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Ingenia Communities 2013 Annual General Meeting

CEO Update

Good afternoon ladies and gentlemen, and welcome to the 2013 Annual General Meeting for the Ingenia Communities Group.

Thank you for your attendance today.

This afternoon I will present you with a brief overview of the financial and operational performance of each of the Group's portfolios over the last 12 months, update you on the markets within which we operate and finally, outline the Group's outlook for the next 12 months and our future business strategy to create superior and sustainable securityholder value. I will also spend a little time outlining the manufactured home estates (MHE) market and why it is likely that nearly all future capital will be allocated to that business as well as show you some of the proprietary research we have developed to capitalise upon our first mover advantage.

I recall joining the Group back in November 2009 when we were part of ING Australian Funds Management platform. For those of you who were securityholders at the time will recall that the Group was a business without a clear strategy, has a very unstable capital position and indeed some very valid concerns over future viability.

Today, with the commitment of an incredibly capable and dedicated team, Ingenia is recognised as a market leader with first mover advantage in the most exciting space in seniors living. Further we are in the unique position of being constrained by neither opportunity nor capital.

However, while these achievements are significant and this position hard won, be assured that the Board and management are extremely cognisant that we are only at the beginning of our journey and considerable work lies ahead. Our strategy is to own, build and operate a highly profitable Australian seniors living portfolio that offers investors sustainable

distributions, strong capital growth and a pipeline of profitable acquisition and development opportunities.

SLIDE – FY13 HIGHLIGHTS

I would now like to review a number of highlights that have happened in the past 12 months.

Our Garden Villages rental portfolio continues to yield strong cashflows with occupancy climbing to a high of 85% in the 2013 financial year. We are confident in our ability to drive occupancy growth and reach our revised long-term target of 92% over the next 18 months.

I am pleased with the performance of the three former rental villages in Queensland which were converted to the DMF model in 2010. This was followed by the conversion of Cessnock Gardens in New South Wales in 2012. The progressive sell down of the units in these villages has been a key contributor for the year ended 30 June 2013 releasing \$9.1m in operating cashflow.

The Group's capital position is now in a very strong and stable position and over the past 12 months our Australian and New Zealand debt facilities have been refinanced and extended. In June and September this year, the Group undertook a significantly oversubscribed \$21.2 million Institutional Placement and \$61.7 million Rights Issue. Together with an increase in our debt facility, this capital will be invested in identified MHE opportunities. To date we have deployed over \$56.8 million in this market and by early 2014, we expect to invest a further \$74 million.

Ingenia is one of the very few A-REITs that did not recapitalise during or post the Global Financial Crisis (GFC) to retire debt or stabilise its balance sheet. This has positioned us well as we now embark upon a period of sustained growth.

The low risk expansion within existing communities will be a growing part of the Group's business moving forward and presently we have a development pipeline of over 700 homes with an end value of \$175 million.

I'm not going to shy away from the disappointing aspects of this year's results. There are many aspects of our business which are still not performing at the required level. The return on equity from our DMF business, stripping out one-time development profits, remains

frustratingly low. Garden Villages occupancy growth continues to suffer in the winter months and the exit of our New Zealand Students accommodation business has taken a lot longer than intended. These are all key priorities for management.

SLIDE – OUR OPERATING ENVIRONMENT

Ingenia continues to operate in a challenging environment. Notwithstanding strong and improving residential property prices across most but certainly not all markets – underlying consumer and business confidence remain low. Australia is also an increasingly expensive place to do business and this adds continual pressure on our operating margins.

Australia, like most developed nations has an ageing population and this will underpin strong and sustained demand for our products and services. We have also deliberately adjusted our strategy over the past couple of years to focus on the more affordable end of the market which is the largest, fastest growing and least competitive band within the seniors living spectrum.

The supply of new communities remains relatively constrained as many smaller operators who make up a significant component of the sector have difficulty in accessing development capital.

Opportunities remain thick on the ground. There are many distressed assets still working through the system and buyers with capital in place remain scarce. We have a significant deal flow pipeline and with our long and established industry networks in place, there is rarely an opportunity that goes by without our prior knowledge.

Ingenia is uniquely positioned at this point in the cycle. We have access to capital, few competing purchasers, and demand for our products and services that is going to grow for the next forty years. Notwithstanding these unique circumstances, we will continue to maintain a very disciplined approach to capital allocation.

Broadly speaking industry valuations bottomed out 6-12 months ago and I think in the coming years will start to see some firming in prices, particularly at the quality end of the market. Whilst our Garden Villages rental portfolio continues to grow in terms of occupancy and profitability, we purchased five distressed villages last year at prices well below

replacement value which means we will unlikely see any upswing in these valuations for the foreseeable future.

Having regard to our valuations, we regularly benchmark our assumptions to our listed peers and we are consistently the most conservative across the sector.

SLIDE – FINANCIAL OVERVIEW

The Group's balance sheet is in very good shape.

As previously disclosed our net profit for the year was impacted by a non-cash translation reserve adjustment as we exited our final United States Seniors business.

Profit from continuing operations – our Australian seniors living business - was up strongly but off a relatively low base.

Net operating cashflow was strong at \$11.2 million and we anticipate further improvements in this result in future periods as we integrate recently acquired manufactured home estates and continue to sell down constructed homes at our four DMF Conversion villages.

Consistent with prior years it is anticipated that there will be a significant second half skew in cash earnings. Winter is typically a period of slow sales and occupancy growth whereas the post Christmas period is our peak selling and rent-up period.

SLIDE – CAPITAL MANAGEMENT

Ingenia now has a very stable capital position which will underpin our growth strategy.

Our primary gearing measure – Loan to Asset Value Ratio – was 38% as at year end. Today, post recent capital raisings, it is approximately 17% although it will trend up towards 35% as we deploy this capital into the manufactured home estates business.

Our Australian bank is very supportive of our MHE growth strategy and has agreed to increase our debt facility by \$47.5 million to \$129.5 million on improved pricing and conditions.

In May and September this year, Ingenia asked our existing and a small number of new securityholders to provide us with an additional \$83 million of equity to grow our manufactured home estate business. Both of these capital raisings were strongly supported and significantly oversubscribed. Thank you for your support.

The Group remains committed to increasing distributions over the next 12 months. It is very important that our distributions continue to be fully funded from operational earnings and hence any increase will likely come once we have fully invested the capital from the recent Rights Issue. The Group does not have a prescribed payout ratio and dividend growth does need to be balanced against the reinvestment opportunities presently in front of the Group. These opportunities are significant, however it is quite likely that you will see some growth over the next 12 months.

We consider your capital to be a very precious and rare commodity and our stringent return thresholds remain in place. Our primary screen is an unlevered internal rate of return of at least 15%. This is very important as we look to improve both our return on equity and return on assets.

The next 12 months will also see a concerted focus on recycling capital from some of our non-core and lower returning assets – such as our New Zealand Students business – and reinvesting this capital into strongly accretive MHE and development opportunities.

SLIDE – PORTFOLIO UPDATE

I will now provide a brief operational update.

Today Ingenia has 49 seniors living communities across Australia. A year ago we were a business of only 34 communities.

Our strategy is to be the market leader in the communities in which we operate providing quality yet affordable independent living homes for seniors. We are the largest owner and operator of seniors rental communities in Australia and will soon have the largest portfolio of manufactured homes estates and tourism parks in New South Wales.

Whilst we are an acquisitive and expanding business, we are certainly not chasing growth for growth's sake. All acquisitions are subject to stringent return thresholds, exacting due

diligence and are made in select and researched market clusters where we can leverage our existing operational capabilities to drive optimal performance and financial returns.

SLIDE – GARDEN VILLAGES (RENTAL)

Garden Villages is our seniors rental business comprising 29 communities located across all States of Australia except South Australia. In the recent financial year, the Gardens Village rental portfolio was the cashflow engine room of the Group. Far from being the Group's millstone of years gone past, the rental business is in good shape, with rising occupancies driving higher earnings growth and operating margins.

Over the past year, the Group acquired five rental villages and divested one. Whilst there are a few further acquisition opportunities in the market, our near term growth is largely organic with a focus on growing village occupancies and expanding operating margins. Whilst demand for rental communities remains strong, it is simply not economical to build a new community due to the relative cost of land and buildings and allowing a two year period for "rent-up".

SLIDE – INGENIA CARE ASSIST

In the 2013 financial year, the most common reason why residents left Garden Villages was to move into institutionalised aged care – this accounted for 38% of all departures or some 110 resident exits.

To drive occupancy to our long term target of 92% in the coming years, earlier this month the Group launched Ingenia Care Assist. Under this program, we facilitate the delivery of Commonwealth Government funded aged care packages into our villages by accredited care providers.

For our existing residents and their families the clear value proposition is being able to receive government funded care into their home without the disruption of having to move into a nursing home; for the accredited care provider it should provide for improved productivity and enhanced delivery of care, and for Ingenia over time, improved occupancy. Ingenia does not charge its residents for this service – it is part of an improved value proposition.

Ingenia Care Assist has now commenced at select trial sites across our Gardens Villages portfolio and the results to date have been very encouraging with already 14 “move-out saves” and 2 “new move-ins”. The results on Ingenia Care Assist are unlikely to be seen in a meaningful way until at least 30 June 2014 by which time the trial program should have been rolled out to our national Garden Villages platform. We will likely also commence rolling out Ingenia Care Assist to our Active Lifestyle Estates portfolio in 2015.

SLIDE – SETTLERS (DMF)

Settlers is our traditional retirement village business comprising nine communities and 950 homes across Queensland, New South Wales and Western Australia.

This segment comprises both resale homes and the sell down of the four villages which have been converted from rental to the deferred management fee (DMF) model. These four conversion villages have been a key driver of operating cashflow over the past three years and in financial year 2013 grossed over \$9 million.

Sales in the first quarter of the current financial year are tracking slightly behind budget due to a combination of stockouts in the strong Western Australian market, continued weakness in Brisbane (but now showing some signs of improvement) and a residual of slower moving one bedroom stock at Gladstone and Rockhampton where the market has a preference for larger homes.

Pleasingly Cessnock conversion village and Ridge Estate, both in the Hunter Valley are experiencing strong demand and will be key contributors to earnings in the current financial year.

Our future strategy for Settlers will be largely organic as we expand our existing communities on the land we own adjacent to five of our existing communities. It is unlikely we will look to acquire any further DMF villages and may well be a seller of some communities over the next 2-3 years.

SLIDE – SETTLERS RIDGE ESTATE EXPANSION

The Ridge Estate village is a partially completed community in the Hunter Valley that we acquired from receivers in 2012. In July this year we commenced construction on 17 new two

and three bedroom homes which subject to the weather are scheduled for completion in February 2014. To date we have ten deposits in place and expect that all 17 of these homes will be sold by June 2014. Based on the strong local demand we also anticipate construction to commence on the remaining 11 homes in February 2014.

SLIDE – ACTIVE LIFESTYLE ESTATES (MHE)

Active Lifestyle Estates is our portfolio of seven manufactures home estates in New South Wales with a further four prospective acquisitions announced earlier today.

Manufactured home estates provide affordable rent based accommodation to active retirees in regional, coastal or outer urban markets. Ingenia only entered this market in February after two years analysis and research and soon will be the largest owner and operator of these communities in New South Wales.

In the 2013 financial year, our MHE business only made a modest contribution to earnings from the two communities we owned for a few months. In future years as we invest further, MHEs are likely to contribute between 60-70% of Group earnings through a combination of recurrent rents, tourism income and development profits.

SLIDE – DELIVERING ON THE MHE PIPELINE

In our MHE strategy, we target parks with vacant or low yielding land where we can add and develop new manufactured homes to meet local demand for affordable seniors housing.

Since our entry into this market in February this year, we have already delivered and installed six new homes across The Grange and Nepean communities and have a further four homes presently being manufactured. This is particularly exciting for our Nepean village in Penrith which has only been in our ownership for three months since August.

Before year end we expect to place our first orders for new homes at our Mudgee Tourist and Albury Citygate communities, and in early 2014 at our Drifters, Lake Macquarie, Macquarie Lakeside and Big 4 Valley Vineyard communities.

Our key MHE development target is to have at least 10 villages delivering two new homes per month. Annualised, this equates to 240 new homes per annum. By the end of March

2014, I would expect that we would have eight communities delivering new homes which demonstrates how quickly we have moved.

It must be said that many of the communities we are acquiring do take time to upgrade and improve park infrastructure such as roads, electricity and sewer, undertake site masterplanning and on occasions, apply for additional development consents. This does take time to work through and should see development start to make a meaningful contribution to earnings in the 2015 financial year.

SLIDE – NZ STUDENT PORTFOLIO

The Group's remaining overseas investment is its New Zealand Students portfolio. This comprises three buildings with 618 student accommodation beds in Wellington New Zealand. At last year's AGM we announced the conditional sale of this portfolio to a qualified offshore party. Unfortunately this transaction fell through and in the past 12 months we have upgraded all three buildings and put in place new 15-year rent agreements with Victoria University of Wellington (VUW) and the Wellington Institute of Technology (Weltec).

We will launch a new sales campaign in early 2014. The Group has approximately \$15 million of net equity in this non-core students portfolio which can ideally be re-invested into further acquisition and development opportunities in our MHE business.

In recent months, the Group has received many unsolicited enquiries about purchasing the student accommodation portfolio and combined with the new long term leases to quality educational institutions, we remain confident that a sale outcome in line with or possibly at a premium to book value can be achieved.

SLIDE – GROUP STRATEGY

I will now touch on the Group strategy and business outlook before handing back to the Chairman for the formal part of the meeting.

The Board and management are committed to operating and building a highly profitable Australian focused seniors living portfolio. For securityholders, this should result in growing and sustainable distributions and longer term security price growth.

We will achieve this through:

- Operating with excellence – driving sales and occupancy and leveraging scale efficiencies through our cluster strategy;
- Developing efficiently - undertaking low risk, capital light expansion of our existing and new MHE communities
- Disciplined capital allocation – maintaining our strict return thresholds as we invest and recycle capital into higher returning opportunities; and
- Acquiring competently - focusing on cash yielding assets with low risk development upside in existing market cluster. All growth must be profitable and accretive and not just for growth's sake.

SLIDE – MHE STRATEGY: SIGNIFICANT PIPELINE OF OPPORTUNITIES

In our two year research of the manufactured home estates market opportunity, we developed a proprietary database of every MHE and tourism and caravan park on the East Coast and Western Australia. I will now take you through a quick presentation on this database and how we are using it to drive our acquisition strategy.

SLIDE – MHE STRATEGY: ACQUIRE, INTEGRATE, DEVELOP

Within our high priority manufactured home estates segment, our strategy can be summarised across four key elements:

1. Acquiring and integrating manufactured home estates and tourism parks with a significant land bank and upside potential. We are not looking for fully built out trophy assets where we can add no value but rather opportunity rich assets in premium locations where over time and with modest capital we can drive significant value;
2. Repositioning and upgrading acquired sites to increase existing cash yields. Through reinvesting in acquired assets, implementing effective marketing strategies and improving and upgrading the quality and pricing of homes within communities, we look to achieve an unlevered return on equity exceeding 15%;
3. Developing vacant and under-utilised land within acquired communities. The low risk, capital light development cycle of MHEs adds significant value to acquired villages and also improves site yields as the rent base increases; and

4. Assessing greenfields opportunities to develop new manufactured home estates in attractive markets where there are no acquisition opportunities.

SLIDE – MHE TOURISM STRATEGY

The manufactured home estates asset class was born out of the caravan park sector and this is evident in the number of manufactured home estates we have acquired to date that have a tourism component.

Whilst our strategy in this market is to focus on the core business of owning, operating and developing affordable, yield driven, seniors living, we will continue to operate an existing tourism business if it represents the highest and best use of land within each community.

A great example is the Nepean River Holiday Village which we acquired in August this year. The park includes 63 tourism cabins and caravan sites which complements the manufactured homes onsite. With the opening of the Sydney Wet and Wild Water Park next month where there will be a forecasted 750,000 visits per annum, we anticipate our tourism business at Nepean to benefit significantly from this as we are the most affordable accommodation in the local market.

SLIDE – NEW ACQUISITIONS (CONTRACTS EXCHANGED)

As noted earlier by the Chairman, Ingenia is pleased to announce the acquisition of Lake Macquarie Village in Morisset and the Macquarie Lakeside Village in Chain Valley Bay for a combined \$10.7 million plus acquisition costs. These communities are located in our existing Hunter / Newcastle cluster and will add 76 permanent homes, 67 short-term and tourism sites and over 80 development sites – of which a majority have immediate development approval. The Lake Macquarie Village is located approximately 500 metres from our Grange Village which will provide for significant operation and marketing synergies.

These villages have been purchased off-market from the same vendor and \$1 million of the purchase price which has been deferred for two years will enhance projected returns.

SLIDE – NEW ACQUISITIONS (UNDER OPTION)

The Group has also entered into an option to acquire the Big 4 Valley Vineyard Tourism Park and Wine Country Caravan Park, both in Cessnock, subject to completion of due diligence. These communities are also located in our existing Hunter / Newcastle cluster. Together they will add 6 permanent homes, 174 short-term and tourism sites and more than 60 manufactured home and 35 tourism development sites. Of these, 85 have immediate development approval.

Again these communities have been purchased off-market from the same vendor. The option is expected to be exercised in late November 2013 subject to completion of our due diligence enquiries which have largely been completed.

SLIDE – OUR EXPANSION INTO HUNTER/NEWCASTLE REGION

The next slide shows our cluster strategy at work. Some two years ago we assessed the Hunter / Newcastle region as highly prospective for the provision of affordable seniors accommodation due to its strong levels of employment, high relative residential property prices, attractive demographics and proximity to Sydney. From a position of only one village in this market 15 month ago, we will shortly own eight communities in this market with several more likely to come. With excellent regional managers, Harish Bastian and Simon Illingworth both based in the region, we can leverage our existing competencies in village management, sales and marketing, development and property maintenance across this market to drive superior returns for securityholders.

We presently have five “active” clusters in NSW where we are focusing our manufactured home estate acquisition efforts.

SLIDE – DEVELOPMENT PIPELINE

As illustrated on this slide, Ingenia has a growing development pipeline of over 700 homes with an end sales value of \$175 million. This part of our business, especially with manufactured homes is likely to be a key contributor to earnings in FY15 and beyond.

SLIDE – OUTLOOK

Ingenia has a bright outlook ahead. We have first mover advantage in a market where our top seven competitors own less than 5% of the addressable market. We are in the unique position of not being constrained by opportunity or capital. There are few companies in Australia at the moment that can say the same.

The next 12 months should see some further significant milestones achieved:

- I would anticipate that we will exit our non-core New Zealand Students accommodation portfolio and re-invest the proceeds in identified MHE and development opportunities;
- We will have invested the proceeds from the recent Rights Issue and own a portfolio of 15 MHEs in NSW – the largest in NSW and achieved within 12 months of entering the market;
- The roll-out of our Ingenia Care Assist initiative should be well advanced and hopefully making a solid contribution towards growing Garden Villages occupancy towards a sustainable 92% occupancy; and
- Our development business will be ramping up and we should be close to having ten existing manufactured home estates delivering new homes.

All existing and new assets will be continually assessed for performance and those that cannot meet minimum threshold returns or are no longer a strategic fit will be divested and their capital recycled into new projects.

Based on current market conditions and operating performance, we reaffirm our intention to pay an interim distribution of 0.5 cents per stapled security for 2014 and with a view to a possible increase in the final distribution subject to the capital requirements of the business.

I would like to thank all securityholders for your attendance today. There are many faces I recognise in the audience and I thank you for your patience and support over the past four years.

I would also like to especially thank the Ingenia team for their tremendous efforts over the past year which has seen us exit overseas markets, make 15 acquisitions and quickly build a

market leading position in a new segment. I greatly look forward to working with them over the next 12 months in what I am sure will be an equally challenging and rewarding year.

Equally I would also like to thank Amanda, Phil, Rob, Jim and Leanne for their support and guidance over the past year.

Ladies and Gentlemen, thank you for your time today and your continued support of Ingenia Communities.

I will now hand back to the Chairman for the formal business of the meeting.

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About Ingenia Communities Group

Ingenia Communities Group (ASX Code: INA) 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 49 assets in Australia, comprising over 4,200 units.