

NZX, ASX & MEDIA RELEASE

24 FEBRUARY 2015

SUMMERSET REPORTS RECORD UNDERLYING PROFIT, UP 10%

- **Underlying profit for FY14 of NZ\$24.4 million, up 10% on FY13**
- **Net profit after tax of NZ\$54.2 million, up 58% on FY13**
- **Total assets reach NZ\$1.0 billion, up 23% on FY13**
- **Net operating cash flow of \$110.4 million, up 25% on FY13**
- **Total sales of occupation rights up 14% on FY13**
- **261 retirement units delivered, 25% increase on FY13 delivery**
- **2014 final dividend of NZ 2.1 cents per share announced**

Retirement village and aged care operator Summerset Group today announced underlying profit for the 2014 financial year of NZ\$24.4 million, a record for the company.

The 10% increase on the prior year reflects another year of continued strong growth for the company, which has 20 villages across New Zealand, as well as three quality land sites.

Net profit after tax for FY14 was NZ\$54.2 million, 58% higher than FY13. This figure includes unrealised valuation gains in the fair value of investment properties and land and buildings.

The value of the company's total assets has grown 23% to NZ\$1.0 billion, up from NZ\$845 million in 2013, reflecting the significant growth in the business.

Chief Executive Officer Julian Cook said 2014 was a year of investment in future growth.

"In 2014 we celebrated completion of our 2,000th retirement unit, and now have over 3,000 residents living with Summerset. We have seen a record profit and strong increase in development margins across the group in 2014. We have opened four new villages in Karaka, Hobsonville, New Plymouth and Trentham (village extension), and had three new care centres in Nelson, Dunedin and Hamilton. We delivered 261 retirement units across the country, up from 209 in the prior year.

"Overall we are happy with the profit growth of 10% on the prior year, particularly as this was achieved whilst opening four new villages and three new care centres. We expect the level of investment in 2014 to support a higher level of earnings growth in the future."

The company saw its fourth year of record occupation right sales, with a 25% increase in the new sales of occupation rights in 2014. Gross new sales of 286 retirement units saw sale proceeds reaching more than NZ\$106 million. This compares with gross new sales of \$79 million in FY13, a 34% increase.

Mr Cook said demand was strong across the portfolio of villages. Summerset was working to meet that demand by supplying new retirement units quickly and had brought development forward in

a number of cases. Mr Cook said the company was well placed to achieve its target of building 300 retirement units in FY15.

The development margin on new retirement units sold increased to 15.7% in 2014, up from 13.2% in the prior year. Development margin achieved in the second half of the 2014 financial year was 16.6%.

“We expect to meet or exceed the development margin target of 17% in the 2015 financial year. This is earlier than we had forecast at the time of our IPO and is driven by better than expected results of in-house development and our continuing reputation as one of New Zealand’s leading retirement village operators,” Mr Cook said.

During 2014, Summerset received resource consent approval for its Eilerslie and Wigram villages, and commenced construction on its Wigram site. An extension of the existing Karaka site was also announced.

Summerset is working through the planning process for its Lower Hutt village at Boulcott, as well its Casebrook site in Christchurch, which will make a strong contribution to the city’s rebuild. These new sites all contribute to Summerset’s land bank of around 1,900 retirement units and 550 care beds. Summerset is also examining potential new sites across the country.

Mr Cook said Summerset’s care offering was a key focus for the company.

“The strength of our care offering is central to our ability to meet the needs of our residents and make a positive difference in their lives.

“In 2014 we received a 97% resident satisfaction rating in our villages, and a 93% rating from our care centre residents and their families. These are industry-leading results but we are always seeking ways in which we can improve.

“We are always focusing on enhancing quality in our care offering. To this end, the Board has established a Clinical Governance Committee, and we have also continued to strengthen our quality control, internal audit, clinical oversight and education programmes.

“Our staff all play a key part in making a real difference in the lives of our residents. Last year Summerset increased caregiver wages by between 2.4% and 7.5%, with the higher increases rewarding staff for training and qualifications gained throughout the year. All caregivers with qualifications higher than the entry level received pay increases averaging 7%. This was well above the increase in government funding in the sector. We are committed to being an industry leader in terms of the quality of care we offer,” he said.

Summerset chairman Rob Campbell said Summerset continued to grow and perform strongly.

“Demand for our villages is strong across the country and our ability to continue to deliver against this demand, as shown by this year’s results, means we are well set up for ongoing future success.

“Summerset is strongly positioned as a major force in this rapidly growing sector, playing a leading role in providing vibrant communities, support and care to older New Zealanders.”

Summerset has announced a final 2014 dividend for shareholders of 2.1 cents per share. This brings the total dividend payment for FY14 to 3.5 cents per share, and a total of \$7.6 million. The dividend reinvestment plan will apply to the FY14 final dividend, with a discount of 2% applicable to those shareholders participating in the plan.

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Underlying profit differs from IFRS net profit after tax. The directors have provided an unaudited underlying profit measure to assist readers in determining the realised and non-realised components of fair value movement of investment property and tax expense in the group's income statement. Underlying profit is reconciled to IFRS profit in the results presentation attached to this announcement. The measure is used internally in conjunction with other measures to monitor performance and make investment decisions. Underlying profit is an industry wide measure which the group uses consistently across reporting periods.

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ABOUT SUMMERSET

- Summerset is a leading nationwide retirement village operator with a focus on providing residents with a continuum of care. The integration of care facilities into Summerset's villages provides residents with the knowledge that care is available for them should their needs change.
- Summerset is the third largest operator, and the second largest developer of retirement villages in New Zealand, with 20 villages across the country. In addition, Summerset has three quality land sites in Casebrook, Ellerslie, and Lower Hutt bringing the total number of sites to 23.
- The company is continually evaluating new sites to support the development of further villages based on demand.
- It provides a range of living options and aged-care facilities and services to 3,000 residents.
- Summerset was named Best Retirement Village Operator in New Zealand and Australia at the Australasian Over-50s Housing Awards in 2010, 2011, 2012 and 2013.
- Summerset's senior management team is led by CEO Julian Cook.
- The Summerset Group has villages in Aotea, Dunedin, Hamilton, Hastings, Havelock North, Hobsonville, Karaka, Katikati, Levin, Manukau, Napier, Nelson, New Plymouth, Palmerston North, Paraparaumu, Taupo, Trentham, Wanganui, Warkworth and Wigram.