

REAL ESTATE INVESTMENT MANAGEMENT

Date

28 February 2011

Fund

ING Real Estate Community Living Group (ILF)

ILF Half Year 2011 Results

ING Real Estate Community Living Group (ASX: ILF) today announced its half year results for the six months ended 31 December 2010.

ILF Chief Executive Officer, Mr Simon Owen commented, "The results for the six months to 31 December 2010 reflect the improved operational performance of the portfolio as we transition from passive landlord to active asset manager. Especially pleasing is the significantly improved performance from the Australian Garden Villages rental portfolio with occupancy levels increasing 5% to 78% at 31 December 2010."

"The Fund's liquidity position remains tight and management are working on a number of operational initiatives and continuing the divestment of non-core or underperforming assets to address this situation."

Financial Highlights

Key financial metrics for the period include:

- Statutory profit of \$10.3 million compared to \$(51.6) million statutory loss for the prior comparative period (pcp);
- Operating income of \$4.6 million down from \$10.7 million pcp;
- Operating income (like-for-like) of \$2.4 million compared to \$2.4 million pcp;
- Operating income per unit of 1.0 cents down from 2.4 cents pcp;
- Look through total assets of A\$692 million¹;
- Net tangible assets per unit up slightly to \$0.26 up from \$0.25; and
- Look through gearing of 72%² compared to 73% as at 30 June 2010.

The 57% decrease in operating income was largely due to no contribution from the US Seniors Meridian portfolio and Canadian Regency portfolios which were divested in May and June 2010 respectively and reduced cross currency swap income.

On a like-for-like basis the continuing operations of ILF remained steady reflecting improved property income from the Garden Villages rental portfolio offset by higher finance costs on the Australian debt facility.

¹ Total assets (look through) is inclusive of US Students assets, but net of cash and resident loans

² Look through gearing is calculated as net debt to total assets

Valuations

External valuations were undertaken on the Fund's Australian and US Seniors portfolios in December 2010 representing 67% of the ILF portfolio by value.

In Australia book values declined due to the devaluation of the Garden Villages portfolio which was impacted by distressed competitor sales despite improving occupancy rates within the ILF portfolio. US Seniors valuations improved as capitalisation rates tightened due to increased investor demand for seniors assets and higher occupancy rates across the portfolio increasing earnings.

As a result, Net Tangible Assets (NTA) per unit increased slightly to 25.7 cents.

Capital Management

The capital position of the Fund remains an ongoing focus for the Management team.

Details of the Fund's going concern basis is contained in the financial report.

Overall look-through gearing for the Fund decreased to 72% compared to 73% as at 30 June 2010 and the Fund maintained a long-dated debt profile with average debt duration of 6.8 years.

Australian portfolio gearing increased to 51% following the termination payment of \$16 million for all remaining capital hedges. During the period an \$8 million prepayment to the Australian facility was made due to the devaluation of the Garden Villages portfolio.

US Seniors portfolio gearing declined to 83% from 87% following the positive revaluation of the US portfolio. Discussions in relation to the New Zealand refinancing are progressing ahead of August 2011 facility expiry.

Initiatives undertaken over the previous six months to release free cash and improve the Fund's liquidity include the conversion of rental villages to the DMF model, completing sales of non-performing assets and progressing the Settlers Stage 8 development project.

These initiatives, including further planned asset sales, will continue over the balance of 2011 as Management focuses intently on improving the Fund's liquidity position.

Asset Management

ILF's portfolio remains focused on the core Australian and US seniors markets.

Within the Garden Villages rental portfolio, initiatives to drive occupancy growth including increasing sales lead conversions and improved product presentation have resulted in occupancy increasing to 78% from circa 70% one year ago. Consolidation of the Garden Villages and Settlers operations have considerably reduced the fixed operating cost structure and since July 2010, ILF achieved divestments of two Garden Village assets at a premium to book value providing net proceeds to reduce debt.

The conversion of three rental villages to the DMF model is underway with the successful project launch in October 2010 and first property settlements achieved in March 2011. The phased conversion is expected to take several years and pre-planning is underway for the next stage. The end sales value across the three DMF conversion villages is approximately \$36 million which has the potential to unlock additional inherent value within the Fund.

Continued focus on product presentation and unit upgrades across all Settlers (DMF) villages is expected to drive asset value. The four villages have consistently maintained occupancy above 97% and the development of 22 houses within Stage 8 at Ridgewood Rise are well progressed and due for completion in April 2011.

The US portfolio is tracking well with unit refurbishments and reconfigurations underway to improve occupancies and meet market demands. The US Seniors portfolio achieved occupancy of 88%, up 2% from 6 months ago and further occupancy improvements are targeted via sales and marketing programs at each village.

The New Zealand portfolio maintained high student occupancy at 97% during the academic year and the short-stay accommodation business continues to build momentum over the summer months adding a valuable new income stream to the portfolio. Management has identified that the renegotiation of a long term contract with Victoria University of Wellington is the key to portfolio value. The existing three contracts are due for expiry over December 2012 and December 2013 and negotiations have commenced.

Strategic Review Update

ING Group (ING) recently announced that it has finalised the strategic review of the global real estate platform and will undertake a phased withdrawal from its Australian real estate investment management activities in a timely and controlled manner. ING will continue to provide full support to the Australian real estate investment management business (REIMA) as it evaluates alternatives to determine the future ownership structure for the Fund.

Outlook

ILF continues through the rebuilding phase with a capable and industry experienced Management team focused on restoring unitholder value. Key risks remain around the Garden Villages and residential property markets in Australia. The immediate focus for the



team remains improving operating cashflow and earnings and increasing Fund liquidity. This will be achieved through the successful execution of the Garden Villages conversion strategy, continuing the growth in occupancy rates across all portfolios and further divestments of non-core assets.

Options are being explored with our US Seniors joint venture partner Chartwell to unlock value within the US Seniors portfolio. These discussions are in preliminary stages with further clarity expected before the end of 2011.

No distribution is forecast for FY11 due to capital constraints and banking covenants.

Overall the Fund remains focused on providing unitholders with exposure to a quality, high performing portfolio of Seniors communities in Australia and the United States.

A detailed results presentation for ILF is available on our website: www.ingrealestate.com.au

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About ING Real Estate Community Living Group

ING Real Estate Community Living Group (ASX code: ILF) is an externally managed ASX-listed real estate investment trust that owns, manages and develops a diversified portfolio of seniors housing communities. The Fund has total assets under management of \$692 million with operations located predominantly throughout Australia and the United States.

About ING Real Estate Investment Management

ING Real Estate Community Living Group is one of five listed real estate investment trusts that are managed by ING Real Estate Investment Management Australia on behalf of 60,000 investors.

Globally, ING Real Estate Investment Management focuses on the investment management of quality real estate in all major global markets with a total portfolio of more than A\$86 billion. ING Real Estate Investment Management is one of the leading investment management companies and serves a broad client base from five continents, Europe, North America and South America, Asia and Australia.

ING Real Estate Investment Management is part of ING Group, a global financial institution of Dutch origin offering banking, investments, life insurance and retirement services to over 85 million private, corporate and institutional clients in more than 40 countries.