

24 February 2016

Shareholder Correspondence

Attached is correspondence being sent to shareholders of Japara Healthcare Limited today in relation to participating in the Company's Dividend Reinvestment Plan and FY16 first-half results.

Bruce Paterson
Company Secretary

24 February 2016

Dear Shareholder

Enclosed are the following documents from Japara Healthcare Limited:

- Dividend Reinvestment Plan letter and joining Application Form
- Market release relating to FY16 half-year results

The Board of Japara Healthcare (**Board**) has determined to pay a fully franked interim dividend of 5.75 cents per share on 16 May 2016 to shareholders who are registered on 8 April 2016, being the dividend record date.

Further, the Board has recently introduced a Dividend Reinvestment Plan (**DRP**) which has been activated for the interim dividend. The enclosed letter provides further details on the **DRP**. The last date for receipt of **DRP** Application Forms for the interim dividend is **11 April 2016**.

Also enclosed with this letter is a Direct Credit Form where we do not have your banking details on record. Should you not participate in the **DRP** and wish to receive the interim dividend directly into your bank account rather than by cheque, please complete and return the Direct Credit Form to the Japara Healthcare Share Registry by **07 April 2016**.

A prepaid reply envelope has been provided for your convenience for form return purposes.

For further information or assistance, please contact the Japara Healthcare Share Registry, Link Market Services, on 1300 554 474 or email registrar@linkmarketservices.com.au.

Bruce Paterson
Company Secretary

February 2016

Dear Shareholder

Dividend Reinvestment Plan

The Board of Japara Healthcare Limited (**Board**) has recently introduced and activated a Dividend Reinvestment Plan (**DRP**).

The **DRP** will be available for the upcoming 2016 interim dividend of 5.75 cents per share payable on 16 May 2016. No discount will be applied when determining the price at which shares will be issued under the **DRP** for this dividend.

You can register to participate in the **DRP** by completing and returning the enclosed **DRP** Application Form in the prepaid reply envelope provided. The last date for receipt of **DRP** Application Forms for the 2016 interim dividend is 11 April 2016.

The **DRP** gives participants the opportunity of reinvesting all or part of their Japara Healthcare dividends in additional shares, without the cost of brokerage or other entry costs.

Key features of the **DRP**

- Participation in the **DRP** is optional and available to shareholders with registered addresses in Australia and New Zealand.
- Shareholders may participate in respect of all or only part of their shareholding. At present, there is no minimum or maximum limit on the number of shares that may participate in the **DRP**.
- Shares allocated under the **DRP** will rank equally with existing shares on issue and be credited directly to the existing shareholding. The price of the shares may be discounted as determined by the Board from time to time.
- Statements will be provided to participating shareholders for each dividend the **DRP** applies to.
- Once a shareholder elects to participate, the **DRP** will continue to apply for future dividend payments, unless that participating shareholder advises otherwise (by lodging a **DRP** Variation Form by the requisite time). The **DRP** may be suspended, reinstated or terminated by the Board (in its absolute discretion).

The full terms of the **DRP** are contained in the **DRP** Rules.

Both the DRP Rules and a set of 'Frequently Asked Questions' are available on Japara Healthcare's website:

<http://investor.japarahealthcare.com.au/Investor-Centre/?page=DRP>

The Board strongly recommends you seek independent, professional financial and taxation advice in relation to participating in the DRP. Further, you should read, in full, the terms and conditions contained in the DRP Rules before deciding whether to participate in the DRP.

Completion of DRP Application Form

In order to register to participate in the DRP, you will need to complete and lodge a DRP Application Form with the Japara Healthcare Share Registry, Link Market Services Limited.

A DRP Application Form accompanies this letter and can also be downloaded from Japara Healthcare's website:

<http://investor.japarahealthcare.com.au/Investor-Centre/?page=DRP>

A prepaid reply envelope has been provided for your convenience.

Please note that the last date for receipt of DRP Application Forms for the 2016 interim dividend is 11 April 2016.

For further information in relation to the DRP, please contact the Japara Healthcare Share Registry on 1300 554 474 or email registrar@linkmarketservices.com.au.

Bruce Paterson
Company Secretary

17 February 2016

Japara Healthcare FY16 half-year results

Japara Healthcare Limited (“Japara Healthcare” or “the Company”) today announced its results for the half year ended 31 December 2015 (H1 FY16).

Japara Healthcare achieved a solid result for H1 FY16 underpinned by strong operational performance, a tailored care model and strategy execution.

Financial highlights:

- Revenue up 13.4% to \$155.9 million (H1 FY15: \$137.5 million)
- EBITDA up 10.2% to \$28.1 million (H1 FY15: \$25.5 million)
- Net profit after tax up 2.5% to \$16.2 million (H1 FY15: \$15.8 million)
- Interim dividend of 5.75 cents per share, fully franked (H1 FY15: 5.5 cents per share, unfranked)
- Strong balance sheet and cash generation to support growth
 - Net operating cash flow of \$36.2 million
 - Net RAD¹ inflows of \$30.1 million
 - Net bank debt of \$1.0 million and significant undrawn debt facilities
- FY16 outlook reaffirmed: FY16 earnings anticipated to exceed FY15, with the Profke acquisition expected to contribute EBITDA of over \$4.0 million this financial year. A solid second half performance is expected

Operating highlights:

- Ongoing focus on high quality resident care and innovation in service delivery
- Operational performance: strong average occupancy and ongoing discipline on costs
- Continued investment in new capacity
 - Long term demand underpinned by ageing population
 - Approximately 82,000 additional residential aged care places required over the next decade²
 - Good progress on greenfield and brownfield developments
 - Strong development pipeline, including 5 facilities currently under construction
 - On track to deliver over 900 new places by the end of FY19 (previously 805 places)
 - Delivering on selective acquisition strategy, 845 places added since IPO bringing the total number of places to 4,448
 - Whelan integration completed FY15, performance exceeding initial expectations
 - Profke acquisition completed 1 December 2015, integration underway
 - Strategic acquisition opportunities continue to be assessed

Commenting on the announcement, Japara Healthcare’s Chief Executive Officer, Andrew Sudholz, said;

“The result reflects strong operational performance as we continued to deliver on our primary objective of providing high quality care for our residents.

“We are continuing to deliver on our capacity expansion strategy through both developments and acquisitions, which will provide a significant uplift in new places to cater to the growing demand from Australia’s ageing population.

“Our greenfield and brownfield developments program has good momentum with two brownfield developments recently completed and a strong development pipeline. Our developments program is well placed to deliver over 900 additional places over the next four years.

¹ Refundable Accommodation Deposit (RAD)

² Aged Care Financing Authority, “Third Report on the Funding and Financing of the Aged Care Sector, July 2015”

“The acquisition of the Profke business added 587 places to our portfolio and expanded our footprint in new and attractive markets. We continue to assess strategic acquisition opportunities as they arise, while maintaining our disciplined approach to investment.”

H1 FY16 results overview

Japara Healthcare reported revenue of \$155.9 million, up 13.4% on H1 FY15. Average occupancy remained strong at 94.2%, a good result given the impact of a major reconfiguration of our Central Park facility and the integration of the Profke portfolio during the half year. Revenue benefited from two completed brownfield developments, a full period contribution from the Whelan business, and a one-month contribution from the newly acquired Profke portfolio. An increase in average ACFI per resident per day, aligned with an increase in average resident acuity, also contributed to the revenue uplift.

EBITDA increased to \$28.1 million, up 10.2% on H1 FY15. Net profit after tax increased to \$16.2 million, up 2.5% on H1 FY15.

The Company continued its track record of strong cash generation, generating net operating cash flow of \$36.2 million and net cash inflows from RADs of \$30.1 million. The Company's balance sheet is well positioned to support future growth, with net bank debt of \$1.0 million at 31 December 2015. Subsequent to this date, the Company's bank facilities have been renegotiated to extend their term by three years and increase the level of funding available by \$115 million to \$220 million. These facilities will support the Company's brownfield and greenfield developments program.

Outlook

Japara Healthcare is pleased to reaffirm the earnings guidance provided at its Annual General Meeting in November 2015.

As previously stated, FY16 earnings are anticipated to exceed FY15, and in addition, the Profke acquisition is expected to contribute operating EBITDA of over \$4.0 million this financial year.

A solid second half performance is expected in FY16.

Dividend and Dividend Reinvestment Plan

The Board has determined to pay a fully franked interim dividend of 5.75 cents per share on 16 May 2016 (H1 FY15: 5.5 cents per share, unfranked).

The Board has also announced the activation of the Company's Dividend Reinvestment Plan (DRP) in respect of the interim dividend. No discount will be applied when determining the price at which shares will be issued under the DRP for this dividend.

The Company's intention remains to pay full year dividends of up to 100% of net profit after tax, franked to the maximum extent possible.

Investor and analyst briefing

As previously advised, at 10.30am (AEDT) today, Japara Healthcare will conduct an investor and analyst briefing on the H1 FY16 results. The investor presentation has today been lodged with the ASX. The briefing will be recorded and an archived version will be made available on the Investor Centre on Japara Healthcare's website later in the day (<http://investor.japarahealthcare.com.au/Investor-Centre/?page=Results>).

For further information:

Investors and Analysts

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Chief Financial Officer
Japara Healthcare
T: (03) 9249 2100
E: chris.price@japara.com.au

Media

Sarah Kerr
Nightingale Communications
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E: sarah@nightingalecommunications.com.au

A

REINVESTMENT PLAN APPLICATION OR VARIATION

Please use a BLACK pen. Print CAPITAL letters inside the shaded areas.

A B C

1 2 3

Where a choice is required, mark the box with an 'X'

X

This form is to be completed where the securityholder wishes to have their payments reinvested under the rules of the Reinvestment Plan.

I/We being the above named holder of registered securities wish to participate in the Plan as indicated below.

I/We authorise the application of the payment to me/us with respect to the number of securities participating in the Plan at the price and subject to the rules of the Plan.

I/We hereby agree to be bound by the rules of the Plan in subscribing for additional securities.

I/We acknowledge that I/we may vary or cancel my/our participation in the Plan, in accordance with the rules of the Plan. This will cancel any earlier Plan instructions and take priority over any direct credit instructions.

Degree of Participation (cross appropriate box):

☐

FULL PARTICIPATION

— Including any further acquisitions.

or

☐

PARTIAL PARTICIPATION —

Please specify the number of securities to participate in the Plan

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B

SIGNATURE(S) OF SECURITYHOLDER(S) – THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Joint Securityholder 2 (Individual)

Joint Securityholder 3 (Individual)

Sole Director and Sole Company Secretary/Director (delete one)

Director/Company Secretary (delete one)

Date ____/____/____

Signing Instructions: This form should be signed by the securityholder. If a joint holding, all securityholders should sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth) (or for New Zealand companies, the *Companies Act 1993*).

Personal Information Collection Notification Statement: Link Group advises that personal information it holds about you (including your name, address, date of birth and details of the financial assets) is collected by Link Group organisations to administer your investment. Personal information is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. Some or all of your personal information may be disclosed to contracted third parties, or related Link Group companies in Australia and overseas. Your information may also be disclosed to Australian government agencies, law enforcement agencies and regulators, or as required under other Australian law, contract, and court or tribunal order. For further details about our personal information handling practices, including how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

JHC DRP002



REQUEST FOR DIRECT CREDIT OF PAYMENTS

Please use a BLACK pen. Print CAPITAL letters inside the shaded areas.

A B C

1 2 3

Insert details of your Australian Financial Institution, Branch and Account into which you wish to have your payments made. This request will not cancel any reinvestment plan participation (if any) unless we receive specific instructions from you. A detailed payment advice will be provided for each payment.

A direct credit request form is required for each holding.

Name(s) in which your account is held

[illegible]

BSB Number (must be 6 digits)

□ □ □ - □ □ □

Account Number

--	--	--	--	--	--	--	--	--

Name of Financial Institution

[illegible]

Branch Suburb/Town

[illegible]

SIGNATURE(S) OF SECURITYHOLDER(S) – THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Joint Securityholder 2 (Individual)

Joint Securityholder 3 (Individual)

Sole Director and Sole Company
Secretary/Director (delete one)

Director/Company Secretary (delete one)

Date / /

Signing Instructions: This form should be signed by the securityholder. If a joint holding, all securityholders should sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth) (or for New Zealand companies, the *Companies Act 1993*).

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