warranties and undertakings in connection with (among other things) the Entitlement Offer;
- the underwriter may (in certain circumstances having regard to the materiality of the relevant event) terminate the Underwriting Agreement and be released from their obligations under it on the occurrence of certain events, including (but not limited to) where:
 - Estia ceases to be admitted to the official list of ASX or the Estia Shares cease trading or are suspended from quotation (other than any voluntary suspension requested by Estia and consented to by the underwriter to facilitate the Entitlement Offer), or approval for quotation of the New Shares is not given by ASX;
 - there is a general moratorium on commercial banking activities in certain key countries or material disruptions in commercial banking or securities settlement or clearance services in those countries, or hostilities commence or escalate in those key countries;
 - there are certain delays in the timetable for the Entitlement Offer without the underwriter's consent;
 - the ASX/S&P 200 Index falls to a level that is 10% or more below the level at market close on the business day immediately preceding the date of the Underwriting Agreement and is at or below that level at close of trading: (1) for 2 consecutive business days during the period until completion of the Entitlement Offer; or (2) on the business day immediately prior to the settlement date for the Institutional Entitlement Offer and the Retail Entitlement Offer;
 - any of the offer documents (including this Retail Information Booklet and all Announcements made in connection with the Entitlement Offer) or any statement, report, representation, matter or thing contained therein (including any forecast or prospective financial statements, information or data) is or becomes misleading or deceptive or likely to mislead or deceive, or there is an omission from any offer material of material required to be included by the Corporations Act or any other applicable law; or
 - Estia withdraws the Entitlement Offer.

The underwriter may also terminate the Underwriting Agreement where either of two shareholder groups (holding approximately 11% of Estia's shares in aggregate) who have provided binding commitments to subscribe for their full Entitlement fail to take up their full Entitlement in accordance with those commitments.

Neither the underwriter nor any of its respective related bodies corporate and affiliates, nor any of their respective directors, officers, partners, employees, representatives or agents (collectively, the **'Underwriter Parties'**) have authorised or caused the issue or lodgement, submission, dispatch or provision of this Retail Information Booklet and there is no statement in this Retail Information Booklet which is based on a statement made by an Underwriter Party. To the maximum extent permitted by law, each Underwriter Party:

- expressly disclaims all liabilities in respect of, and makes no representations regarding, and takes no responsibility for any part of this Retail Information Booklet or any action taken by you on the basis of the information in this Retail Information Booklet, and makes no representation or warranty as to the currency, accuracy, reliability or completeness of this Retail Information Booklet; and
- exclude and disclaim all liability for any expenses, losses, damages or costs incurred by you as a result of your participation in the Entitlement Offer and this Retail Information Booklet being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise. None of the Underwriter Parties makes any recommendations as to whether you or your related parties should participate in the Entitlement Offer nor do they make any representations or warranties to you concerning this Entitlement Offer, or any such information and you represent, warrant and agree that you have not relied on any statements made by any of the Underwriter Parties in relation to the New Shares or the Entitlement Offer generally.

7.11 Foreign jurisdictions

This Retail Information Booklet has been prepared to comply with the requirements of the securities laws of Australia and New Zealand.

This Retail Information Booklet does not constitute an offer in any jurisdiction in which, or to any person to whom it would not be lawful to make such an offer. No action has been taken to register or qualify the Retail Entitlement Offer or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand. Return of the personalised Entitlement and Acceptance Form will be taken by Estia to constitute a representation by you that there has been no breach of any such laws. Eligible Retail Shareholders who are nominees or custodians should see Section 3.4.

The distribution of this document (including in electronic format) outside Australia and New Zealand may be restricted by law. If you come into possession of this Retail Information Booklet, you should observe such restrictions. In particular, this document or any copy of it must not be distributed in the United States. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

(a) New Zealand

The New Shares are not being offered to the public within New Zealand other than to existing Shareholders of Estia with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This Retail Information Booklet has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This Retail Information Booklet is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

(b) United States

This Retail Information Booklet does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Shares have not been, nor will be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States. The Retail Entitlements may not be issued to, or taken up or exercised by, and the New Shares may not be offered or sold to, persons in the United States or persons who are acting for the account or benefit of

a person in the United States. The New Shares will only be offered and sold outside the United States in 'offshore transactions', as defined in and in reliance on Regulation S under the U.S. Securities Act.

7.12 Ineligible Retail Shareholders

Estia has decided that it is unreasonable to make offers under the Retail Entitlement Offer to retail investors who are holders of Estia Shares and who are resident outside Australia and New Zealand, having regard to the number of such holders in those places and the number and value of the New Shares that they would be offered and the cost of complying with the relevant legal and regulatory requirements in those places.

7.13 Governing law

This Retail Information Booklet, the Retail Entitlement Offer and the contracts formed on acceptance of Applications made pursuant to the Retail Entitlement Offer are governed by the law applicable in Victoria, Australia. Each Shareholder who applies for New Shares submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

7.14 Information availability

Eligible Retail Shareholders in Australia and New Zealand can obtain a copy of this Retail Information Booklet during the period of the Retail Entitlement Offer on the Estia website at estiahealth.com.au or by calling the Estia Health Limited Entitlement Offer Information Line on 1800 550 560 (within Australia) or +61 1800 550 560 (outside Australia) at any time from 8.30am to 5.30pm Monday to Friday during the Retail Entitlement Offer Period.

Persons who access the electronic version of this Retail Information Booklet should ensure that they download and read the entire Retail Information Booklet. The electronic version of this Retail Information Booklet on the Estia website will not include an Entitlement and Acceptance Form. A replacement Entitlement and Acceptance Form can be requested by calling the Estia Health Limited Entitlement Offer Information Line or accessed online by following the Entitlement Offer website link at www.estiahealth.com.au. To access your personalised replacement Entitlement and Acceptance Form online, you will require your Security Reference Number or Holder Identification Number and will need to pass a series of security questions.

Neither this Retail Information Booklet nor the accompanying Entitlement and Acceptance Form may be distributed to or relied upon by, persons in the United States or persons that are acting for the account or benefit of a person in the United States, or otherwise distributed in the United States.

7.15 Disclaimer of representations

No person is authorised to give any information, or to make any representation, in connection with the Retail Entitlement Offer that is not contained in this Retail Information Booklet.

Any information or representation that is not in this Retail Information Booklet may not be relied on as having been authorised by Estia, or its related bodies corporate, in connection with the Retail Entitlement Offer. Except as required by law, and only to the extent so required, none of Estia, its directors, officers or employees or any other person, warrants or guarantees the future performance of Estia or any return on any investment made pursuant to this Retail Information Booklet.

7.16 Withdrawal of the Entitlement Offer

Estia reserves the right to withdraw all or part of the Entitlement Offer and the information in this Retail Information Booklet at any time, subject to applicable laws, in which case Estia will refund Application Monies in relation to New Shares not already issued in accordance with the Corporations Act and without payment of interest. In circumstances where New Shares have already been issued under the Institutional Entitlement Offer, Estia may only be able to withdraw the Entitlement Offer with respect to New Shares to be issued under the Retail Entitlement Offer.

To the fullest extent permitted by law, you agree that any Application Monies paid by you to Estia will not entitle you to receive any interest and that any interest earned in respect of Application Monies will belong to Estia.

7.17 Privacy

As a Shareholder, Estia and the Registry have already collected certain personal information from you. If you apply for New Shares, Estia and the Registry may update that personal information or collect additional personal information for the purposes of:

- (a) processing your application and assessing your acceptance of the New Shares;
- (b) servicing your needs as a Shareholder and providing facilities and services that you request;
and
- (c) carrying out appropriate administration.

Company and tax laws require some of the information to be collected. If you do not provide your personal information, we may not be able to process your application.

Estia and the Registry may disclose this information for these purposes to its subsidiaries and relevant organisations involved in providing, managing or administering your product or service such as third party suppliers, other organisations, loyalty and affinity partners, printers, posting services, call centres, and our advisors. Estia and the Registry may need to share some of your information with organisations outside Australia.

Where personal information is disclosed, Estia will seek to ensure that the information is held, used or disclosed consistently with the *Privacy Act 1988* (Cth) and any other applicable privacy laws and codes.

You can ask us to access information that we hold about you or to correct information we hold about you by telephoning or writing to Estia through the Registry as follows:

Mail to:

Estia Health Limited
C/- Link Market Services Limited
GPO Box 3560
Sydney NSW 2001

By telephone:

Estia Health Limited Entitlement Offer Information Line

Australia: 1800 550 560

International: +61 1800 550 560

Open 8.30am to 5.30pm (AEDT) Monday to Friday during the Retail Entitlement Offer Period

In this Retail Information Booklet, the following terms have the following meanings:

Announcements	The ASX Announcement, the Investor Presentation and the Institutional Entitlement Offer completion announcement
Application	Arranging for payment of the relevant Application Monies through BPAY in accordance with the instructions on the Entitlement and Acceptance Form or the submission of an Entitlement and Acceptance Form accompanied by the relevant Application Monies
Application Monies	The aggregate amount payable for the New Shares applied for through BPAY or in a duly completed Entitlement and Acceptance Form
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the financial products market operated by that entity known as the Australian Securities Exchange
ASX Announcement	The announcement released to ASX on 12 December 2016 in connection with the Entitlement Offer, a copy of which is included in Section 5 of this Retail Information Booklet
ASX Listing Rules	The official listing rules of ASX, as amended or replaced from time to time except to the extent of any waiver granted by ASX
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Eligible Institutional Shareholder	An institutional Shareholder to whom the underwriter made an offer on behalf of Estia under the Institutional Entitlement Offer (and who, for the avoidance of doubt, is not an Excluded Ineligible Shareholder under the Underwriting Agreement)
Eligible Retail Shareholder	A Shareholder that satisfies the definition outlined in Section 1
Eligible Shareholder	A person who is an Eligible Institutional Shareholder or an Eligible Retail Shareholder
Entitlement	The entitlement to 1 New Share for every 3 Estia Shares held on the Record Date, pursuant to the Entitlement Offer
Entitlement and Acceptance Form	The Entitlement and Acceptance Form accompanying this Retail Information Booklet which can be used to submit an Application
Entitlement Offer	The accelerated non-renounceable pro rata entitlement offer of approximately 65,149,885 New Shares to Eligible Shareholders in the proportion of 1 New Share for every 3 Estia Shares held on the Record Date, and comprised of the Institutional Entitlement Offer and the Retail Entitlement Offer
Estia	Estia Health Limited (ABN 37 160 986 201)
Estia Share	A fully paid ordinary share in Estia

Ineligible Institutional Shareholder	An institutional Shareholder that is not an Eligible Institutional Shareholder
Ineligible Retail Shareholder	A retail Shareholder that is not an Eligible Retail Shareholder
Ineligible Shareholder	Either an Ineligible Institutional Shareholder or an Ineligible Retail Shareholder or both (as the context requires)
Ineligible Retail Shareholder	A retail Shareholder that is not an Eligible Retail Shareholder
Institutional Entitlement Offer	The offer of New Shares to Eligible Institutional Shareholders under the Entitlement Offer
Investor Presentation	The investor presentation in connection with the Entitlement Offer dated 12 December 2016, a copy of which is included in Section 5 of this Retail Information Booklet
Issue Date	The date on which New Shares are issued to Eligible Retail Shareholders under the Retail Entitlement Offer, being 19 January 2017
New Share	An Estia Share issued under the Entitlement Offer, including (as the context requires) to the underwriter or any sub-underwriter
Offer Price	\$2.10 per New Share
Record Date	7.00pm on 14 December 2016
Registry	Link Market Services Limited (54 083 214 537)
Regulation S	Regulation S under the U.S. Securities Act
Retail Closing Date	The date the Retail Entitlement Offer closes, being 5.00pm on Wednesday, 11 January 2017
Retail Entitlement	An Entitlement under the Retail Entitlement Offer
Retail Entitlement Offer	The offer of New Shares to Eligible Retail Shareholders under the Entitlement Offer
Retail Entitlement Offer Period	The period commencing on the opening date of the Retail Entitlement Offer, as specified in the Entitlement Offer timetable in the Key Dates for the Retail Entitlement Offer section of this Retail Information Booklet, and ending on the Retail Closing Date
Retail Information Booklet	This booklet dated 14 December 2016, including the Announcements and the Entitlement and Acceptance Form
Retail Shortfall	Retail Entitlements not taken up by Eligible Retail Shareholders and entitlements of Ineligible Retail Shareholders under the Retail Entitlement Offer, which will be acquired by the underwriter or any sub-underwriters

Shareholder	The registered holder of an Estia Share
Underwriting Agreement	The Underwriting Agreement dated 12 December 2016 between Estia and the underwriter, as described in section 7.10
U.S. Securities Act	The U.S. Securities Act of 1933, as amended

IMPORTANT:

If you make an Application (whether by completing and returning your Entitlement and Acceptance Form with a cheque, bank draft or money order or making a BPAY payment), you will be deemed to have made the following declarations to Estia

You:

- acknowledge and agree that:
 - determination of eligibility of investors for the purposes of the Institutional Entitlement Offer or the Retail Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Estia and the underwriter; and
 - Estia, the underwriter and each of their respective affiliates disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law;
- acknowledge that you have read this Retail Information Booklet and the accompanying Entitlement and Acceptance Form in full;
- agree to be bound by the terms of the Retail Entitlement Offer, the provisions of this Retail Information Booklet and Estia's Constitution;
- authorise Estia to register you as the holder of the New Shares issued to you;
- declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- declare you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;
- acknowledge that once Estia receives your Entitlement and Acceptance Form or your Application Monies via BPAY, you may not withdraw it (except as provided by law);
- agree to apply for and be issued up to the number of New Shares specified in your Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY, at the Offer Price per New Share;
- authorise Estia, the underwriter, the Registry and their respective officers or agents, to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Registry upon using the contact details set out in the Entitlement and Acceptance Form;
- declare that you are an Eligible Retail Shareholder;
- acknowledge that the information contained in this Retail Information Booklet and the Entitlement and Acceptance Form is not investment advice nor a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs, and is not a prospectus or product disclosure statement, does not contain all of the information that you may require in order to assess an investment in Estia and is given in the context of Estia's past and ongoing continuous disclosure announcements to ASX;

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- represent and warrant that the law of any other place does not prohibit you from being given this Retail Information Booklet and the Entitlement and Acceptance Form, nor does it prohibit you from making an Application for New Securities;
 - acknowledge the statement of risks in the “Key Risks” section of the Investor Presentation, and that investments in Estia are subject to investment risk;
 - acknowledge that none of Estia, its directors, officers, employees, agents, consultants, advisors, and the underwriter or its affiliates, directors, officers, employees, agents, consultants or advisors, guarantees the performance of Estia, nor do they guarantee the repayment of capital;
 - represent and warrant (for the benefit of Estia, the underwriter and their respective affiliates) that you did not receive an invitation to participate in the Institutional Entitlement Offer either directly or through a nominee, and are otherwise eligible to participate in the Retail Entitlement Offer;
 - represent and warrant that you are not in the United States and you are not acting for the account or benefit of a person in the United States and are not otherwise a person to whom it would be illegal to make an offer of or issue of Entitlements or New Shares under the Retail Entitlement Offer and under any applicable laws and regulations;
 - understand and acknowledge that neither the Entitlements nor the New Shares have been, or will be, registered under the Securities Act or the securities laws of any state or other jurisdiction in the United States. Accordingly, you understand and acknowledge that the Entitlements may not be issued to or taken up by, and the New Shares may not be offered or sold to, persons in the United States or persons who are acting for the account or benefit of a person in the United States. You further understand and acknowledge that the Entitlements and the New Securities may only be offered, sold and resold outside the United States in ‘offshore transactions’ (as defined in Rule 902(h) under the Securities Act) in reliance on Regulation S;
 - are purchasing New Shares outside the United States in ‘offshore transactions’ (as defined in Rule 902(h) under the Securities Act) in reliance on Regulation S;
 - acknowledge that each person on whose account you are acting has not and will not send this Retail Information Booklet, the Entitlement and Acceptance Form or any other materials relating to the Retail Entitlement Offer to any person in the United States;
 - acknowledge that, if you decide to sell or otherwise transfer any New Shares, you will only do so in regular way transactions on the ASX where neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States;
 - authorise Estia to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
 - acknowledge that, if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is not in the United States, and you have not sent this Retail Information Booklet, the Entitlement and Acceptance Form or any information relating to the Entitlement Offer to any such person in the United States; and
 - agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Retail Entitlement Offer and/or of your holding of Estia Shares on the Record Date.

Registered Office

Estia Health Limited

357 Camberwell Road
Camberwell VIC 3124
Australia

estiahealth.com.au

Registry

Link Market Services Limited

Level 12, 680 George Street

Sydney NSW 2000
Australia

Website

To view more information on Estia, including in relation to Estia's business and operations, news updates, reports, publications and investor information, visit estiahealth.com.au

Estia Health Limited Entitlement Offer Information Line

Australia: 1800 550 560

International: +61 1800 550 560

Open 8.30am to 5.30pm (AEDT) Monday to Friday during the Retail Entitlement Offer Period

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: 1300 554 474
From outside Australia: +61 1300 554 474
ASX Code: EHE
Website: www.linkmarketservices.com.au

SRN/HIN:

Retail Entitlement Number:

Number of Estia Shares held as at the Record Date, 7:00pm (AEDT) on 14 December 2016:

Retail Entitlement to New Shares (on a 1 for 3 basis):

Amount payable on full acceptance of your Retail Entitlement at A\$2.10 per New Share:

Retail Entitlement Offer Closes 5:00pm (AEDT): 11 January 2017

ENTITLEMENT AND ACCEPTANCE FORM

As an Eligible Retail Shareholder you are entitled to acquire 1 New Share for every 3 Estia Shares that you held on the Record Date, at an Offer Price of A\$2.10 per New Share. This is an important document and requires your immediate attention. It can only be used in relation to the shareholding noted above. If you do not understand this Entitlement and Acceptance Form or you are in doubt as how to deal with it, you should seek professional advice from a licenced adviser.

IMPORTANT: The Entitlement Offer is being made without a prospectus or product disclosure document under Section 708AA of the Corporations Act (as notionally modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73). This Entitlement and Acceptance Form should be read in connection with the Retail Information Booklet dated 14 December 2016 ("Retail Information Booklet") and ASX announcements made in connection with the Entitlement Offer. The Retail Information Booklet contains information about investing in the New Shares and you should read it in full. Unless otherwise defined, capitalised terms used in this Entitlement and Acceptance Form have the meanings given to them in the Retail Information Booklet.

If you do not have a paper copy of the Retail Information Booklet, you can obtain a paper copy at no charge, by calling the Estia Health Limited Entitlement Offer Information Line on 1800 550 560 (within Australia) or +61 1800 550 560 (from outside Australia).

PAYMENT OPTIONS

If you wish to take up all or part of your Retail Entitlement (as shown above), you have two payment options which are detailed below.

OPTION 1: PAYING BY BPAY®

If paying by BPAY, refer to the instructions overleaf. **You do NOT need to return the acceptance slip below if you elect to make payment by BPAY.** Payment must be received via BPAY before 5:00pm (AEDT) on 11 January 2017. You should check the processing cut off-time for BPAY transactions with your financial institution to ensure your payment will be received by the Registry in time. If you pay by BPAY, Estia will treat you as applying for as many New Shares as your payment will pay for in full up to your Retail Entitlement.



Biller Code: 231985
Ref:

OPTION 2: PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

If paying by cheque, bank draft or money order, complete and return the acceptance slip below with your Application Monies. No signature is required on the acceptance slip. The acceptance slip with your Application Monies must be received by the Registry before 5:00pm (AEDT) on 11 January 2017.

Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. More info: www.bpay.com.au
® Registered to BPAY Pty Ltd ABN 69 079 137 518

See overleaf for details and further instructions on how to complete and lodge this Entitlement and Acceptance Form.

THIS IS A PERSONALISED FORM FOR THE SOLE USE OF THE SHAREHOLDER AND HOLDING RECORDED ABOVE.



Please detach and enclose with payment

SRN/HIN:

Entitlement Number:



A Number of New Shares accepted (being not more than your Retail Entitlement shown above)

B Payment amount
(Multiply the number in section A by A\$2.10)

A\$

C PLEASE INSERT CHEQUE, BANK DRAFT OR MONEY ORDER DETAILS – Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "Estia Health Limited" and crossed "Not Negotiable".

Drawer

Cheque Number

BSB Number

Account Number

Amount of Cheque

A\$

D CONTACT DETAILS – Telephone Number

Telephone Number – After Hours

Contact Name

ESTIA HEALTH LIMITED

Neither the Retail Information Booklet or this Entitlement and Acceptance Form constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The New Shares have not been, nor will be, registered under the U.S. Securities Act of 1933 ("U.S. Securities Act") or the securities laws of any state or other jurisdiction of the United States. The Retail Entitlements may not be taken up by, and the New Shares may not be offered or sold to any person in the United States or any person that is, or is acting for the account or benefit of, any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

This Entitlement and Acceptance Form may not be released or distributed in the United States. The distribution of this Entitlement and Acceptance Form in other jurisdictions outside Australia and New Zealand may also be restricted by law and any such restrictions should be observed. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

ACCEPTANCE OF RETAIL ENTITLEMENT OFFER

By either returning the acceptance slip overleaf with payment to the Registry, or making payment received by BPAY you represent and warrant that you have read and understood the Retail Information Booklet and that you acknowledge the matters, and make the warranties and representations in the Retail Information Booklet.

HOW TO APPLY FOR NEW SHARES

1. IF PAYING BY BPAY (AVAILABLE TO ELIGIBLE RETAIL SHAREHOLDERS WITH AN AUSTRALIAN BANK ACCOUNT ONLY)

Work out the total amount payable by you. To calculate the total amount, multiply the number of New Shares you wish to accept by A\$2.10.

Refer overleaf for the Biller Code and Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares you wish to accept in respect of that holding.

2. IF PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

Complete all relevant sections of the acceptance slip USING BLOCK LETTERS. These instructions are cross referenced to each section of the acceptance slip.

A. Acceptance of New Shares

Enter into Box A the number of New Shares you wish to accept. The number of New Shares must be equal to or less than your Retail Entitlement, which is set out overleaf.

B. Payment Amount

Enter into section B the total amount payable by you. To calculate the total amount multiply the number in Section A by A\$2.10.

C. Cheque, bank draft or money order details

Enter your cheque, bank draft or money order details in section C. Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "Estia Health Limited" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque, bank draft or money order for the incorrect amount, Estia Health Limited may treat you as applying for as many New Shares as your cheque, bank draft or money order will pay for.

D. Contact details

Enter your contact telephone number where we may contact you regarding your acceptance of New Shares.

3. HOW TO LODGE YOUR ENTITLEMENT AND ACCEPTANCE FORM

A reply paid envelope is enclosed for your use. No postage stamp is required if it is posted in Australia. Alternatively, if you have lost the reply paid envelope, or you have obtained the Retail Information Booklet electronically, your completed acceptance slip with the payment for New Shares may be mailed to the postal address, or delivered by hand to the delivery address, set out below. **If paying by BPAY you do not need to complete or return the acceptance slip.** You should check the processing cut off-time for BPAY transactions with your financial institution to ensure your payment will be received by the Registry by the close of the Retail Entitlement Offer.

Mailing Address

Estia Health Limited
C/- Link Market Services Limited
GPO Box 3560
Sydney NSW 2001

Hand Delivery

Estia Health Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138 **(Please do not use this address for mailing purposes)**

Make sure you send your acceptance slip and Application Monies allowing enough time for mail delivery, so the Registry receives them no later than 5:00pm (AEDT) on 11 January 2017. Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. Estia reserves the right not to process any acceptance slip and cheques received after 5:00pm (AEDT) on 11 January 2017.

If you require further information on how to complete this Entitlement and Acceptance Form, please contact the Estia Health Limited Entitlement Offer Information Line on 1800 550 560 (within Australia) or +61 1800 550 560 (outside Australia) between 8:30am and 5:30pm (AEDT) Monday to Friday.