ASX / Media Release

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Ingenia announces 2013 Half Year Results

<u>Key highlights</u>:

- Net profit of $2.4 million and operating income of $3.6 million
- Interim distribution of 0.5¢ per stapled security – reaffirms 0.5¢ per stapled security final distribution
- Balance sheet now in a strong position – proforma gearing of 22%
- Garden Villages Rental occupancy increased to all-time high of 84% as at 31 December 2012
- Net asset value of 34.4¢ increasing to 35.9¢ on a post US proforma basis with further NZ upside
- Expansion continues with further acquisitions of a manufactured home estate in Ettalong Beach – trailing cash yield of 18.4% and rental village in Tamworth with unlevered IRR >18%.

Ingenia Communities Group (ASX: INA) today announced its half year results for the six months to 31 December 2012, with a net profit of $2.4 million for the period, down from $29.1 million in the period to December 2011. The December 2011 result was favourably impacted by the non-recurring $25.9 million revaluation of the US Seniors portfolio which has subsequently been sold at a premium to this value. Operating income for the period was $3.6 million, down 12% on the $4.1 million reported to December 2011.

Ingenia has declared an interim distribution to securityholders of 0.5¢ per stapled security, with payment to be made on 14 March 2013 and reaffirmed the intention to pay a 0.5¢ final distribution in September 2013. Over the medium term the Group will look to increase distributions targeting a minimum 5% yield.

Ingenia Chief Executive Officer Simon Owen said: “Today’s results are reflective of both the challenging residential property markets in which we operate, particularly in South East Queensland, and the Group’s portfolio transition out of international investments to focus on domestic markets.”

“The results for the period were particularly impacted by sales at the Group’s Noyea (Deferred Management Fee) village and Forest Lake (DMF Conversion) in Brisbane, where settlements were significantly lower than forecast”.

“Management is confident of an improved performance in the second half due to existing reservations in place on current available stock of $5 million, a strong performance from the recently launched Cessnock conversion village and a history of improved sales in the second half. Finance costs are also expected to be materially lower due to a combination of less debt and a reduced margin.”

“The Garden Villages rental portfolio continues to improve with occupancy closing at 31 December 2012 at 84%. Its contribution for the six months was $4.1 million, compared to $3.9 million from 2011.”

“Recent acquisitions, once fully integrated, will add approximately $3.1 million to cash earnings with virtually no increase in corporate or non-operational costs. Including recent acquisitions and divestments approximately 76% of the Group’s total income is derived from cash rental earnings rather than DMF accruals or development profits. This diversification of the earnings mix will underpin the Group's future earnings quality."

"These acquisitions also added a net 62 homes to our development pipeline in the period and we expect that to become a significant area of earnings growth in the medium term."

"The recently completed sale of the remaining US Seniors assets provides the Group with considerable opportunity to grow our Australian earnings base with a particular focus on increasing cash income from both rental and manufactured home estate villages. Having rebuilt the Group's balance sheet from its weak position several years ago, securityholders can be assured that the Board and management will continue to exercise due care and diligence in the allocation of capital." Mr Owen said.

Financial Highlights

Key Metrics	1H13		1H12
Net profit / (loss)	$2.4m	▼ 92%	$29.1m
Operating income – continuing operations	$1.3m	▼ 24%	$1.7m
Operating income – total	$3.6m	▼ 12%	$4.1m
Operating income per security	0.8¢	▼ 11%	0.9¢
Distributions per security	0.5¢	▲	-
Net cashflow from operations	$2.8m	▼ 13%	$3.2m
	1H13		**FY12**
Look through gearing	53%	▼ 2%	52%
Net asset value per security	34.4¢	▲	34.3¢

The decrease in net profit is largely attributable to the one-off revaluation of the Group's US Seniors New York portfolio during the first half of FY12.

New Acquisitions

Ingenia today announces the acquisition of Ettalong Beach Holiday Village[1] and Tamworth Retirement Village, both in New South Wales.

[1] Conditional contract exchanged subject to local council approving the transfer of lease-hold property title

Ettalong is an immediately earnings accretive, cash-yielding manufactured home estate with a forecast unlevered IRR in excess of 20%. The village comprises 85 existing units with scope for a further 28 to be built, and a conditional contract has been exchanged for $2.1 million. Settlement is expected to occur in March 2013.

Tamworth is an immediately earnings accretive rental village of 50 units, with a forecast unlevered IRR of more than 18%. The purchase price is $3.3 million and is also expected to settle in March 2013.

Portfolio Update

- Garden Villages occupancy level is at a high of 84% at 31 December 2012.
- 21 settlements achieved in the DMF Conversion villages grossing sales of $3.6 million, and a further 27 contracts now in place worth $5.0 million.

Australian Seniors

With the sale of the New York portfolio, Ingenia's transition to an Australian focussed platform is nearing completion. The Australian business will now represent 88% of the Group's total asset value (on a proforma basis[2]), of which 44% will be the rental business which provides a consistent, high quality cashflow stream. Garden Villages occupancy finished the year at a high of 84% and remains well on target for a long term target of 90%.

Management will continue to focus on increasing occupancy and aggressively managing our cost base to extract full scale benefits. The cluster approach which now underpins our acquisition and development strategy is expected to lead to significant cost efficiencies over the medium term.

The Group's operating environment for its DMF villages remained challenging with continuing softness in the Brisbane residential property market adversely impacting financial performance for the six months to December. The Gladstone market, which has previously been a very strong performer, has slowed down as the local market values and sales rates stabilise after several years of significant gains. The Gladstone conversion village has recently sold down all of its two-bedroom units, with single-bedroom units remaining. These will likely take longer to sell.

Pleasingly our core Western Australian markets of Perth and Mandurah have shown initial signs of a recovery with the sales performance at our villages in line with management budgets.

The performance of the DMF Conversion portfolio slowed down during the period with 21 settlements. Sales are expected to improve in the second half with 27 contracted sales worth $5.0 million now in place. Since project launch, 42% of total stock has been sold or is under contract. In June 2012, the Group launched the Cessnock conversion village which has performed strongly with all five of the Stage 1 units either settled or under contract. Stage 2 upgrade works have commenced.

Development and expansion of our existing high occupancy villages is one of the key focuses of the Group with upgrade works currently underway at the Cessnock conversion village and construction forecast to commence at The Grange Village, Ettalong Beach Holiday Village and Ridge Estate in the

[2]Proforma takes into account the divestment of the New York portfolio which settled in Feb 2013, the acquisition of the Mandurah WA rental village that settled in Feb 2013, the acquisition of Tamworth NSW rental village which is due to settle in Mar 2013, and the inclusion of the two recently acquired Manufactured Home Estates (The Grange Village and Ettalong Village) which are due for settlement in Mar 2013.

next six months. A Development Application is now in place for Gladstone Village, with Stage 2 expansion works to commence once minimum pre sales have been achieved.

Management is assessing the conversion of the recently acquired Dubbo Gardens and a further two communities in Victoria.

New Zealand Students

The new accommodation lease with Victoria University of Wellington (VUW) for the Cumberland and Education House buildings has now commenced, while the lease with Wellington Institute of Technology (WelTec) for the McKenzies building is due to commence in February 2014. The market indexed rent for the three buildings once completed is circa NZ$4.0 million (A$3.1m) per annum.

Management is continuing earnest discussions with the original purchaser, a US based global academic property focused fund, although there is no certainty of an eventual sale.

Valuations

- Australian village valuations remain under pressure due to challenging conditions in the residential property market and the glut of retirement communities currently for sale

- Australian village valuation decrements of $2.8 million (1.7%) offset by New Zealand Student portfolio uplift of $4.0 million (20%).

Under Ingenia's Australian debt facility all of the Group's communities must be externally valued at least once every two years. For the period ending 31 December 2012, external valuations were completed on 18 of the Group's 34 communities representing 53% of total portfolio by value.

There remains short term pressure on seniors living valuations principally driven by the challenging environment in the residential property market and the current glut of retirement villages currently for sale. Consequently the valuations for the rental (Garden Villages) and DMF (Settlers) portfolios reduced by 1.3% and 5.4% respectively. The DMF Conversion assets reported a 10.9% decline due to the sell down (monetisation) of 21 units over the six months.

A valuation uplift of A$4 million in the New Zealand Students portfolio as at 31 December 2012 was driven by new 15-year lease agreements with government backed tertiary institutions. The valuer also provided an "as complete"' valuation of the three buildings of NZ$54.5 million once refurbishment works are concluded. Subject to completing the works on-cost and on-time this "as complete" valuation demonstrates the potential for a further uplift of NZ$3.6 million (A$2.9m).

Capital Management

- The Group's balance sheet is now in a strong position. Proforma gearing is 22% post US sale and acquisitions and divestments.

- Negotiations are well advanced for the refinancing of the NZ Students portfolio for a further three years.

The Group's capital position is now the strongest it has been for many years following geographic simplification, asset sales, improved operational performance and the security of long term funding in Australia. Look-through gearing for the Group at the end of the period was 53%. Allowing for the settlement of the New York portfolio and recently announced transactions, the proforma gearing is 22% in 1H13. The current debt facility provides for a maximum LVR of 50% following the US sale, however the Group will target a 30-35% range.

After careful assessment of the Group's capital allocation alternatives including an on-market security buyback, Ingenia believes the best use of the US sale proceeds is reinvesting in its acquisition and development pipeline. Following extensive discussions with institutional investors, a significant majority stated their preference for reinvestment in Ingenia's Australian business provided capital could be deployed at returns similar to recent acquisitions. Securityholders can be assured that the Group will continue to be disciplined in capital allocation and will closely monitor return differentials between reinvestment and various capital management initiatives.

Negotiations are well advanced with BNZ for a refinance (including construction funding) of the New Zealand Students accommodation portfolio. The existing facility expires in March 2013. The new lease agreements with VUW and Weltec, both effectively New Zealand government backed tenants, supports the refinancing and will assist with the negotiation of attractive terms.

Strategy and Outlook

Ingenia remains committed to operating and building a highly profitable Australian Seniors living portfolio, offering investors a growing cash yield and increasing exposure to an accretive pipeline of new acquisitions and development projects. The Group's recently announced expansion into the seniors Manufactured Home Estate market is consistent with this strategy and it is expected to become a key area of earnings growth over the medium term.

Conditions in the DMF sector remain challenging although the Group traditionally experiences stronger performances across the second half as seasonal dynamics exert a positive influence on sales. In the second half, management's key focus will be to accelerate the sell down of the $27.6 million of stock on the ground at the DMF conversion villages.

The Group's exit from the US and reinvestment of funds into the domestic market will be a significant factor in our second half performance, with six acquisitions in the first half all forecast to return unlevered IRR in excess of 17% on the total investments of circa $22.7 million. Divestments of poorly performing assets and additional rental village conversions will be considered where appropriate, to enable Ingenia to further recycle capital for more attractive prospects.

While market conditions persist and lending remains tight, distressed sales of quality assets will be abundant. Ingenia is in a unique position, and the Group's strong balance sheet gives the strength and flexibility necessary to take advantage of opportunities for highly accretive acquisitions.

While the Garden Villages rental portfolio continues to perform strongly with occupancy rates trending toward our long-term goal of 90%, management will continue to improve operational efficiencies with its portfolio cluster approach which now underpins our acquisition and development strategy.

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About Ingenia Communities Group

Ingenia Communities Group (ASX Code: INA) previously known as the ING Real Estate Community Living Group, is a stapled property group comprising Ingenia Communities Holdings Limited (ACN 154 444 925), Ingenia Communities Fund (ASRN 107 459 576) and Ingenia Communities Management Trust (ARSN 122 928 410). The Responsible Entity for each scheme is Ingenia Communities RE Limited (ACN 154 464 990) (AFSL415862).

Ingenia Communities Group is a leading operator, owner and developer of a diversified portfolio of seniors housing communities. It has 38 assets in Australia, comprising of 2,272 units.