

17 November 2015

Aveo Group's transformation to a retirement group nearing completion

Australia's leading owner, operator and manager of retirement communities, Aveo Group Limited (ASX: AOG) today provided a market update at its Annual General Meetings of shareholders as the Group accelerates its pure retirement strategy in FY16.

As announced in August this year and detailed at its AGM today, Aveo generated record total retirement sales of 721 units, lifted its underlying net profit after tax by 30% to \$54.7 million and funds from operations by 88% to \$73.9 million for the year to 30 June 2015.

The momentum created by this transformation is continuing to accelerate in FY16; the final year in the three year transformational period the Group set itself in July 2013. In a market update today for the first quarter of FY16, Aveo confirmed the progress of a number of key initiatives in its Retirement portfolio:

- Within the Established Business, retirement unit sales rates remain strong and on target for FY16 with all new contracts now being written under the new 'Aveo Way' contract which will generate material margin improvements over the long term;
- Aveo acquired a further 3% in Retirement Villages Group (RVG) at a 29% discount to the NTA per security, taking its total shareholding in the fund to 42%;
- Within Development, 29 new retirement units were delivered in Q1 with programs for the delivery of the remaining 153 units in Q4 on track;
- The Group has obtained a Section 96 approval for 300 new retirement units to be developed at its newly acquired site at Aveo Shortland Waters at Newcastle and a development application has been lodged for the first 66 new retirement units in Stage 1 at Aveo Springfield.
- Within the Care business, a new General Manager Care commenced with the Group in September; and
- A development application has been lodged for a new 131 bed aged care facility at Aveo Durack with decanting of the facility underway in advance of an expected construction start in early 2016.

The divestment program for Aveo's non-retirement portfolio is largely complete with the only major asset yet to be disposed of being the remaining lots in the Group's three land banks with those lots continuing to be sold down at record volumes and prices. Aveo expects Rochedale, Point Cook and Peregrin Springs to be fully sold out by FY18.

Aveo's last remaining apartment project, The Milton Project in Brisbane is now complete and is 96% sold, with settlements of the 283 units sold to commence on 24 November 2015. Contracts have been entered into for the sale of the Group's last remaining apartment development sites - Albion Mill for \$25 million and Gasometer 3 site for \$18.4 million; both at well above book value.

About Aveo

"We will grow with older Australians by inspiring greater living choices."

Aveo is a leading and trusted owner, operator and manager of retirement communities across Australia. Aveo's philosophy is underpinned by a commitment to grow with older Australians by inspiring greater living choices. We currently do so for 12,000 residents in 75 retirement villages across Australia. Aveo also manages and develops a diversified \$550 million property portfolio. Over 30 years, Aveo's portfolio has grown to one that encompasses retirement, residential, commercial, industrial and mixed-use property assets. Together these communities define how hundreds of thousands of people in Australia live, work, retire and invest.

Issued by Aveo Group (ASX:AOG) comprising Aveo Group Limited ABN 28 010 729 950 and Aveo Funds Management Limited ABN 17 089 800 082, AFSL No. 222273 as Responsible Entity for the Aveo Group Trust ARSN 099 648 754.

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The Gasometer 1 facility was refinanced into the Group Syndicate facility and the limit on the Syndicate facility was increased by \$50 million to \$300 million. As a result, an independent valuation of Gasometer 1 was required, increasing the value from \$122 million to \$141 million. The Group will provide an update at the February results announcement in regards to a construction start on the retirement tower above Gasometer 1.

Geoff Grady, Aveo Chief Executive Officer said: "Aveo's transformation to a retirement group is now largely complete with management's attention fully on our retirement business."

The transformation of the Group to retirement has been the immediate catalyst for the significant increase in shareholder value that has been created since the strategy was launched over two years ago.

Particularly, with our focus on increasing care and support services across our villages, we are redefining the customer proposition from one of a property offering to an integrated service offering including both accommodation and care, which is what a more discerning customer base is wanting."

Aveo maintains its FY16 guidance of an underlying profit after tax of over \$80 million, representing a 45% increase on the FY15 underlying profit after tax result and a full year distribution of 8 cents per security, an increase of 60% on the FY15 distribution.

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