MEDIA RELEASE

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MOMENTUM CONTINUES TO BUILD AT METLIFECARE WITH RECORD INTERIM RESULT

Metlifecare Limited performance highlights for the six months to 31 December 2016[1]:

- **Reported net profit after tax of $165.0 million, up 31%**
- **Underlying profit[2] of $38.6 million, up 15%**
- **Total assets of $2,805.9 million, up 15%**
- **$70.0 million invested into villages, up 22%**
- **Development margin[3] up from 12% to 17%**
- **97 new units delivered as scheduled, up 26%**
- **Net tangible assets per share of $6.04, up 25%**
- **Interim dividend of 2.25 cents per share, up 29%**
- **Second half underlying profit anticipated to be consistent with the first half**

Metlifecare today announced a record half-year result for the six months to 31 December 2016. Reported net profit after tax grew by 31% to $165.0 million, driven by continued gains in the fair value of its assets, and a solid operating performance.

The company's underlying profit, which removes non-cash items, was $38.6 million, 15% higher than the same period last year. Total asset values increased by 15% to $2,805.9 million, and earnings per share were 77.1 cents, 30% higher than last year.

Metlifecare's Chief Executive Officer Glen Sowry said it was a pleasing performance. "We have continued to experience strong sales price growth and market conditions in our stronghold regions of Auckland and the Bay of Plenty. We are on track to meet our 2017 development delivery targets and, looking further out, have also made excellent progress on a number of strategic initiatives that will drive accelerated growth and create a competitive edge in the markets we are targeting."

"We expect to achieve our delivery target of 229 units and care beds in this financial year, and are also

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[1] *Comparison is with the 6 months to 31 December 2015.*

[2] *Underlying profit removes the impact of unrealised fair value movements on investment properties, impairment of property, plant & equipment and excludes one-off gains & losses and taxation, and is reconciled to reported profit in the performance summary attached to this announcement. It is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS. Refer note 2.2 of the Interim Financial Statements for additional detail. Underlying profit is provided as an industry-wide measure to assist readers.*

[3] *Refer note 2.2 of the Interim Financial Statements for additional detail.*

well on track to deliver a further 233 units and beds in the 2018 financial year. Our development margin of 17% for the period was well ahead of last year's 12%."

Mr Sowry said reduced stock availability led to lower sales volumes of new units during the period with 89 new units sold, down 14% against the previous corresponding period. "However the impact of this was offset by an average price increase of 9% to $638,000 per unit, which combined with the increased development margin to drive a realised development margin of $9.6 million, 35% higher than last year."

Village occupancy increased to 97% compared to 96% in the same period last year, and care home occupancy is tracking above the national average. Unit resales volumes were 13% down on last year at 175 units, partly because 17 units at Pinesong village were unavailable for resale. These units were used by the company to rehouse residents of the Manukau building which is being replaced with a new apartment block. The average resale price increased by 16% to $489,000 per unit, driven by a combination of increased sales prices and the mix of units sold, and the realised resale gain per settlement increased by 36% to $151,000. Overall, net operating cash flow for the six-month period was $79.0 million, 1% higher than last year.

Embedded value[4] is calculated by Metlifecare as a key indicator of future cash flow generated when a unit is reoccupied. Embedded value for the half-year period increased to $251,000 per unit, 40% ahead of last year, reflecting the continued house price growth and resale prices achieved.

Metlifecare delivered 97 new units during the period under review, with a further 288 units and beds under construction at 31 December 2016. The current development land bank includes a further 1,647 units and beds for delivery in subsequent years. There were no further land acquisitions made during the period, despite detailed reviews being conducted on a number of potential sites.

"We are taking a prudent and methodical approach to ensuring any new site is aligned with Metlifecare's vision for its future villages and meets our investment criteria, which include demographics, median market pricing, home ownership levels and growth rates. Whilst we are hopeful to sign and settle a land acquisition this calendar year, we will continue to be careful that any such acquisition is value-accretive and targeted," said Mr Sowry.

Mr Sowry said the company's strong balance sheet kept it well-positioned to capture future investment opportunities and lift development activity, while at the same time providing a buffer in the event of softening market conditions. "We invested $70.0 million into our villages during the six-month period. Bank debt reduced to $76.1 million from $80.8 million, and Metlifecare's debt to equity ratio reduced from 7% to 6% over the period."

Operations

Operationally, Mr Sowry said momentum was building across the business with a number of new initiatives implemented during the period. "Many of these programmes have a long-term focus, and we will not achieve the full benefits overnight. However, I am pleased to report demonstrable progress is already being made."

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[4] *Embedded value is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS. It is calculated by taking the sum of the CBRE unit prices of units across the portfolio, deducting the resident refundable loan liability as per the balance sheet and company-owned stock items. Embedded value is provided to assist readers.*

"We have seen a noticeable lift in the quality and efficiency of unit refurbishment, with lower turnaround times and an increased average resale gain per unit. These improvements represent a win-win for the families of residents as well as Metlifecare."

"We are continually seeking to lift our market positioning and competitiveness by improving the village experience for our residents. We were delighted to recently announce a partnership with Simon Gault in which he will work with our own qualified village chefs to enhance the village dining experience. This initiative is in response to resident feedback which has reinforced the importance of food in bringing families together."

Mr Sowry said Metlifecare would also continue to invest in maintaining the competitiveness and amenity value of its villages. "We are expanding our long-term maintenance plan into a 10-year village regeneration programme, and are well advanced in a company-wide review to assess what is required. By the end of 2017 all villages will have a 10-year plan in place which focuses on ensuring that they remain competitive and able to meet the future demands and expectations of residents."

"In terms of remediation, a comprehensive review has also been completed of all at-risk villages, and we have accordingly increased the estimate of future remediation costs by $23.5 million in the financial statements. This is in addition to the $20.6 million estimated at 30 June 2016 (excludes earthquake works of $1.4 million) and will occur over a period of seven years."

"Our broader village regeneration programme already has a number of initiatives under way. These include the replacement of a 19-unit apartment block with a modern 48-unit block at Pinesong in Titirangi; and the recent announcement of a planned village-wide regeneration at Pakuranga Village, including the replacement of the aging care home with a new state-of-the-art facility, which will capture latent value. We are pleased with the progress being made in this area, as asset optimisation and protection are critical to our long-term sustainability and profitability," said Mr Sowry.

Dividend

The Board has declared an interim dividend of 2.25 cents per share for the six-month period ended 31 December 2016, 29% higher than last year. The dividend is un-imputed and will be paid on 31 March 2017, with a record date of 17 March 2017.

Chief Financial Officer

The company also advises that after more than six years in his role as Chief Financial Officer, Tristram van der Meijden has made the decision to leave Metlifecare at the end of September this year to focus on his personal business interests.

Mr Sowry acknowledged Mr van der Meijden's contribution, "Tristram has made a significant and valuable contribution to Metlifecare over his tenure providing leadership through the GFC, the recapitalisation of the company and the merger in 2012, and will leave the organisation in a strong position. An executive search process is now underway and we will work towards a smooth transition later this year."

Summary and Outlook

Metlifecare's Chair Kim Ellis said the Board was pleased with the company's performance over the half year. "Metlifecare has made solid progress. It has established and communicated its strategic goals and delivery targets, and there is renewed focus across the business. This has contributed towards another record result despite lower sales volumes, which is very satisfying."

Looking ahead, Mr Sowry said demand for Metlifecare's villages remained strong and the company was seeing the benefits of increased commercial intensity through improved yields and higher occupancy levels. The company anticipates that underlying profit for the second half will be consistent with the first half.

"We will continue to invest in our existing village portfolio as well as seeking growth opportunities that align with our strategic goals. Overall, the company remains well-positioned to meet the opportunities and challenges of our sector, and we have a robust platform from which we can evolve and expand our offering in a changing and competitive market place."

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About Metlifecare:

Metlifecare is a leading New Zealand owner and operator of retirement villages, providing rewarding lifestyles and care to more than 5,000 New Zealanders. Established in 1984, it currently operates 24 villages, located primarily in high-value and strong-yield locations in New Zealand's upper North Island. Metlifecare is listed on the NZX and ASX.

metlifecare.co.nz

Metlifecare

Metlifecare - Performance Summary	1H17 Unaudited	1H16 Unaudited	% Movement
($m except as noted)			
Net Profit After Tax	**165.0**	**125.7**	31.3%
Fair value movement	(170.7)	(128.5)	32.8%
Impairment of care homes	3.7	-	100.0%
Realised gain on resales	24.4	21.6	13.3%
Realised development margin	9.6	7.1	35.0%
Tax expense	6.6	7.7	-14.4%
Underlying Profit Before Tax	**38.6**	**33.5**	15.1%
Total income	54.0	52.1	3.8%
Operating expenses excluding Finance Costs	(54.5)	(47.4)	15.0%
Operating cash flow	79.0	78.0	1.3%
Operating cash flow excluding development sales	22.3	17.7	25.5%
New units value ($m)	56.8	60.3	-5.9%
Existing units value ($m)	79.2	82.5	-4.1%
Total value ($m)	135.9	142.8	-4.8%
Totals assets ($m)	2,805.9	2,437.9	15.1%
Total value of investment properties ($m)	2,744.1	2,380.6	15.3%
Total equity ($m)	1,288.7	1,033.2	24.7%
Earnings per share (cps)	77.1	59.2	30.2%
Dividend per share (cps)	2.25	1.75	28.6%
Sales settlements (number)	89	103	-13.6%
Resales settlements (number)	175	200	-12.5%
Total volume (number)	264	303	-12.9%
Retirement village units (number)	4,122	4,074	1.2%
Residential care beds (number)	354	395	-10.4%
Total units & beds	4,476	4,469	0.2%
Net tangible assets per share ($)	6.04	4.85	24.6%
Embedded value per unit ($'000)	251	180	39.7%
New units & beds delivered	97	77	26.0%
Land Bank			
Retirement village units (number)	1,260	1,580	-20.3%
Residential care beds (number)	387	604	-35.9%
Total land bank	1,647	2,184	-24.6%
Shares on issue ('000)	213,006	212,883	