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5 November 2014

Annual General Meeting - Chairman's Address
Linda Bardo Nicholls AO

Good afternoon ladies and gentlemen. My name is Linda Nicholls and I am your Chairman at Japara Healthcare. On behalf of the Board of Directors of Japara, I'd like to welcome our shareholders, to the first Annual General Meeting of Japara Healthcare as an ASX-listed company.

Evacuation procedures

At Japara we take safety seriously so, I would like to ensure that everyone here today is familiar with the evacuation procedures that need to be followed in the event of an emergency. The exit is out to my left past the lifts. If the evacuation alarm sounds, please exit through the main doors, turn left and proceed down the main staircase. Hotel staff will direct you to the emergency meeting point, which is located across Flinders Lane in the grounds of St Paul's Cathedral.

Before we start, could you please ensure that your mobile phone is turned off or switched to silent.

Meeting opened

It is 2pm, the appointed time for holding the meeting, and I am advised that a Quorum is present. Therefore, I have pleasure in declaring the 2014 Annual General Meeting of the Members of Japara Healthcare Limited open.

Introductions

I would like to introduce your Board of Directors:

Tim Poole, Non-Executive Director,

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

David Blight, Non-Executive Director and Chair of the Remuneration Committee,

John McKenna, our Chief Financial Officer,

Andrew Sudholz, our CEO and Managing Director, and

Kathryn Davies, our Company Secretary.

Also present today is Darren Scammell from KPMG, the Company's auditors, and key Japara executives.

I would like to begin by reflecting on what has been a milestone year for the Company. I will then invite Andrew to provide you with a detailed review of 2014. Following Andrew's presentation, we will proceed to the formal business of the Meeting and after that there will be time for questions from shareholders.

Japara Healthcare's ASX listing

At Japara, we are very proud to be the first aged care provider in Australia to have been listed on the Australian Stock Exchange. It was very pleasing to see the attractiveness of our business model, which is underpinned by strong industry fundamentals, reflected in strong demand from investors through the IPO process.

We listed in April, and in July, the S&P included Japara in the ASX 200. As a company listed in the ASX 200, Japara now enjoys numerous broker analysts following the stock and Australian and overseas institutional investors including your company in their portfolios.

There was a tremendous amount of work required from all of our staff for us to reach this milestone, and I would like to thank them all for their diligence, enthusiasm and commitment during this important period for the Company.

Consistent focus on care and safety

While listing was certainly a significant achievement for the Company, what's really important to us every day is the consistent delivery of high quality healthcare to our residents, and ensuring the safety of both our residents and staff across all of our facilities.

Delivering a high quality of care is central to everything we do, from the recruitment, training and development of our staff of professional nurses and personal carers, to the design and refurbishment of our facilities to meet the specialised clinical care and lifestyle needs of our residents.

Our focus on care and safety is reflected in our strong accreditation history, with the Group maintaining a 100% accreditation record over the past five years. This record continued in FY14 with the full re-accreditation of eight facilities. Japara's strong track record comes from the capability and dedication of our care-facing staff, combined with our strong governance framework, which provides the policies and procedures that create a safe environment for both the residents and staff in our 39 facilities. We take safety seriously and at every Board meeting, resident and staff safety is our first agenda item.

Our focus on care and safety underpins our facility construction program. As we both refurbish existing facilities and build new facilities, we will are endeavouring to implement innovative designs and features which will enhance our residents' experience and cater to the unique needs of dementia and Alzheimer's sufferers.

For example, new designs incorporate strong visual cues to help orientate residents who need visual reminders of where they are and where they're going, and to help moderate the feelings of confusion and disorientation that can overcome residents in facilities of more institutional, traditional designs.

Innovation in facility design is complemented by innovation in our dementia care model, which is evolving in line with global best practice. The care model, known as a "person-centric approach", moves away from rigid, schedule-based care models. The new, more flexible care plans that we are creating are tailored to the individual resident and centred around their personal needs, preferences, privacy, and dignity.

Japara commenced rolling out our specialist dementia plan in FY14 with very pleasing outcomes reported by residents, their families and our staff. We look forward to expanding this programme across all of our facilities over the medium term.

Four paths to growth

Japara's investment program focuses on innovative care for our residents, and capacity expansion to service the growing requirements of the community.

Our growth strategy has four parts:

- First, organic growth of both revenue and earnings from our core business. A key component is the rollout of our resident Wellbeing Services programme, which commenced in September. Over and above the high quality clinical healthcare services that are provided to all residents, Wellbeing Services offers enhanced lifestyle options for our residents and a growth opportunity for Japara. We will speak more about this program later.
- The second growth path is Brownfield developments. That is, the redevelopment and extension of existing aged care facilities, to deliver higher quality, higher capacity facilities and operating efficiencies within our current

portfolio. The brownfield projects which were completed in FY14 are performing ahead of expectations to date.

- Our third growth path is greenfield development opportunities, which involve building new aged care facilities on newly acquired sites. The Japara strategy is to pursue green-field developments where we see opportunities to expand our network in underserved geographies.
- An example of this is the acquisition of the green-field development site in Glen Waverley, which we announced last Monday. The site is a prime metropolitan location in Melbourne, on which we expect to add 65 state-of-the-art places. We will be looking to add more high-quality development sites to our network as opportunities arise.

Japara's fourth path to growth is the selective pursuit of acquisitions. That is, the purchase of single or multi-facility portfolios where we see opportunities to deliver value to our shareholders. Across the industry, we are seeing that regulatory changes both implemented like the removal of the Dementia supplement and foreshadowed like the payroll tax supplement removal are having a greater impact on smaller and mid-size operators. We are observing an increase in the quality and quantity of smaller-scale acquisition opportunities in the market. Importantly, we are highly selective, we are maintaining our position as a disciplined buyer, and we will only pursue those opportunities that we expect will deliver value to shareholders.

Attractive demographics underpin investment case

Our investment in both capacity expansion and care innovation reflects the significant role the private sector has to play in meeting the considerable demand coming from the ageing Australian population over the coming decade.

It is estimated that an additional 80,000 residential aged care places will be needed by 2022, requiring up to $25 billion of investment into the sector. The number of Australians with Alzheimer's or dementia is also expected to double within the next 10 to 12 years.

We are seeing some of these demand dynamics already in the response to the three brownfield projects Japara completed in FY14. We are very pleased with the results we've observed to date which have outperformed our expectations.

Japara is well placed to fund its growth. With the establishment of a $95 million syndicated debt facility in August, coupled with the capital funding provided by refundable accommodation deposits, (or "RADs" as they are commonly known), our balance sheet is supported by diverse sources of capital which provide funding flexibility to support our growth agenda.

Regulatory changes provide opportunities

Like many sectors of the Australian economy including banking, insurance, utilities, media etc., the aged care sector is highly regulated. Over the past few months, we have experienced a number of regulatory changes which have provided both opportunities, and some challenges, to the industry.

Some of those changes are changes to regulations which Government can implement quickly such as the Dementia Care Supplement and ACFI funding. Other are legislative and demand Parliamentary approval, like the Payroll Tax supplement which has been announced but has not yet been presented to Parliament.

That may seem complicated, even confusing, but in our industry, regulatory change is normal. Our management team has a strong track record of managing the business as the regulatory environment evolves. Whether the changes are deregulation or re-regulation the Japara executive focus is on ensuring our business is agile, adaptable and nimble.

The most recent regulatory changes have presented a number of attractive opportunities for well-capitalised, larger operators such as Japara.

For example, the Living Longer, Living Better reform has increased our ability to be able to offer enhanced lifestyle and wellbeing services to more of our residents, over and above the clinical healthcare services they already enjoy.

We are currently rolling our resident experience programme, called 'Wellbeing Services', which offers a range of additional options, including in-room flat screen TVs, enhanced menu options (including the choice of alcohol with the evening meal), and hairdressing, massage and other spa services, which both improve the quality of life for our residents, and provide additional revenue opportunities for Japara.

The removal of the distinction between High Care and Low Care places from 1st July 2014 gives us more flexibility in occupancy management. The move to the RAD/DAP regime provides residents with the choice on how they pay for their accommodation, and provides operators with the revenue and capital to support growth and reinvestment in the sector.

Along with the opportunities that regulatory change has provided, the aged care industry has also faced some headwinds in terms of the removal of the Dementia Supplement and the pending Parliamentary decision to remove the Payroll Tax Supplement. We expect that the impact will be mitigated through a combination of increases in Government funding through other channels, such as the increase in the daily basic subsidy and increased supplements relating to residents of refurbished facilities, and through a range of operational initiatives. Andrew will speak to this in more detail in his remarks.

Outlook and conclusion

Your Board is pleased with the platform for growth established in FY14.

We look forward to rewarding our shareholders with dividends as this growth is delivered. As outlined in the Prospectus, it is the Board's current intention to pay out 100% of net profit after tax as dividends to our shareholders in FY15, and we confirm we will be looking to frank any dividends to the maximum extent possible.

Before I introduce Andrew, I would like to say that I am personally excited about the opportunities ahead for Japara Healthcare. The Company is well placed to continue to execute its growth strategy comprising green field and brownfield development, the acquisition of new facilities, and organic opportunities with a view to growing our portfolio to 5,000 places over the medium-term.

In closing, I would like to welcome you once again as shareholders of Japara Healthcare and thank you again for your support in our journey as a listed company.

It is now my pleasure to introduce Japara's Managing Director, Andrew Sudholz for his detailed operating and financial review. There will be time for questions during the formal proceedings of the meeting.

Thank you.

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5 November 2014

Annual General Meeting - CEO's Address
Andrew Sudholz

Thank you Linda, and good afternoon everyone.

I would like to extend my own welcome to you, as new Japara Healthcare shareholders, at our inaugural Annual General Meeting.

The IPO was an important milestone for the business and I am excited by the business's prospects as it continues life in a listed environment.

Today I will take you through an operational overview of the Company, our financial performance for FY2014, the strategy and outlook for FY2015 and conclude with some brief remarks.

I will provide an update on how our business is performing and our outlook for FY15, including some detail on the progress of our growth strategy as we look to expand our capacity in anticipation of the growing needs of the community in years to come.

As Linda mentioned, there will be time for questions during the formal proceedings part of the meeting.

As many of you are new to our business, I want to spend a brief moment to provide a snapshot of our operations.

Japara is one of the largest residential aged care providers in Australia. With the acquisition of Whelan Care, which we completed on 31

October, we now provide care to over 2,900 residents across our portfolio of 39 facilities, in Victoria, South Australia, New South Wales and Tasmania.

The provision of high quality healthcare is at the absolute forefront of Japara's operating model. It represents our license to operate, and is the foundation of a sustainable residential aged care business that is able to meet the needs of the elderly community over the coming years.

Our consistent high quality of care is underpinned by significant and ongoing investment in the training and development of our facility managers and care-facing staff. As Linda mentioned, we have also made a considerable investment in the development of our specialist care capabilities, such as the Dementia Care Programme, which has been based on best practice in dementia care, and was introduced into some of our facilities during the year, and, importantly, has been very well received by our residents, their families, and our facility staff. This is enhanced by the rollout of the Diploma of Dementia Care, which will be offered to a number of our care-facing staff in FY15.

The health and safety of our residents and our employees continues to be a key area of focus for the business. Our workplace health and safety programme continues to benchmark well against national standards, and I am pleased to report that we are continuing to see a reduction of occupational injuries evidenced by a 75% reduction in LTIFR in FY14, as we have continued to invest in and refine this programme.

Our focus on delivering high standards of care is reflected in our strong accreditation history and high occupancy. All of our facilities continue to be fully compliant and accredited for the maximum allowable period of three years, with eight facilities receiving full reaccreditation in FY2014.

As Linda mentioned, we experienced some changes in the regulatory environment this year, which have been mainly positive for Japara and have created growth opportunities for the industry as we prepare to meet the demands of the ageing Australian population over the coming decade.

The major changes that have come through in the past few months are set out on this slide. Many of these changes were foreshadowed in the Prospectus, from the Significant Refurbishment Supplement, down to the DAP/RAD regime, and were part of the Government's "Living Longer, Living Better" aged care reforms which came into effect on 1 July. The cessation of the Dementia Supplement, the pending removal of the Payroll Supplement subject to Parliamentary approval, and the associated and offsetting changes in the ACFI funding rates were announced in May and June following our listing on the ASX.

Most of these are positive for Japara and open up a number of growth opportunities for the business, such as:

- Access to higher accommodation supplements for eligible residents in refurbished facilities. For us, this means we will be able to access a higher level of Government support. As we continue our brownfield and greenfield development strategy, our ability to access this funding support will increase.
- We now have a broader scope to set resident fees, both for premium accommodation and additional wellbeing and lifestyle services. This has provided us with the opportunity to introduce

our broad-ranging resident lifestyle programme, called Wellbeing Services, which we launched in September, which I will touch on in more detail a bit later in my presentation.

- Prior to these reforms we were unable to take RADs on high care beds or provide a suite of additional services. The removal of the distinction between High and Low Care places and the associated introduction of the DAP and RAD regime delivers the revenue and capital required to support our growth which we expect to realise from applying this regime to some 500 – 700 places across our portfolio over the next 3 years.

Obviously, some of the announced changes have provided some headwinds for the business, such as the removal of the Payroll and Dementia Supplements. However, we're confident that the impact of these will be mitigated, both through the offsetting changes to ACFI funding, which I touched on earlier, but also through a number of operational initiatives, including the Wellbeing Services program, which I will spend more time on later in my address.

To people who are unfamiliar with the industry, I understand that this looks like a lot of regulation and a lot of change. As a management team, we view regulation as a good thing, which provides a solid framework for the delivery of high quality aged care services across the industry.

Moreover as with any regulated Australian industry, we're very used to dealing with and responding to change. We've dealt with eight funding changes over the past decade. From our point of view, this is just part of our normal operating environment and something that we have to be prepared for – it's just about being nimble and adaptable to ensure that the business is well placed to respond to the enhanced opportunities that regulatory change and consumer demand can bring.

I will now touch on our financial and operating performance for the past year.

Now, let me spend some time on this table which outlines our statutory results, because it can be a little bit confusing with the two time periods that we are referring to.

In our Prospectus, we included what we called a "statutory prospectus forecast" for the period from 1 May to 30 June 2014.

The Group was incorporated on 22 April 2014, which means that the statutory results required to be reported to the ASX reflect the period from 22 April to 30 June 2014, or nine more operating days than was contemplated in the Prospectus statutory forecast period.

Therefore, in order to provide a like-for-like comparison, we have provided a comparative result for the period from 1 May – 30 June 2014 which is comparable to the statutory forecast which was provided in the Prospectus.

You can see from this table that the Group delivered on its Prospectus Statutory forecast, which was a pleasing result.

You will notice that our reported net loss after tax of $2.7 million was well ahead of our statutory Prospectus forecast loss of $13.8 million. This was due to the treatment of IPO costs in the Prospectus forecast. On a like-for-like basis, before IPO costs, you can see that net profit after tax was in line with our expectations.

Moving onto the FY14 full year pro forma financials, pro forma revenue was $245 million, which was in line with our Prospectus forecast. However, we were expecting a slight increase in revenue to offset additional wages and agency costs, which unfortunately didn’t eventuate in the second half of FY14.

This resulted in pro forma EBITDA for the year of $40 million, against a forecast of $41.5 million for the business.

This year has been successful in building on the key components on our growth strategy, with our listing on the ASX in April supporting our ability to execute on the Group’s expanded growth agenda.

We have put in place a solid platform for growth in FY15 – we’re implementing and adapting to regulatory reform, we have the capital structure in place to support growth, including the $95 million debt facility that we put in place in August, and the success of the three brownfield developments that came online in FY14 have outperformed our expectations. We now see greater opportunities from brownfield and greenfield developments than we have in the past.

As I’ve said previously, our growth strategy is focused on four main components:

- Organic revenue and earnings growth within the core business from new opportunities such as welling and lifestyle services as well as the DAP/RAD regime
- Capacity expansion through both brownfield and greenfield developments set to deliver 690 and 500 additional places respectively;
- Capacity expansion through selective acquisitions;

I want to now spend some more time on each of these, what’s been delivered, and what’s in the pipeline.

As many of you know, we completed three brownfield projects in FY14, at Millward, Mirridong and Albury, together providing 128 new places.

We’ve been very pleased with the results achieved with those developments, with occupancy ramping up faster than expected, and DAP and RAD values above our initial expectations.

We have two sites, Kelaston and Bayview, currently under construction which are on track to deliver an additional 60 operational places over the next 12 months.

We have a strong overall development pipeline, with 690 additional places to be delivered over the medium term.

Alongside our brownfield programme, we will also be pursuing capacity expansion through greenfield developments via which we plan to deliver an additional 500 places over the next 5 years.

We have already purchased two greenfield sites, in Launceston, Tasmania (75 places) and in Glen Waverley, Victoria (65 places) on which we plan to build state-of-the-art facilities.

We will continue to look for opportunities to enhance our portfolio with high quality sites in underserviced areas with attractive market dynamics.

Now onto acquisitions. In August we were very pleased to announce the acquisition of the Whelan Care portfolio for $39.5 million, which provides the business with a strategic footprint in South Australia. The acquisition is aligned with our strategy to diversify nationally in markets where high demand for residential aged care services exists, and to pursue opportunities selectively where upside potential exists from the application of Japara Healthcare's business model to provide enhanced returns.

In terms of our broader acquisition strategy, the market is highly fragmented, and, as Linda noted, we're seeing more opportunities come to market as smaller and mid-size operators respond to regulatory change.

We will be assessing opportunities against our acquisition criteria, looking for opportunities where, ideally, there is scope to improve performance, through application of Japara's operating model, or through brownfield expansions. We'll be looking to fill out our portfolio network, in Victoria and in other states, focusing on underserved geographies where attractive aged care demand dynamics exist.

There are quite a number of acquisition opportunities in the market, including some that we do not find attractive. We are very selective in our acquisition approach and have passed on a number of assets where we don't see the value there for our shareholders, and we will continue with this disciplined investment approach as further opportunities are assessed.

I would like to provide a bit more detail on the Whelan acquisition, which was completed last week.

The Whelan portfolio is comprised of four facilities, delivering 258 additional places and 41 independent living apartments.

This includes one 69-place facility, in Trevu, which is currently under construction and is expected to come online in FY16. This will replace the 45-place facility in Willaston when it becomes operational, and we will see residents move across from Willaston to Trevu at that time.

As I mentioned previously, the purchase price of $39.5 million was attributed to the assets we have noted on this slide. We expect that the RADs received from new residents at Trevu will provide approximately $4 million in cash inflows, and see potential for further RAD uplift across the broader portfolio over the next three years, which will release capital for investment in other growth initiatives.

The net purchase cost for the aged care assets is $34.2 million which we expect will be reduced by approximately $5 million from the anticipated inflow of new RAD's at Trevu post completion.

In terms of earnings contribution, we expect EBITDA from the portfolio to be circa $4 million plus in FY16 on an annualised basis once Trevu is fully operational.

In FY15, we expect the EBITDA contribution from Whelan post additional costs to be $1.4 million.

The addition of Whelan provides a strong platform for growth in South Australia as we look to diversify operations outside of Victoria.

As I previously mentioned, we have a number of operational initiatives underway, to mitigate the impact of regulatory change on the business as we continue to work towards the delivery of our FY15 pro forma Prospectus forecast. These include:

- our ongoing resident reassessment programme, which ensures our government, or ACFI, funding is aligned with resident acuity levels as residents "age in place", which, alongside the ACFI increases as part of the replacement of the Workforce Compact and indexation, will help to deliver revenue benefits in FY15;

- the brownfield facilities delivered in FY14 are outperforming expectations and are expected to deliver a better than expected contribution this financial year;
- the roll-out of our resident experience programme, “Wellbeing Services” commenced in September with a pleasing result, in line with our expectations. We’re also accessing funding as planned from the Significant Refurbishment supplement, and are seeing DAP and RAD splits in line with expectations;
- the continued focus on efficient cost management, including a renewed focus on staffing costs and investment in a new IT-based workforce management system planned for implementation in FY15.

In summary, I am excited about Japara Healthcare’s growth prospects moving forward. We have established a robust pipeline of growth opportunities as we pursue investment in capacity expansion over the coming years.

As a well-capitalised and experienced operator, our ability to implement and respond to regulatory change has enabled the Group to capitalise on a number of growth opportunities this year.

As a result, I am pleased to provide FY15 EBITDA guidance of approximately $50.3 million, including Whelan Care. Excluding Whelan, we are today reaffirming our FY15 pro forma prospectus EBITDA forecast of $48.9 million.

We’re also looking forward to paying our first dividend in FY15.

Thank you for your attention, and I will now hand the meeting back to Linda