Japara Healthcare Limited ABN 54 168 631 052
Q1 Building Level 4, 1 Southbank Boulevard, Southbank, VIC 3006
PO Box 16082, Collins Street West, VIC 8007
Phone +61 3 9649 2100 Fax + 613 9649 2129 Web Japara.com.au

30 October 2020

2020 Annual General Meeting Addresses

Attached are addresses to the Japara Healthcare Limited Annual General Meeting being held at 2pm (Melbourne time) today.

The meeting is being held virtually by audio webcast and can be listen to via an online platform at: https://agmlive.link/JHC20.

For further information please contact:

Bruce Paterson
Company Secretary
Telephone: 03 9649 2100
Email: bruce.paterson@japara.com.au

Authorised by:
Chris Price
Chief Executive Officer & Managing Director

Japara Healthcare Limited ABN 54 168 631 052
Q1 Building Level 4, 1 Southbank Boulevard, Southbank, VIC 3006
PO Box 16082, Collins Street West, VIC 8007
Phone +61 3 9649 2100 Fax + 613 9649 2129 Web Japara.com.au

JAPARA HEALTHCARE LIMITED
2020 AGM CHAIRMAN'S ADDRESS – LINDA BARDO NICHOLLS AO

30 OCTOBER 2020

FY2020 was another eventful and challenging period for Japara and the aged care sector. It was a year of two halves impacted by the COVID-19 pandemic which I will speak about shortly.

The year began with the introduction of the new Aged Care Quality Standards which we embraced as part of our commitment to robust clinical governance and providing resident centred care.

We expanded our footprint while delivering on our growth strategy. Two new homes were completed and three existing homes were extended. Construction continued on two near-term new homes and planning was advanced on proposed senior living accommodation projects.

At the close of the first half, Japara reported a 10% increase in both revenue and EBITDA compared with the prior year. A 2 cents per share interim dividend was paid based on this result.

In late January 2020, Australia identified its first case of COVID-19 which has had a devastating impact on the Australian and world aged care sectors. Japara's highest priority has been to keep our residents and staff safe, supported and well.

Throughout the pandemic, our response has been informed by expert advice. Initial outbreak planning commenced in early February 2020 with preparedness audits, outbreak simulation training and securing access to PPE and other essential supplies. From March 2020, increased protective measures were put in place. This included enhanced infection control training, visitation restrictions, and COVID-19 screening. We also provided regular updates to our residents, their families and staff to keep them informed of these measures and developments.

Unfortunately, community transmission of the virus increased in Melbourne in July 2020, greatly affecting the residents and staff at five Japara homes despite the precautions taken.

The elderly are among the most vulnerable to COVID-19. Sadly, this has led to many deaths across our industry and our most sincere and heartfelt condolences go to the affected families and friends.

I am pleased to report that through the sustained hard work of our staff, supported by the health authorities and our infection control expert, there are currently no active COVID-19 cases at Japara, with all five affected homes now cleared.

We have sought to provide the highest standard of resident centred care during the pandemic including having strong regard to mental well-being. We maintained Registered Nurses in all our homes 24 hours a day and spent over 100% of care revenue we received on costs associated with providing quality care and on operations.

We recognised early on the difficulties faced by residents and their families and responded by putting in place a strong communication and support program. Alternative forms of communication with residents were adopted including e-telegrams, window visits and zoom calls.

Japara's staff have also been well supported with appropriate PPE and training, bolstered rosters when required and an enhanced employee assistance program.

The business was heavily impacted by the effects of COVID-19 in the second half. Direct costs incurred on sourcing PPE and infection control consumables was approximately $1 million on top of additional wage costs for training, cleaning and replacement staff. Occupancy also reduced due to limitations on home tours and reduced consumer preference for residential aged care.

At the close of the second half, Japara reported lower average occupancy , a 7% increase in revenue and a 34% decrease in EBITDA. A net loss after tax of $292.1 million was recorded following the non-cash impairment of non-current assets resulting in no final dividend being paid. Our sector continues to operate in an environment where indexation of aged care funding fails to cover increased operating costs including staffing. This, compounded by declining occupancy, has resulted in the deterioration of earnings for Japara and other providers over recent years.

The financing and sustainability of the aged care system has been one of the areas considered by the Royal Commission into Aged Care Quality and Safety. 124 recommendations have recently been proposed for the Commissioners' consideration. These encompass key changes to the design, objectives, regulation and funding for the sector. The Commissioners' Final Report is due by 26 February 2021 which the Federal Government has undertaken to carefully consider and act upon. We await these outcomes which we hope will provide the much needed direction, confidence and support for the sector, including the appropriate funding to provide high quality care.

In March 2020, Andrew Sudholz, Japara's Founder and long-standing CEO, announced his retirement from the role. Andrew has grown Japara into one of Australia's leading aged care providers. Leadership was smoothly transitioned to Chris Price, Japara's Chief Financial Officer at that time. I would again like to acknowledge and thank Andrew for his commitment and significant contribution to Japara.

More recently, Richard England, a long-serving non-executive director of Japara, retired from the Board. I also acknowledge and thank Richard for his service and contribution. The Board has decided not to appoint a replacement director at this time.

Alongside managing the daily urgent pressures associated with COVID-19, the Executive and the Board recognised during the year the need to rebuild a path to sustainable growth. This included simplifying the organisational structure and developing business improvement plans for every home. Employee numbers at support office were reduced, the debt structure was reviewed, and some older non-core assets were sold. There is still more to do which will in part be guided by the Royal Commission's outcomes.

A review of our real estate portfolio and development pipeline was also undertaken with a decision made that no further developments will commence construction until the outlook becomes more certain.

I would like to conclude by thanking our dedicated 'frontline' and support staff for their hard work and commitment in the face of unimagined events.

I would like to thank our executives who have done whatever job was required, whenever necessary, willingly and well. Their efforts during these extremely challenging times have been exceptional. I would also like to thank my fellow directors for your wisdom, support and dedication.

Importantly, I would like to thank our residents and their relatives for whom COVID-19 has been confronting and frightening, for their strength and support.

Finally, I thank you, our shareholders, for your on-going support of Japara during these challenging times.

I'd now like to invite our CEO, Chris Price, to address the meeting. Thank you.

Japara Healthcare Limited ABN 54 168 631 052
Q1 Building Level 4, 1 Southbank Boulevard, Southbank, VIC 3006
PO Box 16082, Collins Street West, VIC 8007
Phone +61 3 9649 2100 Fax + 613 9649 2129 Web Japara.com.au

JAPARA HEALTHCARE LIMITED
2020 AGM CEO'S ADDRESS – CHRIS PRICE

30 OCTOBER 2020

Thanks Linda and good afternoon everyone.

I would like to join Linda in reiterating our commitment to an ongoing focus on quality care for all our residents during this challenging period.

I would also like to add that I am honoured to be addressing you today as the CEO of Japara Healthcare, a position I assumed in March of this year when Japara's previous CEO Andrew Sudholz stepped down.

Today I will present a brief review of our FY2020 results and performance, comment on the aged care industry's dynamics and discuss our performance during the first quarter of FY2021 and outlook for the remainder of the financial year.

As Linda mentioned, our earnings performance for the 2020 financial year reflected the ongoing industry pressures, with cash flows from net RAD inflows remaining solid.

We are focused on managing through the COVID-19 crisis whilst trying to build a path to sustainable growth and we spent considerable time and effort during the year on hiring and training the best people with enhancements to our clinical governance, simplification of our organisational structure at the support office and detailed and individualised business plans per home being executed.

We are conscious of maintaining appropriate debt levels for the COVID-19 period and beyond and are alert to growth opportunities post COVID-19. We are engaged with streamlining our operations to ensure we have the capacity and capability to take advantage of these opportunities.

We continued our program of investment in both business operations and our development pipeline during the year to underpin our future growth and provide enhanced outcomes for residents.

Our growth in occupied places and portfolio management of real estate assets boosted earnings and mitigated the impact of the challenging, industry wide occupancy conditions.

We had several key executive changes during the year including my appointment as CEO in March, the recruitment of a new Chief Operations Officer, Lindon Le Griffon, in February, and the appointment of our Chief Investment Officer, Anthony Rice, as Chief Financial Officer and Chief Investment Officer in March. We also recently appointed a new Chief Clinical Governance and Risk Officer, Jo Gatehouse.

Our total revenue was up 6.9% on the prior corresponding period to $427.5 million, due mainly to additional development earnings, increased revenue per resident from Government funding increases and proceeds from asset disposals.

Recurring EBITDA at $36.9 million was down 24.1% on the prior corresponding period due mainly to lower occupancy and higher staff and other costs.

We recorded a net loss after tax of $292.1 million due primarily to a non-cash impairment of $291.9 million comprising an impairment of goodwill of $289.5 million and a reduction in the carrying value of property, plant and equipment of $2.4 million, which was within the range we advised in May.

A significant volume of net place additions over the 2020 year across the industry created challenging occupancy conditions, with our underlying occupancy lower than the prior corresponding period, averaging 92.2% for the year.

However, our occupancy remained higher than the industry average of below 88%, particularly as we experience strong resident demand for newer 'state of the art' homes.

We supported the future growth of the business via a net investment of over $80 million in improving existing, and developing new, aged care homes and infrastructure. This activity was financed from our strong net RAD and ILU cash flows, which totalled $55.8 million for the year, and also by utilising debt, with our drawn debt totalling $190.7 million as at 30 June 2020.

RAD inflows from our recently completed greenfield and brownfield developments are expected to reduce development debt and provide funding for further growth.

As Linda mentioned we opened two new greenfield developments during the 2020 financial year and are also well into construction on our next two greenfield developments. Greenfield developments continue to provide attractive returns and strong occupancy when located in undersupplied geographies.

I'll now provide some observations on sector dynamics.

As people are living longer, and healthcare continues to improve, our aging population is increasingly dealing with chronic and complex health conditions, including dementia. From all of our own lived experiences, people typically don't enter residential aged care by choice, preferring to stay in more traditional housing on an independent or semi-supported basis. When this becomes impracticable, residential aged care is usually the best alternative for providing the necessary care and support services for these elderly people.

Australia has a growing elderly population, a result of people living longer and the significant increase in births in the post-war era. Such growth requires delivery of a large volume of new places to the residential aged care sector over the next 10 years.

While the medium to long term demand outlook is strong, as I mentioned the sector has experienced some near-term softening in occupancy rates as the supply of new places built in anticipation of this demand has exceeded current growth requirements. This has been compounded by the recent COVID-19 pandemic.

Japara has historically achieved occupancy levels above the sector average and continues to do so. Our hope and belief is that the Federal Government will provide the necessary ongoing support for the sector to build and operate new homes and we remain committed to delivering additional capacity to assist meet the projected care and accommodation needs of elderly Australians.

I'll now provide an update on the first quarter of FY2021.

As mentioned by Linda, Japara has no active cases of COVID-19 in any of its homes at present. We obviously remain on high alert and maintain strict vigilance on infection prevention and control procedures.

The health, wellbeing and safety of residents and staff is paramount to Japara. We continue to liaise with authorities including the Australian Government and State Departments of Health regarding COVID-19 and are committed to supporting Government and community efforts to limit the spread of the virus.

Five of our Victorian homes were impacted by sustained COVID-19 outbreaks during the first months of FY2021 and pleasingly, these homes have now been cleared of COVID-19.

The second wave of COVID-19 infections in Victoria, where Japara has 33 of its 50 homes, has had a noticeable impact on occupancy and operations during the first months of FY2021. Portfolio occupancy as at 25 October was 87.6% reflecting 3,902 occupied places. Occupancy at Japara's Victorian homes was 85.4% with occupancy in other states averaging 92.5%.

Revenue per resident for the first quarter of FY2021 was broadly as expected but the lower occupancy levels have impacted overall revenues. Net RAD and ILU inflows of $2.3 million were received from 1 July 2020 to 30 September 2020 and include $2.6 million of net outflows resulting from the closure of Japara Wyong. Resident RAD and DAP payments continue to reflect a slow change in preference towards payment via DAP.

The Federal Government's lump sum COVID-19 supplement to assist providers with additional costs and workforce supply pressures during the pandemic was received during October 2020. This payment totalled $4.5 million (comprising $975 per resident in major metropolitan areas and $1,435 per resident in all other areas) and was based on residents at June 2020.

Incremental expenses have been incurred in preventing and managing the COVID-19 outbreaks. Additional expenses of approximately $6 million have been incurred at the five sustained outbreak homes with further incremental expenditure of approximately $2 million incurred across the remainder of the portfolio during the first quarter of FY2021, primarily relating to the use of personal protective equipment and other infection control measures.
Federal Government grants have been announced allowing us to claim certain qualifying expenses, however, it is difficult to accurately quantify the ongoing financial impact of COVID-19 given the uncertainties around its future prevalence and the success of measures to control its spread.

A portfolio management update is as follows.

Japara opened a 25 place extension to its Albury home in September 2020 and the ramp up is proceeding as expected with 10 residents moving in over the past month. The two further greenfield developments at Newport, Victoria and Belrose, NSW are under construction and due to open in February 2021 and May 2021 respectively. As previously advised, and in light of the uncertain outlook, all other greenfield and brownfield construction projects remain on hold.

Japara's Wyong home was closed slightly earlier than planned at the end of August 2020 with all residents placed either in other Japara homes or with other aged care providers in the local area. This site is now surplus to requirements with divestment expected in the near term.

In terms of an outlook for FY2021, cost and revenue implications from COVID-19 remain uncertain, the funding environment continues to present challenges and occupancy remains below historic levels. In this environment, with numerous uncertainties, it continues to prove difficult to provide reliable earnings guidance.

Japara looks forward to the release of the Final Report from the Royal Commission into Aged Care Quality and Safety in February 2021 which we hope will provide the much needed direction, confidence and support for the sector, including recommendations as to appropriate funding to provide high quality care.

In closing, I would like to highlight Japara's dedicated and caring staff, who number around 6,000, and who deserve recognition and thanks for the outstanding care they have provided during this time of significant change for, and demand on, the aged care workforce. I would like to conclude by acknowledging and thanking all our tremendous staff within our 50 homes, ably lead by a dedicated group of Home Managers, and all our support office staff and the management team. The capability, commitment and resilience of our workforce is exceptional.

Finally, I would like to thank you for your support and attendance today.

Japara Healthcare Limited ABN 54 168 631 052
Q1 Building Level 4, 1 Southbank Boulevard, Southbank, VIC 3006
PO Box 16082, Collins Street West, VIC 8007
Phone +61 3 9649 2100 Fax + 613 9649 2129 Web Japara.com.au

JAPARA HEALTHCARE LIMITED
2020 AGM – 30 OCTOBER 2020
REMUNERATION REPORT PRESENTATION – JO-ANNE STEPHENSON

Thank you, Linda and good afternoon everyone.

I would like to make some brief comments in relation to the FY2020 remuneration and outcomes, and the remuneration arrangements in place for FY2021.

FY2020

As reported at last year's AGM, a number of changes were made to the FY2020 remuneration framework for executives. This included a significant voluntary reduction in fixed remuneration for the former CEO and, based on stakeholder feedback, the re-adoption of a traditional performance incentive plan with separate short and long term components.

More recently, as part of the management changes in March 2020, the remuneration of the incoming CEO and CFO were carefully considered and set by the Board having regard to industry sector peers and the size, strategic and operational complexity of the business.

As covered in the Remuneration Report, there were no performance incentives awarded to executives for FY2020 as the accreditation gateway and budgeted earnings were not met. Accordingly, both short and long term incentives have been forfeited. The Board did not consider it appropriate to apply its discretion to an award given the circumstances including the financial performance and the current environment for shareholders and the Company.

FY2021

Turning to FY2021, the Board has reviewed the executive remuneration framework adopted in FY2020 and concluded that it continues to be fit for purpose for FY2021.

The framework is designed to incorporate alignment with the position of shareholders and balance a focus on both short and long term performance with the need to both retain, motivate and reward executives appropriately for their contributions. It also takes into account the complexity, effort and outcomes required by the business in context of sectoral and other external factors including the quality of care, resident wellbeing and COVID-19.

The Board has taken into account the current challenging and uncertain environment when setting FY2021 remuneration arrangements. Accordingly:

- there has been no increase in fixed remuneration for KMP;
- there has been no change in executive incentive opportunities as a percentage of fixed remuneration; and
- Non-executive directors' fees were reduced by 20% from 1 July 2020, with total fees being further reduced following the downsizing of the Board upon Richard England's retirement on 1 September 2020.

I assure shareholders that the Board will continue to closely monitor the performance of the executive team and will diligently determine the award of any incentives relative to the gateways and performance hurdles and the ruling environment.

Thank you. I will now pass proceedings back to Linda.