

22 June 2018

Aveo Upgrades FY18 EPS guidance to 21.6 cps

Australia's leading owner, operator and manager of retirement communities, Aveo Group (ASX: AOG), today upgraded its FY18 earnings.

- Underlying earnings per share (EPS) are expected to increase from previous guidance of 20.4 cents per security (cps) to 21.6 cps due to higher than expected development profits arising from the Group's flagship retirement community development at Newstead, Brisbane.
- EPS growth is now expected to be 14% higher than the reported FY17 EPS of 18.9 cps.

Aveo also confirmed that its FY19 EPS is expected to be 20.4 cps, in line with its initial FY18 guidance.

The uptrend to Aveo's retirement earnings is expected to be sustained with FY19 Retirement EBITDA forecast to be higher than FY18 Retirement EBITDA. Aveo's Non-Retirement business continues to be sold down and contribute a lower proportion of Aveo's overall earnings.

As forecast in February 2018, Aveo expected to have about 550 new units on its balance sheet at 30 June 2018, largely from the delivery of 456 new units in May and June. The latest forecast is 565. Given the recent slowing in the residential market in most Australian states, the Board believes it is prudent to reduce forecast FY19 new units delivered from the annual target of 500 to 418. A reduction in development profit will be more than offset by Aveo's Established Business resales and minor development sales returning to more normalised levels.

As a result of the sale of Gasworks, Newstead in February 2018, Aveo will not have recurring rental income from that asset in FY19, which will result in a decrease of \$6.7 million before income tax on FY19 earnings relative to FY18 earnings. The proceeds from the Gasworks sale were used to repay and cancel debt, but as the majority of interest is capitalised to development projects, this will have no impact on FY19 earnings. Therefore, the overall reduction on FY19 earnings from the sale of Gasworks is \$4.7 million after income tax.

The Board continues to have a conservative gearing policy with a target gearing range of 10-20%. As newly delivered units are sold down, the gearing level is expected to move towards the lower end of the target gearing range over the medium term. Current reported gearing is 17.5%.

Aveo also announced that the estimated distribution for the year ended 30 June 2018 will be 9 cents per stapled security, within guidance of distributing 40 to 60% of underlying profit after tax. The record date for determining entitlement to the distribution is Friday, 29 June 2018 with payment of the distribution anticipated to be made on or around Friday, 28 September 2018.

Aveo expects to release its full-year financial results and lodge its Appendix 4E on Wednesday, 15 August 2018, at which time a presentation will be webcast on the Aveo Group website (www.aveo.com.au) at 10.30am. That announcement will include exact details of the final distribution.

As previously announced, Aveo Group's Distribution Reinvestment Plan (DRP) remains suspended and therefore will not operate for this payment.

Investor Contact:

David Hunt, Chief Financial Officer

T +61 2 9270 6152 | E david.hunt@aveo.com.au

Media Contact:

Justin Kirkwood,

T +61 2 9231 5600 | M +61 411 251 324 | E justin@kirkwoods.com.au

Aveo's vision is to Australia's leading and most innovative seniors living provider. Our mission is to honour and serve our residents through Kindness, Care and Respect. Kindness, Care and Respect are our corporate values.

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 13,000 residents in 91 retirement communities across Australia.

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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