MEDIA RELEASE

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METLIFECARE GROWTH STRATEGY ON TARGET

Metlifecare Limited performance overview for the six months to 31 December 2017

- Reported net profit after tax $56.4 million
- Fair value movement in investment properties $59.8 million
- Underlying operating cash flow[1] $18.0 million
- Net tangible assets per share $6.63
- 94 new units and beds delivered, on track to achieve 254 by year end
- Development margin[2] 30%
- Embedded value per unit $277k
- Village occupancy 98%
- Interim dividend 3.25 cents per share

Metlifecare today announced a solid half-year performance for the six months to 31 December 2017. Chief Executive Glen Sowry said the first half was highlighted by excellent progress in the implementation of the company's growth strategy, including the opening of two new care homes and the acquisition of a prime new village site in Hobsonville, West Auckland.

"Our development programme is firmly on track to meet our 2018 delivery targets and we continued to achieve excellent margins in new unit sales and resales. Demand for our villages remains strong as evidenced by ongoing high levels of occupancy in both independent living units and care homes."

The company's assets grew by 10% to $3.1 billion, with Mr Sowry noting that house price inflation had returned to a level more reflective of long-term averages. Accordingly, the reported net profit after tax of $56.4 million was down on last half year's $165.0 million with the difference primarily being the smaller increase in the fair value of the company's assets. Net tangible assets per share also increased by 10% to $6.63.

Underlying operating cash flow, which excludes sales proceeds from development units and unit buyback costs associated with remediation and regeneration programmes, was $18.0 million. Underlying profit[3] was $36.2 million, with improved revenue driven by increased village fees, realised resale gains, deferred management fees and care revenue. The impact of these gains was offset by lower unit sales volumes

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[1] *Underlying operating cash flow removes the cash flows derived from the first time sale of occupation right agreements from statutory operating activities in the financial statements. Development sales cash flows are used to repay debt so underlying operating cash flow excluding development sales is a measure of the free cash flows. Underlying operating cash flow also excludes cash outflows associated with units bought back by the company to enable remediation and regeneration activities. These cash outflows are of an abnormal and temporary nature and will reverse in subsequent periods.*

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

[3] *Underlying profit removes the impact of unrealised fair value movements on investment properties, impairment of property, plant & equipment and excludes one-off gains and 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.*

during the period, partly driven by the buyback of 41 units for the temporary rehousing of residents during village remediation and regeneration activities.

Costs associated with village expansion projects, increased investment in property remediation and maintenance and the addition of further development capacity contributed to a lift in operating expenses. "While these additional costs are impacting profitability in the short-term, they are necessary investments to support Metlifecare's strategic growth objectives and to drive longer-term value." said Mr Sowry.

Embedded Value, a key indicator of future resales cash flow, increased to $1.1 billion in total, or $277k per unit, 10% ahead of the same period last year.

Mr Sowry said capital investment in Metlifecare's villages continued to increase, through accelerated construction, maintenance and village regeneration programmes, and the company settled the acquisition of the new Botany site in East Auckland. This additional investment increased net debt by $65.2 million, taking total debt to $141.3 million, and lifting gearing[4] to 9%. "Our strong balance sheet continues to provide us with ample headroom to fund future construction and development activity as well a buffer in the event of softening market conditions," said Mr Sowry.

Dividend

Consistent with Metlifecare's guideline to pay out 30% to 50% of underlying operating cash flow, the Board has declared an interim dividend of 3.25 cents per share for the six-month period ended 31 December 2017. The dividend is un-imputed and will be paid on 29 March 2018, with a record date of 15 March 2018.

Overview of Operations

Metlifecare delivered 94 new units and beds during the six-month period, with a further 160 units due for completion in the fourth quarter FY18. The company remains on track to meet its FY19 development targets with the recent commencement of construction works at Greenwich Gardens and civil works at Red Beach. Resource consent has been granted for a new care home at The Avenues, and resource consent applications have been lodged for care homes at Papamoa Beach and Oakridge Villas, and new villas at Crestwood.

"We are also making excellent progress with our long-term maintenance and remediation programme, and commenced a range of initiatives to refresh, modernise and future proof villages to meet the increasing expectations of customers," said Mr Sowry.

The opening of two new homestead-model care homes was a highlight during the period. "These care homes are both going exceptionally well, with Greenwich Gardens now 94% occupied and Somervale on track to be full by year end. The feedback from residents and their families is outstanding, and both care homes are exceeding our premium revenue expectations."

Mr Sowry said that while the company achieved continued pricing and margin uplift during the period, the sales environment had become more testing with longer settlement times consistent with wider housing market dynamics. "While this did affect sales volumes during the first half, village occupancy has remained high at 98% reflecting continued good demand for Metlifecare's product."

The six months also saw an intense focus on staff training. "Consistent with Metlifecare's aim of providing a second-to-none customer experience, we have introduced new Customer Service Principles across the organisation, with every staff member completing their training and our Resident-Directed Care approach is now fully implemented. Our kitchen teams also completed bespoke training with Simon Gault - including time spent working at his restaurant – which provided a valuable experience for our staff that has continued to lift our food and beverage offering."

[4] *Net Interest Bearing Liabilities/Net Interest Bearing Liabilities + Equity*

Following consultation with residents, Metlifecare has announced positive changes to the terms of its occupation right agreements, designed to improve the exit experience for residents and their families. These include the removal of all village fees once a unit is vacated, and the option to receive a cash advance of $20,000 to assist with costs while arrangements are being made for the resale of units.

Summary and Outlook

Metlifecare's Chair Kim Ellis said the Board was encouraged with Metlifecare's performance over the half year, and the company was in excellent shape to meet the opportunities and challenges ahead.

"Around eighteen months ago we shared our growth strategy with investors, and the entire organisation has been working at pace to implement the strategy. This has included the need for up-front investment as we seek to modernise our villages and strengthen our competitive position, and we are confident that this investment will achieve benefits for existing and future customers and our shareholders. The quality and location of our villages, in demographically attractive areas with high median house prices, remains a key strength, along with the quality of the service we provide to our customers on a daily basis."

Market conditions have firmed since December 2017 and the company has signed more sales and resales applications for settlement in 2H18 than at the equivalent time last year. The planned buyback of the units required to enable the remediation programme is now largely completed. These units will be returned to the market in due course.

The company expects to deliver a stronger second half performance. Underlying operating cash flow and underlying profit are expected to be in line with FY17 for the full year.

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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 - Performance Summary	1H18 Unaudited	1H17 Unaudited	Movement
($m except as noted)			
Net Profit After Tax	**56.4**	**165.0**	-65.8%
Fair value movement	(59.8)	(170.7)	-65.0%
Impairment of care homes	0.2	3.7	-94.4%
Realised gain on resales	26.5	24.4	8.3%
Realised development margin	6.2	9.6	-35.6%
Tax expense	6.7	6.6	2.2%
Underlying Profit Before Tax	**36.2**	**38.6**	-6.2%
Total income	56.5	54.0	4.6%
Operating expenses excluding Finance Costs	(54.0)	(54.5)	-0.9%
Operating cash flow	27.2	74.8	-63.7%
Operating cash flow excluding development sales and buy back costs	18.0	22.3	-19.2%
New unit sales	20.3	56.8	-64.3%
Existing unit sales	80.7	79.2	1.9%
Total ORA sales	101.0	135.9	-25.7%
Totals assets	3,082.5	2,805.9	9.9%
Total value of investment properties	3,005.7	2,744.1	9.5%
Total equity	1,414.2	1,288.7	9.7%
Earnings per share (cps)	26.5	77.1	-65.7%
Dividend per share (cps)	3.25	2.25	44.4%
Sales settlements (number)	33	89	-62.9%
Resales settlements (number)	155	175	-11.4%
Total volume (number)	188	264	-28.8%
Retirement village units (number)	4,232	4,122	2.7%
Residential care beds (number)	371	354	4.8%
Total units & beds (number)	4,603	4,476	2.8%
Net tangible assets per share ($)	6.63	6.04	9.8%
Embedded value per unit ($'000)	277	251	10.2%
New units & beds delivered (number)	94	97	-3.1%
Land Bank			
Retirement village units (number)	1,443	1,260	14.5%
Residential care beds (number)	318	387	-17.8%
Total land bank (number)	1,761	1,647	6.9%
Shares on issue ('000)	213,132	213,006	