ING

ASX Announcement

REAL ESTATE INVESTMENT MANAGEMENT

Date

23 February 2011

Fund

ING Real Estate Healthcare Fund

IHF Delivers Solid Performance

ING Real Estate Healthcare Fund (ASX:IHF) today announced its half year results for the six months ended 31 December 2010.

Commenting on the result, IHF Chief Executive Officer, Miles Wentworth said, “It has been an active six months for the Management team. There have been a number of strategic initiatives pursued in relation to the capital and ownership structure of the Fund and the Management company. At the same time Management has remained focused on ensuring the portfolio of assets is maximised for investor return.”

The operating result for the six months to 31 December 2010 reflects the outcome of the initiatives undertaken over the past 18 months by Management to further secure the capital structure of the Fund.

Key financial metrics for the six month period include:

- Statutory profit of $4.6 million compared to $4.8 million for the prior corresponding period (pcp);
- Operating income of $2.1 million down from $3.0 million pcp;
- Operating income per unit of 2.9 cents down from 5.0 cents pcp;
- Net tangible assets per unit increased to $1.01 from $0.98 at 30 June 2010;
- Debt to total assets of 52.6%; and
- Half year distribution of 3.825 cents per unit.

Management expect to pay a June 2011 half year distribution of 3.225 cents per unit providing an annualised FY2011 distribution of 7.05 cents per unit.

Financial Highlights and Capital Management

Net property income for the first half of FY2011 was lower at $7.0 million compared to $7.6 million in the pcp primarily due to two divestments completed (100% of Epworth Rehabilitation Camberwell in November 2009 and a 50% interest in Epworth Freemasons Clarendon Street in March 2010) where the proceeds of these sales were used to retire debt.

Operating income for the period of $2.1 million was lower than pcp as a result of asset sales and increased debt costs and operating income per unit was 2.9 cents compared to 5.0 cents in the six months to December 2009. The reduction is largely the result of new units issued in October 2009 and reduced income.

During the six months to December 2010, the Fund renegotiated a $40.4 million bank facility prior to expiry in April 2011 in order to enhance the Fund's debt maturity profile as part of ongoing risk management.

The average debt maturity is now 2.4 years with the majority of debt extended to 2013.

Mr Wentworth commented that: "Despite the pricing for the new facility reflecting higher debt margins prevalent in today's market, Management believes that it was prudent to further secure the long term capital position and extend the debt maturity profile of the Fund."

Portfolio Update

The portfolio continues to demonstrate the defensive nature of the health sector with long lease terms and stable property income.

Key portfolio metrics for the period include:

- Like-for-like rental growth of 4%;
- Continued increasing occupancy which ended the period at 100%; and
- Weighted average lease expiry profile of 11.8 years.

During the last six months, net property income was supported by lease expiries being renewed and a high percentage of rents reviewed to either fixed or CPI indexed rental increases, protecting income from inflation. In the coming six months, Management expects a high retention rate with less than 5% of rental income due for renewal. This, in conjunction with nearly half of all lease expiries being more than ten years away, provides certainty for future rental income.

Three of the Fund's six properties were externally revalued at December 2010 being: Epworth Freemasons Medical Centre Victoria Parade; Pacific Private Clinic; and the ARCBS[1] Building, Kelvin Grove, representing 75% by value of the portfolio with the overall weighted average capitalisation rate being 8.4%. The Pacific Private valuation decreased by 4% reflecting the pending relocation of the Gold Coast Public Hospital to Parklands.

The Fund's NTA per unit increased to $1.01 per unit compared to $0.98 as at 30 June 2010.

With regards to the Epworth Freemasons Clarendon Street site, the joint venture owners, Epworth Foundation and IHF are actively pursuing a significant upgrade and expansion of the existing hospital which will provide a facility with 270 inpatient beds and 10 operating theatres. The $120 million redevelopment is expected to progress over the coming year with lodgement for town planning expected in May 2011 and no material capital requirements until 2013.

[1] Australian Red Cross Blood Service

Strategy

Management in conjunction with the Board of ING Management Limited ("IML") are actively pursuing a number of options to maximise value for the Fund's unitholders and work is currently being completed including active discussions with a number of external parties. There is no guarantee these discussions will lead to a binding proposal. The Board of IML will keep unitholders updated on progress.

Outlook

As a result of all debt refinancings completed, earnings for FY2011 are expected to be materially lower than FY2010. Following careful consideration, the Board of IML have rebased distributions and therefore the Fund expects to pay a 2H FY2011 distribution of 3.225 cents per unit which would result in a FY2011 distribution of 7.05 cents per unit.

Going forward, the Fund will use net operating income as a guide to determining distributions in conjunction with other commitments such as capex and cashflow.

Mr Wentworth said, "The Management team will continue pursuing the strategy of providing unitholders with attractive risk adjusted returns generated by a high quality, diversified portfolio of healthcare properties with long lease terms, consistently high occupancy levels and add value through active asset management."

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

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About ING Real Estate Healthcare Fund