



## Results Presentation Annexure

Results for the year ended 30 June 2018

15 August 2018







## Annexure

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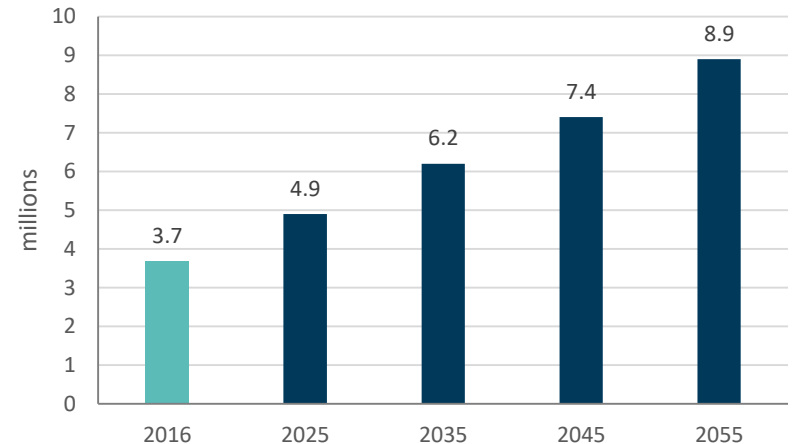
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# Retirement Accommodation Demand



- The Australian population aged over 65 is expected to grow by more than double over the next 30 years
- The Property Council of Australia estimates that between 2014 and 2025, approximately 198,000 additional senior Australians will be seeking retirement village accommodation
- Even taking into account that some of these will be couples and therefore only need one dwelling (the current resident per dwelling ratio is approximately 1.3), this still implies an additional accommodation need of just over 150,000 units
- While costs vary by product and location, assuming an average development cost of \$500,000 per unit, this implies a capital investment requirement of \$75 billion over that period
- Aveo has a target rate of delivering 500 new units p.a.

Population over 65 – Projections<sup>1,2</sup>



<sup>1</sup> ABS July 2017 Census, 2016.

<sup>2</sup> Treasury 2015 Intergenerational Report.

**7.5%**

*of Australians  
over the age of  
65 are forecast  
to live in  
retirement  
villages  
in 2025,  
increasing from  
5.7% in 2014*

**8.1**

**million**

*Australians will  
be aged over 65  
in 2050*

**382.2**

**thousand**

*People will be  
seeking  
accommodation  
in a retirement  
village by 2025*

Source: Property Council of Australia  
- National Overview of the retirement  
village sector

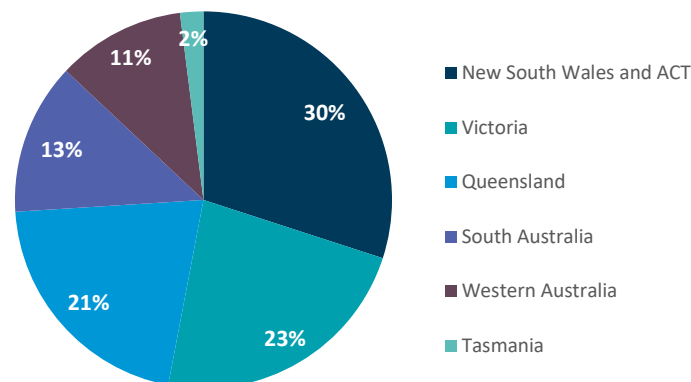


# Australian Retirement Sector

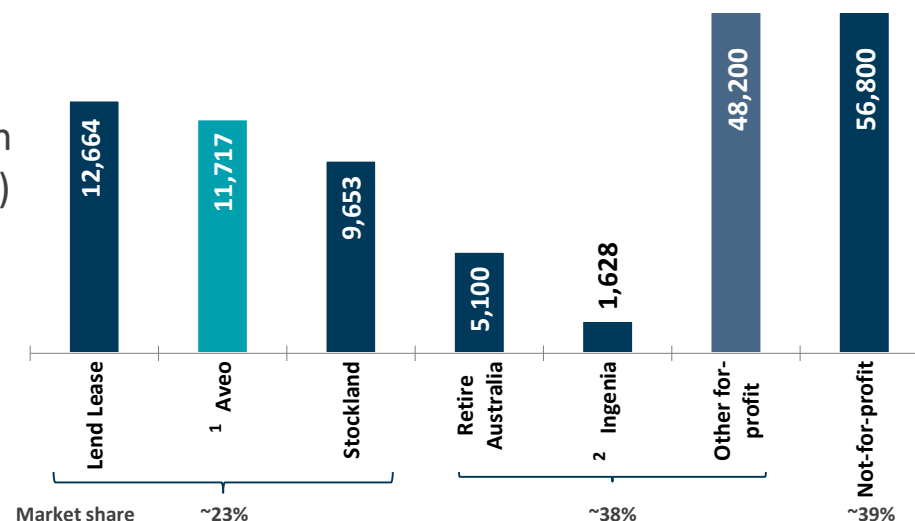


- An estimated 184,000 retirees live in retirement communities throughout Australia representing approximately 5.7% of the population over 65
- Aveo residents make up 7.4% of the total estimated retirees in retirement communities
- For-profit operators make up circa 60% of the market while the other 40% is operated by non-profit organisations
- Majority of accommodation is single-level or low-rise villas with community facilities
- Most common title structure is leasehold with DMF (circa 70% of Aveo portfolio is leasehold)
- The typical ILU costs less than 70% of the median house price in the same postcode
- The industry average age of residents is 80 compared to an average of 83 at Aveo communities

Retirement Village Units by State



Retirement Village Operators by Units Managed



<sup>1</sup> Includes Aveo's Australian portfolio only.

<sup>2</sup> Ingenia Gardens - seniors rental accommodation.



Section i. Sector Information

**Section ii. Strategy**

Section ii. Retirement Information

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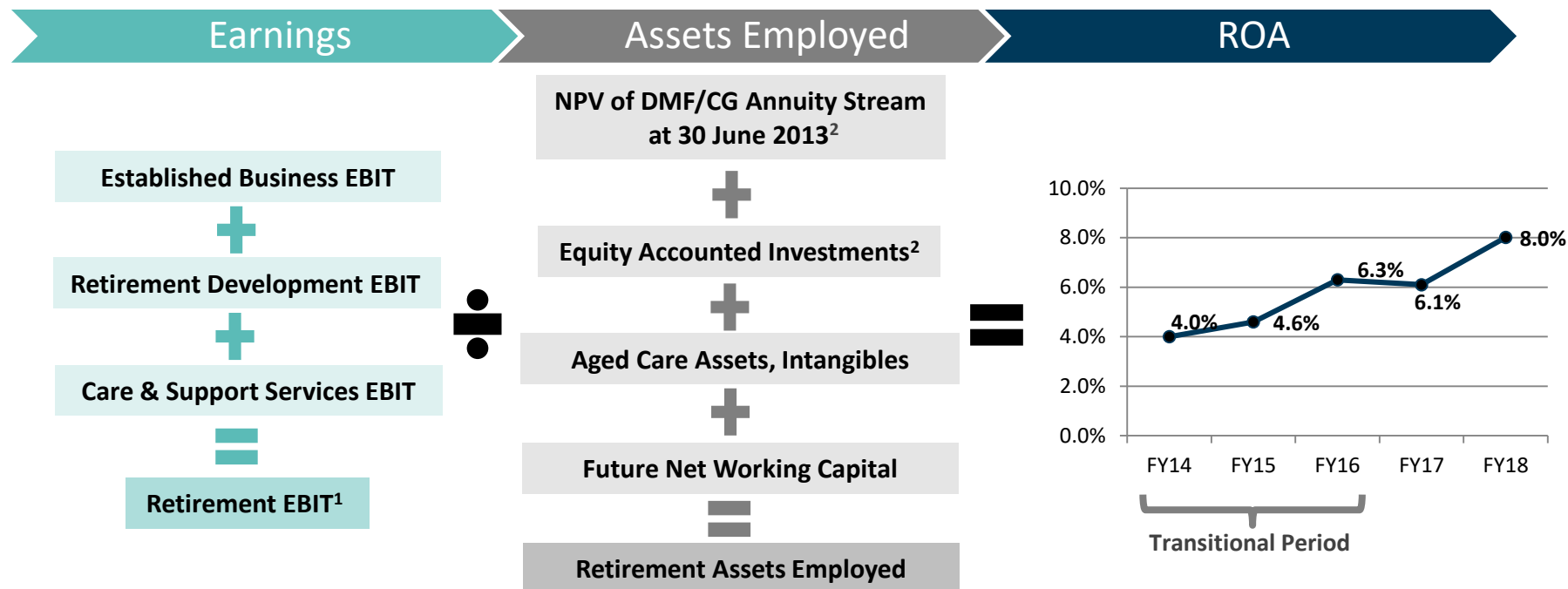
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# Business Components of the Aveo Strategy



Established Business	Development	Care and Support Services
<ul style="list-style-type: none"><li>Existing DMF/CG generating retirement communities and associated non-DMF fee revenue</li><li>Target gross margin for DMF/CG resale product of greater than 30% (before reinstatement costs, marketing and sales costs and overhead costs)</li><li>Ongoing unit buyback and subsequent resale program (target margin 5%-10%)</li><li>Continue to achieve portfolio sales rates at levels of 10%-12%</li><li>Introducing Freedom care offering to selected communities in the Aveo portfolio</li><li>Increase unit pricing in line with residential market price growth</li><li>Improve Aveo contract terms and options for residents</li><li>Maintain cost efficient operational structures</li></ul>	<ul style="list-style-type: none"><li>Major development projects comprising a mix of brownfield, greenfield and redevelopments</li><li>Existing major development pipeline of over 5,000 units to be developed over 5-10 years</li><li>Delivery target of over 500 new units from major developments p.a. (target margin 16%-20% pre-interest)</li><li>Minor redevelopment of Freedom conversion and Freedom original units to assist in rolling out Freedom product targeting 180 units p.a. (target margin 35%-40% pre-interest)</li><li>Continue to expand pipeline through selected new site acquisitions</li><li>Future acquisitions of new sites must meet required investment return metrics</li></ul>	<ul style="list-style-type: none"><li>Existing high care income from four co-located aged care facilities owned and operated by Aveo</li><li>Continual delivery of new aged care facilities to support an increase in the integrated retirement community offering</li><li>Existing pipeline of 850 aged care beds</li><li>Preference to deliver one new RACF p.a.</li><li>Low care in-home services to residents via Aveo Care at Home offering</li><li>Increase penetration rate for Aveo Care at Home within communities</li><li>Aveo owned Allied Healthcare providers integrated into retirement community operations</li></ul>

# ROA Enhancement Strategy (FY14 to FY18)



- Existing and new projects that are to be delivered post FY18 have not been included in the retirement assets employed for the periods FY14 to FY18 for purposes of the ROA calculation.

<sup>1</sup> Excludes non-allocated overheads.

<sup>2</sup> Excludes any future retirement asset revaluations after 30 June 2013 from the calculation of retirement ROA.



# ROA Enhancement Strategy – EBIT Reconciliation



- Retirement EBIT figures used in determining Retirement ROA exclude capitalised interest in COGS to remove the impact of leverage
- A reconciliation of Retirement EBIT figures to the Retirement profit contribution is shown in the table below

	FY14 (\$m)	FY15 (\$m)	FY16 <sup>1</sup> (\$m)	FY17 (\$m)	FY18 (\$m)
<b>Retirement EBIT for ROA</b>					
Established Business	42.6	47.6	57.6	71.7	60.6
Development	0.4	4.3	20.6	33.0	98.9
Care and Support Services	0.7	1.0	1.3	1.1	(0.9)
<b>Retirement EBIT</b>	<b>43.7</b>	<b>52.9</b>	<b>79.5</b>	<b>105.8</b>	<b>158.6</b>
<b>Development Adjustments</b>					
Capitalised Interest in COGS	-	(1.1)	(1.3)	(1.9)	(2.4)
Development profit on aged care facilities <sup>2</sup>	-	-	-	(5.9)	(17.6)
<b>Total</b>	<b>-</b>	<b>(1.1)</b>	<b>(1.3)</b>	<b>(7.8)</b>	<b>(20.0)</b>
<b>Depreciation &amp; Amortisation</b>					
Established Business	0.5	0.7	1.0	2.1	0.5
Development	-	-	-	-	0.1
Care and Support Services	0.6	0.5	0.6	0.6	1.7
<b>Total</b>	<b>1.1</b>	<b>1.2</b>	<b>1.6</b>	<b>2.7</b>	<b>2.3</b>
<b>Retirement Profit Contribution</b>					
Established Business	43.1	48.3	58.6	73.8	61.1
Development	0.4	3.2	19.3	25.2	79.0
Care and Support Services	1.3	1.5	2.0	1.7	0.8
<b>Retirement profit contribution</b>	<b>44.8</b>	<b>53.0</b>	<b>79.9</b>	<b>100.7</b>	<b>140.9</b>

<sup>1</sup> Excludes Freedom.

<sup>2</sup> FY17 Durack, FY18 Newstead.

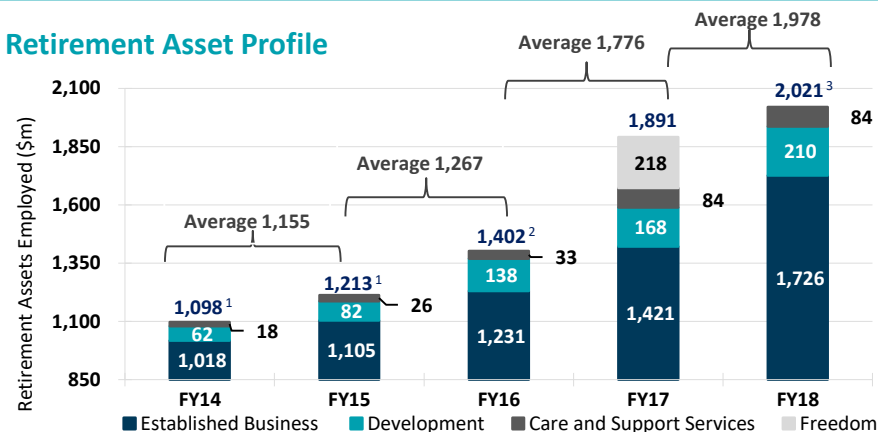
# ROA Enhancement Strategy – Average Retirement Assets

- Retirement asset value used for measuring ROA in FY14 was \$1,098m
- This has increased to \$1,978m by FY18 reflecting the average retirement asset value
- The primary reasons for the increase in the asset levels were:

- Acquisition of Freedom, RVG and US Seniors
- Expanding and accelerating the new retirement unit development pipeline
- Capital expenditure on the established business retirement community portfolio
- Investment in additional aged care facilities

- Future revaluations are excluded for the purpose of calculating the retirement ROA

## Retirement Asset Profile



<sup>1</sup> Actual balance at point in time, refer table below for reconciliation.

<sup>2</sup> Balance at end of FY16 (excludes Freedom).

<sup>3</sup> Average balance incorporating opening and closing balance for financial year (includes Freedom).

## Composition of Retirement Assets

Average Assets Employed	FY17 \$m	FY18 \$m	Average <sup>3,4</sup>
<b>Established Business<sup>1</sup></b>			
Opening balance	1,231	1,618	
Acquisition of Freedom Aged Care <sup>2</sup>	197	-	
Change in net working capital	190	108	
Closing balance	<u>1,618</u>	<u>1,726</u>	
<b>Development<sup>2</sup></b>			
Opening balance	138	189	
Acquisition of Freedom Aged Care <sup>2</sup>	21	-	
Change in net working capital	30	21	
Closing balance	<u>189</u>	<u>210</u>	
<b>Care &amp; Support Services</b>			
Opening balance	33	84	
Change in net working capital	51	1	
Closing balance	<u>84</u>	<u>85</u>	
<b>Total Retirement<sup>2</sup></b>			
Opening balance	1,402	1,891	
Acquisition of Freedom Aged Care <sup>2</sup>	218	-	
Change in net working capital	271	130	
Closing balance	<u>1,891</u>	<u>2,021</u>	<u>1,978</u>

<sup>1</sup> NPV of DMF/CG annuity stream at FY13 plus capital expenditure on the established portfolio as future revaluations are excluded for the purpose of calculating Retirement ROA.

<sup>2</sup> The effect of the Freedom acquisition was excluded from the FY16 measurement and is included in the FY17 measurement.

<sup>3</sup> Reported investment property under construction adjusted to include only those projects completing before or during FY18.

<sup>4</sup> Weighted average reflecting timing of significant cash flows that occur unevenly during the year.



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# Retirement – Our Portfolio



- Aveo owns 93 existing communities across the east coast and Adelaide. This is up from 90 in FY17 with Newcastle, Newstead and Bella Vista completing in FY18
- Aveo also owns five existing communities in the south-east of the United States of America
- Communities predominantly located in prime metropolitan locations
- Australian portfolio characterised by mature communities with 62 communities more than 20 years old, with established resident communities

## Portfolio Snapshot

Units	Communities	ILUs	SAs	Freedom SAs	Existing Total	Pipeline <sup>3</sup> – Units	Total Units	Aged Care Beds	Pipeline – Beds	Total Units and Beds
Aveo <sup>1</sup>	88	7,588	1,429	1,171	10,188	4,604	14,792	283	561	15,636
Aveo Healthcare <sup>2</sup>	5	1,277	169	83	1,529	96	1,625	123	105	1,853
<b>Total Australia</b>	<b>93</b>	<b>8,865</b>	<b>1,598</b>	<b>1,254</b>	<b>11,717</b>	<b>4,700</b>	<b>16,417</b>	<b>406</b>	<b>666</b>	<b>17,489</b>
Aveo – US	5	15	260	-	275	-	275	-	-	275
<b>Total Aveo</b>	<b>98</b>	<b>8,880</b>	<b>1,858</b>	<b>1,254</b>	<b>11,992</b>	<b>4,700</b>	<b>16,692</b>	<b>406</b>	<b>666</b>	<b>17,764</b>

<sup>1</sup> Includes 35 units not offered for accommodation purposes e.g. managers' units.

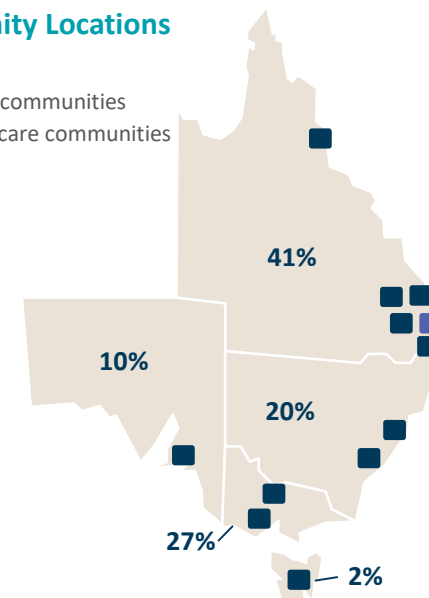
<sup>2</sup> Includes 9 units not offered for accommodation purposes e.g. managers' units; Aveo Healthcare is 86% owned by Aveo.

<sup>3</sup> Development pipeline net of 361 units to be redeveloped.

## Aveo Community Locations

### Legend

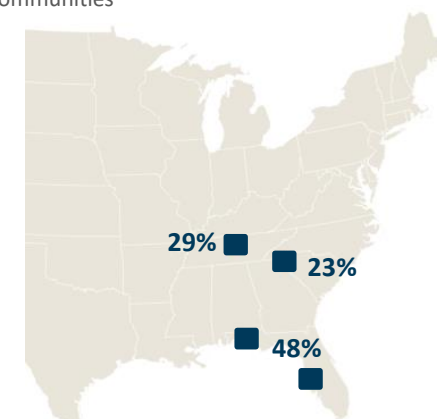
- Aveo Group communities
- Aveo Healthcare communities



## US Senior Living Locations

### Legend

- US Senior communities



# Retirement Community Portfolio – Aveo



Aveo Communities	Location	ILUs	SAs	Freedom SAs	Existing Total	Aged Care Beds	Existing Units & Beds	Pipeline - Units	Pipeline - Beds	Total Units (Future)
<b>Queensland Communities</b>										
Amity Gardens	Ashmore	119	-	-	119	-	119	-	-	119
Aspley Court	Aspley	118	44	-	162	-	162	-	-	162
Bridgeman Downs	Bridgeman Downs	113	73	-	186	-	186	-	-	186
Carindale	Carindale	66	41	-	107	-	107	323	100	530
Clayfield	Clayfield	-	-	39	39	-	39	-	-	39
Cleveland Gardens	Ormiston	154	-	66	220	-	220	-	-	220
Lindsay Gardens	Buderim	122	52	-	174	-	174	-	-	174
Manly Gardens	Manly	168	-	-	168	-	168	-	-	168
Morayfield	Caboolture South	-	-	64	64	-	64	40	-	104
Newmarket	Newmarket	75	-	-	75	-	75	183	-	258
Peregian Springs	Peregian Springs	189	48	-	237	-	237	-	-	237
Redland Bay	Redland Bay	-	-	44	44	-	44	62	-	106
Robertson Park	Robertson	58	38	-	96	-	96	97	-	193
Robina	Robina	126	-	-	126	-	126	-	-	126
Rosedale	Rosedale	-	-	110	110	-	110	-	-	110
Southport Gardens	Southport	90	-	-	90	-	90	125	-	215
Springfield	Springfield	104	-	-	104	-	104	2,326	144	2,574
Sunnybank Green	Sunnybank	56	-	-	56	-	56	-	-	56
Tanah Merah	Slacks Creek	-	-	124	124	-	124	20	-	144
The Domain Country Club	Ashmore	323	52	-	375	-	375	-	-	375
The Parks	Earlville	157	-	-	157	-	157	-	-	157
Toowoomba Bridge St	Toowoomba	-	-	58	58	-	58	-	-	58

# Retirement Community Portfolio – Aveo (Cont'd)



Aveo Communities	Location	ILUs	SAs	Freedom SAs	Existing Total	Aged Care Beds	Existing Units & Beds	Pipeline – Units	Pipeline – Beds	Total Units (Future)
<b>Queensland Communities (Cont.)</b>										
Toowoomba Taylor St	Toowoomba	-	-	103	103	-	103	-	-	103
Tranquility Gardens	Helensvale	115	-	-	115	-	115	-	-	115
Brightwater	Brightwater	-	-	-	-	-	-	-	-	-
Newstead	Newstead	144	55	-	199	99	298	-	-	298
Palmview	Palmview	-	-	-	-	-	-	138	-	138
Sanctuary Cove	Sanctuary Cove	-	-	-	-	-	-	163	-	163
The Rochedale Estates	Rochedale	-	-	-	-	-	-	150	-	150
<b>Total QLD</b>		<b>2,297</b>	<b>403</b>	<b>608</b>	<b>3,308</b>	<b>99</b>	<b>3,407</b>	<b>3,627</b>	<b>244</b>	<b>7,278</b>
<b>New South Wales Communities</b>										
Banora Point	Banora Point	125	-	-	125	-	125	-	-	125
Banora Point	Banora Point	-	-	84	84	-	84	-	-	84
Bayview Gardens	Bayview	262	38	-	300	73	373	-	-	373
Bella Vista	Bella Vista	64	-	-	64	-	64	400	144	608
Camden Downs	Camden South	65	-	-	65	-	65	-	-	65
Coffs Harbour	Coffs Harbour	-	-	50	50	-	50	-	-	50
Fernbank	St Ives	156	37	-	193	-	193	-	-	193
Heydon Grove	Mosman	31	-	-	31	-	31	-	-	31
Island Point	St Georges Basin	85	-	-	85	-	85	70	-	155
Lindfield Gardens	East Lindfield	138	40	-	178	-	178	-	-	178
Manors of Mosman	Mosman	133	21	-	154	-	154	-	-	154
Maple Grove	Casula	112	-	-	112	-	112	-	-	112
Minkara	Bayview	159	43	-	202	51	253	-	-	253
Mosman Grove	Mosman	-	37	-	37	-	37	-	-	37



# Retirement Community Portfolio – Aveo (Cont'd)



Aveo Communities	Location	ILUs	SAs	Freedom SAs	Existing Total	Aged Care Beds	Existing Units & Beds	Pipeline – Units	Pipeline – Beds	Total Units (Future)
<b>New South Wales Communities (Cont.)</b>										
Mountain View	Murwillumbah	220	51	-	271	-	271	-	-	271
Newcastle	Newcastle	50	-	-	50	-	50	250	123	423
Peninsula Gardens	Bayview	77	34	-	111	-	111	-	-	111
Pittwater Palms	Avalon	127	41	-	168	-	168	-	-	168
Tamworth	Tamworth	-	-	56	56	-	56	20	-	76
Tweed Heads	Tweed Heads	-	-	70	70	-	70	-	-	70
<b>Total NSW</b>		<b>1,804</b>	<b>342</b>	<b>260</b>	<b>2,406</b>	<b>124</b>	<b>2,530</b>	<b>740</b>	<b>267</b>	<b>3,537</b>
<b>Victoria Communities</b>										
Balwyn Manor	Balwyn	-	58	-	58	-	58	-	-	58
Bendigo	Bendigo	-	-	96	96	-	96	-	-	96
Bentleigh	Bentleigh	27	43	-	70	-	70	-	-	70
Berwick	Berwick	-	-	35	35	-	35	-	-	35
Botanic Gardens	Cranbourne	157	-	-	157	-	157	-	-	157
Cherry Tree Grove	Croydon	354	36	-	390	-	390	-	-	390
Concierge Balwyn	Balwyn	72	-	-	72	-	72	-	-	72
Concierge Bayside	Hampton	86	-	-	86	-	86	-	-	86
Domaine	Doncaster	167	-	-	167	-	167	-	-	167
Dromana	Safety Beach	-	-	67	67	-	67	-	-	67
Edrington Park	Berwick	149	-	-	149	-	149	-	-	149
Fountain Court	Burwood	130	42	-	172	-	172	-	-	172
Geelong	Grovedale	-	-	48	48	-	48	-	-	48
Hampton Heath	Hampton Park	53	-	-	53	-	53	-	-	53
Hunters Green	Cranbourne	161	-	-	161	-	161	49	-	210

# Retirement Community Portfolio – Aveo (Cont'd)



Aveo Communities Location		ILUs	SAs	Freedom SAs	Existing Total	Aged Care Beds	Existing Units & Beds	Pipeline - Units	Pipeline - Beds	Total Units (Future)
<b>Victoria Communities (Cont.)</b>										
Kingston Green	Cheltenham	108	40	-	148	-	148	-	-	148
Lisson Grove	Hawthorn	-	41	-	41	-	41	-	-	41
Mingarra	Croydon	174	-	-	174	60	234	128	50	412
Oak Tree Hill	Glen Waverley	147	47	-	194	-	194	-	-	194
Pinetree	Donvale	73	-	-	73	-	73	-	-	73
Roseville	Doncaster East	111	38	-	149	-	149	-	-	149
Sackville Grange	Kew	97	-	-	97	-	97	-	-	97
Springthorpe	Macleod	88	-	-	88	-	88	-	-	88
Sunbury	Sunbury	102	-	-	102	-	102	-	-	102
The George	Sandringham	75	36	-	111	-	111	-	-	111
Toorak Place	Toorak	54	-	-	54	-	54	-	-	54
Veronica Gardens	Northcote	58	54	-	112	-	112	-	-	112
<b>Total VIC</b>		<b>2,443</b>	<b>435</b>	<b>246</b>	<b>3,124</b>	<b>60</b>	<b>3,184</b>	<b>177</b>	<b>50</b>	<b>3,411</b>
<b>South Australia Communities</b>										
Ackland Park	Everard Park	30	20	-	50	-	50	-	-	50
Carisfield	Seaton	103	-	-	103	-	103	-	-	103
Crestview	Hillcrest	88	-	-	88	-	88	-	-	88
Fulham	Fulham	68	27	-	95	-	95	-	-	95
Glynde Lodge	Glynde	80	-	-	80	-	80	-	-	80
Gulf Point	North Haven	55	-	-	55	-	55	-	-	55
Kings Park	Kings Park	19	31	-	50	-	50	-	-	50
Leabrook Lodge	Rostrevor	62	-	-	62	-	62	-	-	62

# Retirement Community Portfolio – Aveo (Cont'd)



Aveo Communities	Location	ILUs	SAs	Freedom SAs	Existing Total	Aged Care Beds	Existing Units & Beds	Pipeline - Units	Pipeline - Beds	Total Units (Future)
<b>South Australia Communities (Cont.)</b>										
Leisure Court	Fulham Gardens	43	-	-	43	-	43	-	-	43
Manor Gardens	Salisbury East	40	32	-	72	-	72	-	-	72
Melrose Park	Melrose Park	89	36	-	125	-	125	-	-	125
Riverview	Elizabeth Vale	53	-	-	53	-	53	-	-	53
The Braes	Reynella	104	27	-	131	-	131	-	-	131
The Haven	North Haven	36	31	-	67	-	67	-	-	67
Westport	Queenstown	62	-	-	62	-	62	-	-	62
<b>Total SA</b>		<b>932</b>	<b>204</b>	<b>-</b>	<b>1,136</b>	<b>-</b>	<b>1,136</b>	<b>-</b>	<b>-</b>	<b>1,136</b>
<b>Tasmania Communities</b>										
Derwent Waters	Claremont	112	45	-	157	-	157	-	-	157
Launceston	Mowbray	-	-	57	57	-	57	60	-	117
<b>Total TAS</b>		<b>112</b>	<b>45</b>	<b>57</b>	<b>214</b>	<b>-</b>	<b>214</b>	<b>60</b>	<b>-</b>	<b>274</b>
<b>Total Australian Communities</b>		<b>7,588</b>	<b>1,429</b>	<b>1,171</b>	<b>10,188</b>	<b>283</b>	<b>10,471</b>	<b>4,604</b>	<b>561</b>	<b>15,636</b>



# Retirement Community Portfolio – Aveo (Cont'd)



US Seniors Communities	Location	ILUs	SAs	Freedom SAs	Existing Total	Aged Care Beds	Existing Units & Beds	Pipeline - Units	Pipeline - Beds	Total Units (Future)
<b>US Communities</b>										
Fort Walton Beach	Fort Walton Beach, Florida	-	58	-	58	-	58	-	-	58
Sun City Center	Ruskin, Florida	-	42	-	42	-	42	-	-	42
Tampa	Tampa, Florida	-	32	-	32	-	32	-	-	32
Seneca	Seneca, South Carolina	15	47	-	62	-	62	-	-	62
Franklin	Franklin, Tennessee	-	81	-	81	-	81	-	-	81
<b>Total US Communities</b>		<b>15</b>	<b>260</b>	<b>-</b>	<b>275</b>	<b>-</b>	<b>275</b>	<b>-</b>	<b>-</b>	<b>275</b>
<b>Total All Communities</b>		<b>7,603</b>	<b>1,689</b>	<b>1,171</b>	<b>10,463</b>	<b>283</b>	<b>10,746</b>	<b>4,604</b>	<b>561</b>	<b>15,911</b>

# Retirement Community Portfolio – Aveo Healthcare



Aveo Healthcare Communities	Location	ILUs	SAs	Freedom SAs	Existing Total	Aged Care Beds	Existing Units & Beds	Pipeline - Units	Pipeline - Beds	Total Units (Future)
<b>Queensland Communities</b>										
Albany Creek	Albany Creek	304	-	83	387	-	387	-	-	387
Clayfield	Albion	236	-	-	236	-	236	-	105	341
Cleveland	Cleveland	110	28	-	138	-	138	-	-	138
Durack	Durack	525	104	-	629	123	752	-	-	752
Taringa	Taringa	102	37	-	139	-	139	-	-	139
Labrador	Labrador	-	-	-	-	-	-	96	-	96
<b>Total</b>		<b>1,277</b>	<b>169</b>	<b>83</b>	<b>1,529</b>	<b>123</b>	<b>1,652</b>	<b>96</b>	<b>105</b>	<b>1,853</b>

# Retirement Results – Further Information



- Total retirement revenue increased by 56% driven by higher revenue contributions in both Development and Care and Support Services segments
- Development sales increased as minor development units, major development units and new units predominantly delivered at Newcastle and Newstead continued to sell down
- Development profit was further boosted by higher than expected margins at Newstead
- The decrease in the Established Business volumes and revenue was negated by a focus on cost management
- The initial costs with opening the new Durack and Newstead RACF offset the performance across other RACFs

Key Performance Indicators	FY18	FY17	Change
<b>Segment revenue</b>			
Established Business	\$164.3m	\$204.1m	(20%)
Development	\$394.4m	\$165.7m	138%
Care and Support Services	\$42.0m	\$15.7m	168%
<b>Total Retirement revenue</b>	<b>\$600.7m</b>	<b>\$385.5m</b>	<b>56%</b>
<b>Profit contribution</b>			
Established Business	\$61.1m	\$73.8m	(17%)
Development <sup>1</sup>	\$79.0m	\$25.2m	213%
Care and Support Services	\$0.8m	\$1.7m	(53%)
<b>Total Retirement contribution</b>	<b>\$140.9m</b>	<b>\$100.7m</b>	<b>40%</b>
<b>EBIT contribution</b>			
Established Business	\$60.6m	\$71.7m	(15%)
Development	\$81.3m	\$27.1m	200%
Care and Support Services	(\$0.9m)	\$1.1m	NM
<b>Total Retirement EBIT</b>	<b>\$141.0m</b>	<b>\$99.9m</b>	<b>41%</b>
<b>Sales Volumes (units)</b>			
Established Business sales	622	1,008	(38%)
Development sales	352	234	50%
<b>Total</b>	<b>974</b>	<b>1,242</b>	<b>(22%)</b>
Total value of units transacted	\$457.4m	\$487.8m	(6%)

<sup>1</sup> Development profit is accounted for in the change in fair value of the investment property.

## Retirement Major Development – Further Information



- Record level of 506 major new units were delivered in FY18 achieving the delivery target of over 500 units
- Continue to target development margins for major development of 16%-20% (pre-interest)
- Delivery target of over 500 units p.a. to resume after the outcome of the strategic review is completed

Major Development	FY18	FY17	Change
Opening major units available	289	174	66%
Add: units delivered	506	266	90%
Add: units reconfigured	-	3	NM
Less: development units sold	(225)	(154)	46%
<b>Closing major units available</b>	<b>570</b>	<b>289</b>	<b>97%</b>
Total value of units available for sale	\$346.8m	\$156.6m	121%
Average price of units available for sale	\$608k	\$542k	12%

## Minor Development – Further Information



- The sell down rate of Freedom minor developments continued to increase in FY18
- Continue to target development margins for minor development of 35%-40% (before funding costs)
- 721 minor development units are forecast to be sold down over the next four to five years

Development	FY18	FY17	Change
Opening minor development units	392	258	52%
Additional minor development units acquired	-	128	NM
Add: Freedom conversion units bought back	65	86	(24%)
Less: minor development units sold	(127)	(80)	59%
Less: Other stock movements	(1)	-	NM
Closing minor development units available	329	392	(16%)
Units to be converted	392	451	(13%)
Total minor development forecast to be sold	721	843	(14%)
Carrying value of units available for sale	\$76.9m	\$66.4m	16%
Average carrying value of units available for sale	\$107k	\$79k	35%



# Minor Development – Further Information



Community	Total units	Sold under Freedom	% Sold under Freedom	Other movements	Units under refurbishment or available	Units to be converted	Total Minor developments forecast to be sold
<b>Conversion Villages</b>							
Edrington Park <sup>1</sup>	35	13	37%	-	4	18	22
Albany Creek <sup>1</sup>	83	28	34%	-	2	53	55
Cleveland Gardens <sup>1</sup>	66	19	29%	-	-	47	47
Oak Tree Hill	47	9	19%	-	21	17	38
Fountain Court	41	7	17%	-	15	19	34
Roseville	38	6	16%	-	11	21	32
Lisson Grove	39	6	15%	-	20	13	33
The George	111	16	14%	-	23	72	95
Balwyn Manor	54	6	11%	-	30	18	48
Concierge Balwyn	72	8	11%	-	28	36	64
Kingston Green	40	2	5%	-	16	22	38
Concierge Bayside	86	3	3%	-	27	56	83
<b>Original Freedom Villages</b>							
Freedom Banora Point <sup>1</sup>	15	11	-	-	4	-	4
Freedom Bendigo <sup>1</sup>	52	27	-	(1)	26	-	26
Freedom Bridge Street <sup>1</sup>	5	3	-	-	2	-	2
Freedom Coffs Harbour <sup>1</sup>	27	11	-	-	16	-	16
Freedom Dromana <sup>1</sup>	53	18	-	(3)	38	-	38
Freedom Geelong <sup>1</sup>	5	4	-	-	1	-	1
Freedom Launceston <sup>1</sup>	31	2	-	(1)	30	-	30
Freedom Morayfield <sup>1</sup>	10	8	-	-	2	-	2
Freedom Redland Bay <sup>1</sup>	9	-	-	7	2	-	2
Freedom Tamworth <sup>1</sup>	5	4	-	-	1	-	1
Freedom Tanah Merah <sup>1</sup>	1	-	-	-	1	-	1
Freedom Taylor Street <sup>1</sup>	16	8	-	(1)	9	-	9
<b>Total</b>	<b>941</b>	<b>219</b>		<b>1</b>	<b>329</b>	<b>392</b>	<b>721</b>

<sup>1</sup> Community valued on Freedom unit price and contract assumptions (see slide 19 and A25 for further detail).

# Retirement – Investment Property Valuation



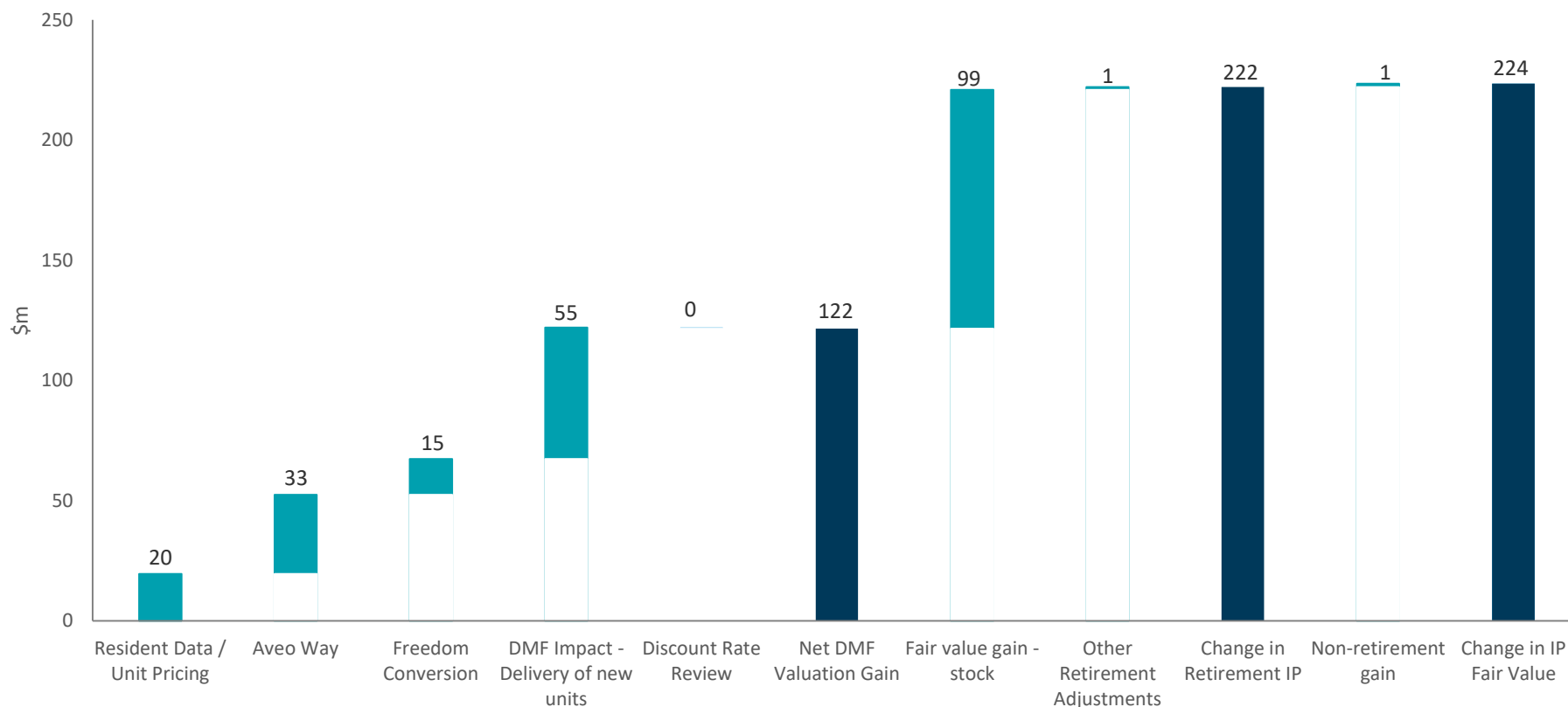
- Discount rate has been reviewed and updated to provide a better allocation of value across the portfolio. Discount rates for regional and secondary market communities have been increased 0.5%-0.75%
- The ongoing adoption of Aveo Way has decreased the proportion of freehold tenure units. The ex-RVG portfolio discount rate has been lowered to reflect this
- The net impact of the discount rate movements is negligible
- Lower property price growth is assumed in the short term
- Resident age, historical resident length of stay and resident entry age support current long term tenure assumptions
- Total portfolio real estate value of \$5.1b (FY17 \$4.4bn)
- \$1.3b (FY17 \$1.1bn) of embedded DMF/CG (amount paid to Aveo if all residents sold their units at balance date)

Key Assumptions and Portfolio Metrics		FY18	FY17
Discount rate		12.5%-15.25%	12.5%-14.5%
Future property price growth	Medium term	3.5%-4%	3.5%-4%
	Long term	3.5%-4.25%	3.5%-4.25%
Subsequent resident tenure (years)	ILUs	10	10
	SAs	4	4
NPV of annuity streams		\$1,991.9m	\$1,695.3m
Current average resident length of stay (years)	ILUs	7.6	7.7
	SAs	4.1	3.9
Current average age of residents (years)	ILUs	82.2	82.0
	SAs	86.9	86.7
	Overall	83.0	82.8
Average age of resident entry – Last 12 months	ILUs	76.9	77.2
	SAs	84.1	84.2
	Overall	78.9	79.4
Average Unit Pricing	ILUs	\$482k	\$433k
	Freedom SAs	\$380k	\$360k
	Aveo SAs	\$196k	\$178k

# Retirement Portfolio Revaluation Components



- Components of the change in fair value of investment property from half year are highlighted in the chart below
- These figures can be reconciled to the statutory accounts as the sum of change from HY18 to FY18 in fair value of investment properties (\$161.2m), change in fair value of resident loans (\$29.4m) and the difference between DMF cash and accruals (\$32.9m)



# Retirement – Investment Property Sensitivities



- Valuation sensitivities analysis on the key assumptions were conducted and outlined below
  - **Long term property price growth** depends on various factors including the age, location, quality of facilities, residential property market, etc. The valuation is sensitive to this assumption as the DMF and CG earned per resale is based on the forecast unit price
  - **Subsequent Tenure** depends on the characteristics of new residents who replace existing residents. Increased tenure will decrease sales rates due to a reduced rate of units being made available while decreased tenure will have the reverse effect
  - **Discount rates** reflect a combination of portfolio investment characteristics and risks. As resident tenures can be relatively long, discount rates can have a strong impact on the valuation
  - **Unit Prices** are set based on the current level of demand and vacancy at Aveo's communities and are forecast based on the assumed property price growth rate. This impacts the forecast DMF and CG generated and in turn the valuation

Retirement Investment Property Annuity Stream Sensitivity					
Long term property price growth	+1.0%	+0.5%	3.50%-4.25%	(0.5%)	(1.0%)
Value of established portfolio	\$2,273m	\$2,115m	\$1,992m	\$1,865m	\$1,750m
Subsequent tenure – ILUs (years)	8	9	10	11	12
Value of established portfolio	\$2,147m	\$2,062m	\$1,992m	\$1,929m	\$1,876m
Discount rate	(1.0%)	(0.5%)	12.50%-15.25%	+0.5%	+1.0%
Value of established portfolio	\$2,243m	\$2,111m	\$1,992m	\$1,884m	\$1,787m
Market value of units (Change)	5.0%	2.5%	-	(2.5%)	(5.0%)
Value of established portfolio	\$2,123m	\$2,058m	\$1,992m	\$1,925m	\$1,860m



Section i.	Sector Information
Section ii.	Strategy
Section iii.	Retirement Information
<b>Section iv.</b>	<b>Non-Retirement Information</b>
Section v.	Profit and Loss

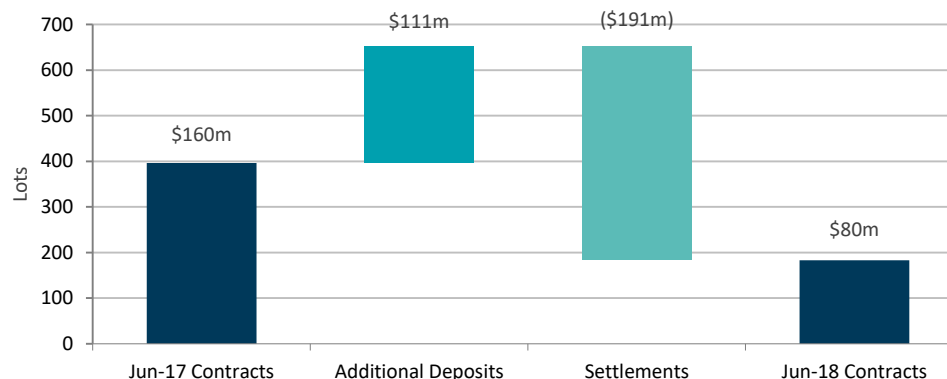
Section vi.	Balance Sheet
Section vii.	Capital Management
Section viii.	Other Information



# Non-Retirement

- Deposits are strong at the land estates with 183 on hand and one at Mackay Industrial Estate
- Land estates are expected to be largely sold by FY19, with final settlements in FY20

Deposit Flow



	Location	Remaining lots at 30 Jun 2018	Pre Sold Lots	Available Lots <sup>1</sup>	Percentage Pre Sold <sup>2</sup>	FY18 Settlements	FY19 Target 30 Jun 2019
<b>Active Projects</b>							
Saltwater Coast, Point Cook	VIC	141	122	19	87%	270	100–120
Peregian Springs and Ridges	QLD	159	39	120	25%	139	90–110
The Rochedale Estates, Rochedale	QLD	79	16	63	20%	23	55–65
Shearwater, Cowes	VIC	6	6	-	100%	33	6
Mackay and Other	QLD	5	1	4	20%	4	4
<b>Total Active Projects</b>		<b>390</b>	<b>184</b>	<b>206</b>	<b>47%</b>	<b>469</b>	<b>255 – 305</b>
<b>Inactive Projects</b>							
Currambin	QLD	348	-	348	-	-	-
<b>Total Projects</b>		<b>738</b>	<b>184</b>	<b>554</b>	<b>25%</b>	<b>469</b>	<b>255 - 305</b>

<sup>1</sup> Includes unreleased stages.

<sup>2</sup> Calculated as pre sold lots/remaining lots approx.



Section i. Sector Information  
Section ii. Strategy  
Section iii. Retirement Information  
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**Section v. Profit and Loss**

Section vi. Balance Sheet  
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# Statutory Income Statement



	FY18 (\$m)	FY17 (\$m)	Change
Profit from continuing operations before income tax	410.4	307.0	34%
Income tax expense	(44.2)	(54.8)	(19%)
<b>Profit after tax</b>	<b>366.2</b>	<b>252.2</b>	<b>45%</b>
Non-controlling interest	(1.1)	0.6	NM
<b>Net profit after tax attributable to stapled security holders of the Group</b>	<b>365.1</b>	<b>252.8</b>	<b>44%</b>

# Reconciliation of Statutory Profit to Underlying Profit



	FY18			FY17		
	Gross (\$m)	Tax & NCI (\$m)	Net (\$m)	Gross (\$m)	Tax & NCI (\$m)	Net (\$m)
<b>Statutory profit after tax and non-controlling interest</b>			<b>365.1</b>			<b>252.8</b>
<b>Retirement</b>						
Change in fair value of Retirement investment properties	(203.5)	26.5	(177.0)	(111.4)	17.6	(93.8)
Gain on acquisition of RVG	-	-	-	(52.6)	-	(52.6)
Other	(12.6)	3.7	(8.9)	5.6	2.8	8.4
<b>Total Retirement</b>	<b>(216.1)</b>	<b>30.2</b>	<b>(185.9)</b>	<b>(158.4)</b>	<b>20.4</b>	<b>(138.0)</b>
<b>Non-Retirement</b>						
Sale of Gasworks	(33.6)	(20.1)	(53.7)	-	-	-
Change in fair value of Non-Retirement investment properties	-	-	-	(16.5)	4.9	(11.5)
Other	1.9	(0.2)	1.7	6.9	(2.1)	4.8
<b>Total Non-Retirement</b>	<b>(31.7)</b>	<b>(20.3)</b>	<b>(52.0)</b>	<b>(9.6)</b>	<b>2.8</b>	<b>(6.7)</b>
Other	-	-	-	0.4	(0.1)	0.3
<b>Underlying profit after tax and non-controlling interest</b>			<b>127.2</b>			<b>108.4</b>

# Reconciliation of Underlying Profit to Segment Notes



	Underlying Profit (\$m)	Change in Fair Value of Retirement Investment Properties (\$m)	Change in Fair Value of Non-Retirement Investment Properties (\$m)	Other (\$m)	Statutory Result (\$m)
<b>Retirement</b>					
Established Business	61.1	203.5	-	12.6	277.2
Development	79.0	-	-	-	79.0
Care and Support Services	0.8	-	-	-	0.8
<b>Total Retirement</b>	<b>140.9</b>	<b>203.5</b>	<b>-</b>	<b>12.6</b>	<b>357.0</b>
<b>Total Non-Retirement</b>	<b>50.5</b>	<b>-</b>	<b>33.6</b>	<b>(1.9)</b>	<b>82.2</b>
Group marketing costs	(3.6)	-	-	-	(3.6)
Group overheads and incentive scheme	(17.9)	-	-	-	(17.9)
<b>EBITDA</b>	<b>169.9</b>	<b>203.5</b>	<b>33.6</b>	<b>10.7</b>	<b>417.7</b>
Depreciation and amortisation	(3.0)	-	-	-	(3.0)
<b>EBIT</b>	<b>166.9</b>	<b>203.5</b>	<b>33.6</b>	<b>10.7</b>	<b>414.7</b>
Interest and borrowing expense	(4.3)	-	-	-	(4.3)
<b>Profit before tax</b>	<b>162.6</b>	<b>203.5</b>	<b>33.6</b>	<b>10.7</b>	<b>410.4</b>
Income tax	(35.1)	(25.8)	20.1	(3.4)	(44.2)
<b>Profit after tax</b>	<b>127.5</b>	<b>177.7</b>	<b>53.7</b>	<b>7.3</b>	<b>366.2</b>
Non-controlling interests	(0.3)	(0.7)	-	(0.1)	(1.1)
<b>NPAT attributable to Aveo Group</b>	<b>127.2</b>	<b>177.0</b>	<b>53.7</b>	<b>7.2</b>	<b>365.1</b>



# Statutory Profit and Loss by Consolidated Segment



	Retirement <sup>1</sup>	Non-Retirement	Other	Total FY18	Retirement	Non-Retirement	Other	Total FY17
	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)
Sale of goods revenue	-	178.4	-	178.4	-	255.7	-	255.7
Revenue from rendering of services	230.0	11.4	-	241.4	174.4	15.2	-	189.6
Other revenue	4.8	0.7	-	5.5	3.7	0.4	0.1	4.2
Cost of sales	(57.8)	(129.1)	-	(186.9)	(29.9)	(189.7)	-	(219.6)
Change in fair value of investment properties	288.5	33.5	-	322.0	131.2	16.5	-	147.7
Change in fair value of resident loans	(35.5)	-	-	(35.5)	(0.1)	-	-	(0.1)
Change in fair value of financial assets and financial liabilities	11.1	-	-	11.1	5.4	-	-	5.4
Employee expenses	(36.8)	(5.6)	(14.7)	(57.1)	(30.2)	(8.1)	(16.9)	(55.2)
Marketing expenses	(25.6)	(2.2)	(3.6)	(31.4)	(21.5)	(3.4)	-	(24.9)
Occupancy expenses	(1.7)	-	(2.2)	(3.9)	(0.4)	-	(1.1)	(1.5)
Property expenses	(0.2)	(2.1)	-	(2.3)	-	(4.1)	-	(4.1)
Administration expenses	(13.1)	(0.3)	(5.7)	(19.1)	(13.5)	(0.1)	(4.8)	(18.4)
Other expenses	(11.3)	(2.5)	4.0	(9.8)	(10.1)	(10.2)	3.3	(17.0)
Net gain on business combination	1.5	-	-	1.5	52.6	-	-	52.6
Finance costs	-	-	(4.3)	(4.3)	-	-	(1.9)	(1.9)
Impairment of equity accounted investments	-	-	-	-	-	-	-	-
Share of net gain of equity-accounted investments	0.8	-	-	0.8	(5.1)	-	(0.4)	(5.5)
<b>Profit/(loss) from continuing operations before income tax</b>	<b>354.7</b>	<b>82.2</b>	<b>(26.5)</b>	<b>410.4</b>	<b>256.5</b>	<b>72.2</b>	<b>(21.7)</b>	<b>307.0</b>
Income tax (expense)	-	-	(44.2)	(44.2)	-	-	(54.8)	(54.8)
<b>Profit/(loss) for the period</b>	<b>354.7</b>	<b>82.2</b>	<b>(70.7)</b>	<b>366.2</b>	<b>256.5</b>	<b>72.2</b>	<b>(76.5)</b>	<b>252.2</b>
Non-controlling interests	-	-	(1.1)	(1.1)	-	-	0.6	0.6
<b>Net profit/(loss) attributable to stapled security holders of the Group</b>	<b>354.7</b>	<b>82.2</b>	<b>(71.8)</b>	<b>365.1</b>	<b>256.5</b>	<b>72.2</b>	<b>(75.9)</b>	<b>252.8</b>

<sup>1</sup> In the statutory accounts, Retirement has been segmented into Established Business, Development, and Care and Support.

# Reconciliation of Retirement Segment Revenue to Segment Notes



	FY18 (\$m)	FY17 (\$m)	Change
<b>Segment revenue</b>			
Established Business	164.3	204.1	(20%)
Development	394.4	165.7	138%
Care and Support Services	42.0	15.7	168%
<b>Total Retirement segment revenue</b>	<b>600.7</b>	<b>385.5</b>	<b>56%</b>
<b>Adjustments</b>			
<b>Established Business</b>			
Sales revenue – buyback sales	(60.2)	(69.5)	(13%)
Deferred management fee – cash vs accrual	75.2	28.1	168%
US Seniors	15.5	-	NM
Other	(1.9)	(0.1)	NM
<b>Development</b>			
Development revenue <sup>1</sup>	(394.2)	(165.7)	138%
<b>Care and Support Services</b>			
Equity-accounted profits	(0.3)	(0.2)	50%
<b>Retirement revenue per segment note</b>	<b>234.8</b>	<b>178.1</b>	<b>32%</b>

<sup>1</sup> Development segment revenue for underlying profit includes development profits that are reflected in the segment note as changes in fair value.

# Interest Expense Reconciliation



	FY18 (\$m)	FY17 (\$m)	Change
<b>Interest expense<sup>1</sup></b>	<b>29.9</b>	<b>16.1</b>	<b>86%</b>
Less: Capitalised Interest			
<b>Retirement</b>			
Greenfield communities	(15.0)	(4.3)	249%
Brownfield communities	(1.9)	(1.4)	33%
Redevelopment	(5.8)	(1.8)	222%
<b>Non-Retirement</b>			
Residential communities	(2.4)	(6.3)	(62%)
Commercial	(0.5)	(0.4)	20%
<b>Total capitalised interest<sup>1</sup></b>	<b>(25.6)</b>	<b>(14.2)</b>	<b>80%</b>
<b>Net finance costs</b>	<b>4.3</b>	<b>1.9</b>	<b>126%</b>
Add: Capitalised interest expenses in COGS			
Retirement	2.4	1.9	26%
Residential communities	31.3	47.2	(34%)
Residential apartments	-	1.7	NM
<b>Total capitalised interest in COGS</b>	<b>33.7</b>	<b>50.8</b>	<b>(34%)</b>
<b>Finance costs including capitalised interest expensed in COGS</b>	<b>38.0</b>	<b>52.7</b>	<b>(28%)</b>

<sup>1</sup> Interest expense paid and total capitalised interest represents only those amounts recognised in underlying profit after tax.

# Income Tax Reconciliation



	FY18 (\$m)	FY17 (\$m)	Change
Statutory profit from continuing operations before tax	410.4	307.0	34%
Less: Aveo Group Trust Contribution	(16.7)	(10.1)	65%
<b>Corporation profit before tax</b>	<b>393.7</b>	<b>296.9</b>	33%
Plus/(less):			
Non-assessable loss/(gain) on business combination	-	(52.6)	NM
Recognition of previously unrecognised temporal differences utilised during the period	(155.3)	(86.7)	79%
Benefit of previously unrecognised tax losses on capital account utilised during the period	(99.3)	-	NM
Impairment of equity-accounted investment	-	-	NM
Other non-deductible items (net of non-assessable items)	8.3	25.1	(67%)
<b>Corporation adjusted taxable profit</b>	<b>147.4</b>	<b>182.7</b>	(19%)
Tax expense	44.2	54.8	(19%)
Statutory effective tax rate <sup>1</sup>	11%	18%	(7%)
Underlying profit before tax	162.6	139.4	17%
Income tax expense	35.1	30.7	14%
Underlying effective tax rate	22%	22%	-

<sup>1</sup> Calculated as adjusted tax expense or benefit divided by statutory profit/(loss) before tax.

- Recognised tax losses sit mainly within the Aveo wholly-owned group (\$385m) and some within the Aveo Healthcare group (\$47m)
- A significant contributor to current and accumulated tax losses is the conversion from older style contracts (which give rise to tax payable on receipt and a tax deduction on termination), to newer style contracts including the Aveo Way (under which no tax is payable or deductible)
- Once this conversion is complete, tax losses will stop growing

Tax Expense & Losses <sup>1</sup>	FY18 (\$m)	FY17 (\$m)	Change
Tax expense	44.2	54.8	(19%)
Cash tax paid	(0.3)	-	NM
Cash benefit	43.9	54.8	(20%)
<b>Tax expense</b>			
Tax losses <sup>2</sup>	(47.0)	(17.8)	164%
On valuation gains	35.5	23.5	51%
Other deferred tax	55.4	49.1	13%
<b>Total tax expense</b>	<b>43.9</b>	<b>54.8</b>	<b>(20%)</b>
Opening accumulated tax losses <sup>2</sup>	384.6	366.8	5%
Movement for year	47.0	17.8	164%
<b>Closing accumulated tax losses<sup>2</sup></b>	<b>431.6</b>	<b>384.6</b>	<b>12%</b>
Income	431.6	380.8	13%
Capital	-	3.8	NM

<sup>1</sup> Net tax effect of recognised tax losses.

<sup>2</sup> Excluding RVG



# Management Expense Ratio and Management Expenses



Management Expenses <sup>1</sup> by Category	FY18 (\$m)	FY17 (\$m)	Change
Employee expenses <sup>2</sup>	47.2	39.2	20%
Occupancy expenses	2.4	1.5	60%
Administration expenses	14.1	10.6	33%
Other expenses	1.3	7.9	(84%)
<b>Total</b>	<b>65.0</b>	<b>59.1</b>	<b>10%</b>
Divisional expenses	47.4	47.0	1%
Corporate expenses	14.1	12.2	16%
Brand marketing expenses	3.6	-	<b>NM</b>
<b>Total</b>	<b>65.0</b>	<b>59.1</b>	<b>10%</b>

<sup>1</sup> Management expenses excludes STI/LTI, sales and marketing related costs and property related costs.

<sup>2</sup> Excludes costs funded by residents through community budgets.



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# Summary Statutory Balance Sheet



	FY18 (\$m)	FY17 (\$m)	Change
<b>Assets</b>			
<b>Retirement</b>			
Investment properties (refer A43)	6,158.9	5,324.0	16%
Equity-accounted investments	-	23.2	NM
Property, plant and equipment	135.2	85.2	59%
Intangibles	4.8	3.8	26%
<b>Total Retirement</b>	<b>6,298.9</b>	<b>5,436.2</b>	<b>16%</b>
<b>Non-Retirement</b>			
Inventories (refer A44)	95.2	170.3	(44%)
Investment properties/assets held-for-sale (refer A43)	-	181.5	NM
Property, plant and equipment	3.3	3.8	(13%)
<b>Total Non-Retirement</b>	<b>98.5</b>	<b>355.6</b>	<b>(72%)</b>
Cash/receivables/other	318.2	163.3	95%
<b>Total assets</b>	<b>6,715.6</b>	<b>5,955.1</b>	<b>13%</b>
<b>Liabilities</b>			
Resident loans and retirement deferred revenue	3,227.4	3,001.9	8%
Interest bearing liabilities	687.7	573.1	20%
Deferred tax	198.8	155.0	28%
Other liabilities (including payables, provisions, deferred revenue)	303.6	246.5	23%
<b>Total liabilities</b>	<b>4,417.5</b>	<b>3,976.4</b>	<b>11%</b>
<b>Net assets</b>	<b>2,298.1</b>	<b>1,978.7</b>	<b>16%</b>
<b>NTA per stapled security (\$)</b>	<b>3.92</b>	<b>3.37</b>	<b>16%</b>

# Management Balance Sheet



	%	FY18 (\$m)	%	FY17 (\$m)	Change
<b>Assets</b>					
<b>Retirement</b>					
Retirement investment properties <sup>1</sup>		2,876.8		2,259.6	27%
Equity-accounted investments		-		23.2	NM
Property, plant, equipment and intangibles		140.0		88.9	57%
<b>Total Retirement (refer A42)</b>	<b>97%</b>	<b>3,016.8</b>	<b>87%</b>	<b>2,371.7</b>	27%
<b>Non-Retirement</b>					
Inventories – Commercial		-		38.9	NM
Inventories – Residential communities		95.2		131.4	(28%)
Assets held for sale		-		-	NM
Investment property		-		181.5	NM
Property, plant, equipment and intangibles		3.3		3.8	(13%)
<b>Total Non-Retirement</b>	<b>3%</b>	<b>98.5</b>	<b>13%</b>	<b>355.6</b>	(72%)
<b>Total Divisional Assets</b>	<b>100%</b>	<b>3,115.3</b>	<b>100%</b>	<b>2,727.3</b>	14%
Other assets (including cash and trade receivables)		318.2		163.4	95%
<b>Total assets</b>		<b>3,433.5</b>		<b>2,890.7</b>	19%
<b>Liabilities</b>					
Interest bearing liabilities		687.7		573.1	20%
Deferred tax liabilities		198.8		155.0	28%
Other liabilities (including payables, and provisions)		248.9		183.9	36%
<b>Total liabilities</b>		<b>1,135.4</b>		<b>912.0</b>	25%
<b>Net assets</b>		<b>2,298.1</b>		<b>1,978.7</b>	16%

<sup>1</sup> Net of resident loans, deferred income and deferred payment for development land.

# Retirement Management Balance Sheet



	FY18 (\$m)	FY17 (\$m)	Change
<b>Established Business</b>			
NPV of annuity streams	1,991.9	1,695.3	17%
US Seniors	57.5	-	NM
Equity accounted investments	-	23.2	NM
Buyback units (operating)	118.6	75.3	57%
<b>Total Established Business</b>	<b>2,168.0</b>	<b>1,793.8</b>	<b>21%</b>
<b>Development</b>			
Major development units			
Investment property under construction	285.1	266.0	7%
New units available for first occupancy	346.8	156.6	121%
<b>Total Major Development</b>	<b>631.9</b>	<b>422.6</b>	<b>50%</b>
Minor development units			
Freedom conversion development units	62.4	52.6	19%
Freedom original development units <sup>1</sup>	14.5	13.8	5%
<b>Total Minor Development</b>	<b>76.9</b>	<b>66.4</b>	<b>16%</b>
<b>Total Development</b>	<b>708.8</b>	<b>489.0</b>	<b>45%</b>
<b>Care and Support Services</b>			
Property, plant, equipment and intangibles	140.0	88.9	57%
<b>Total Retirement assets</b>	<b>3,016.8</b>	<b>2,371.7</b>	<b>27%</b>

<sup>1</sup> Freedom original development units represent the original units that were part of the Freedom Aged Care acquisition.

# Investment Property Summary



	FY18 (\$m)	FY17 (\$m)	Change
<b>Retirement</b>			
NPV of annuity streams	1,991.9	1,695.3	17%
Investment properties under construction	285.1	266.0	7%
New units available for first occupancy	346.8	156.6	121%
Operating buyback units	118.6	75.3	57%
Freedom Minor Developments			
Conversion development units	62.4	52.6	19%
Original development units	14.5	13.8	5%
Total Freedom Minor Developments	76.9	66.4	16%
<b>Retirement (domestic) net valuation</b>	<b>2,819.3</b>	<b>2,259.6</b>	<b>25%</b>
Resident loans	2,960.6	2,797.7	6%
Deferred income	266.8	204.2	31%
Deferred payment for development land	54.7	62.5	(12%)
US Seniors	57.5	-	NM
<b>Total Retirement Investment property</b>	<b>6,158.9</b>	<b>5,324.0</b>	<b>16%</b>
<b>Non-Retirement</b>			
Investment properties/assets held for sale	-	181.5	NM
<b>Total investment properties per balance sheet</b>	<b>6,158.9</b>	<b>5,505.5</b>	<b>12%</b>



# Non-Retirement Inventories Summary



	FY18 (\$m)	FY17 (\$m)	Change
<b>Inventories</b>			
Residential communities <sup>1</sup>	68.9	131.4	(48%)
Commercial <sup>2</sup>	26.3	38.9	(32%)
<b>Total Inventories</b>	<b>95.2</b>	<b>170.3</b>	<b>(44%)</b>

<sup>1</sup> FY18 includes Point Cook, Rochedale, Peregrine Springs, Ridges and Currumbin.

<sup>2</sup> FY18 includes Albion and Mackay.

	Residential Communities (\$m)	Commercial (\$m)	Total (\$m)
<b>Impairment</b>			
Balance as at 30 June 2017	114.7	3.5	118.2
Impairment reclassification	(7.4)	4.5	(2.9)
Amounts utilised in relation to impairments – effecting underlying profit after tax	(20.1)	(0.9)	(21.0)
<b>Balance as at 30 June 2018</b>	<b>87.2</b>	<b>7.1</b>	<b>94.3</b>

# Movement in Net Tangible Assets per Security



	Net Tangible Assets (\$m)	No. of Securities (m)	NTA per Security (\$)
<b>As at 30 June 2017</b>	<b>1,943.3</b>	<b>577.3</b>	<b>3.37</b>
Statutory net profit	366.2	-	<b>0.63</b>
Other comprehensive income	4.5	-	<b>0.01</b>
Increase in intangible assets <sup>1</sup>	0.1	-	-
Movements in reserves <sup>2</sup>	(0.6)	-	-
Provision for FY18 distribution	(51.9)	-	<b>(0.09)</b>
On-market buyback of securities	(2.4)	(0.9)	-
Equity settled employee benefits	1.9	0.6	-
<b>As at 30 June 2018</b>	<b>2,261.1</b>	<b>577.0</b>	<b>3.92</b>

<sup>1</sup> Principally software licences.

<sup>2</sup> Acquisition of non-controlling interests and equity settled employee benefits.



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# Funds from Operations and Adjusted Funds from Operations

	FY18 (\$m)	FY17 (\$m)	Change
<b>Underlying profit after tax</b>	<b>127.2</b>	<b>108.4</b>	<b>17%</b>
Major Development			
Profit recognised on delivery	(92.3)	(26.3)	251%
Profit that would be recognised on settlement	33.7	8.6	292%
<b>Profit adjusted on settled basis</b>	<b>(58.6)</b>	<b>(17.7)</b>	<b>231%</b>
Tax impact	16.6	5.3	213%
<b>Adjusted underlying profit after tax</b>	<b>85.2</b>	<b>96.0</b>	<b>(11%)</b>
Other Adjustments:			
Profit from equity-accounted investments	(0.6)	0.4	NM
Depreciation	3.0	3.4	(12%)
Capitalised interest	(25.6)	(14.2)	80%
Capitalised interest Included in COGS	33.7	50.8	(34%)
Amortisation of leasing incentives	1.2	2.0	(40%)
Deferred income tax expense	18.5	25.4	(27%)
<b>Funds From Operations (FFO)<sup>1</sup></b>	<b>115.4</b>	<b>163.9</b>	<b>(30%)</b>
Retirement capex	(13.5)	(12.9)	5%
Community facility capex	(2.3)	(10.5)	(78%)
Non-Retirement leasing commissions, tenant incentives and maintenance capital expenditure	(2.2)	(4.3)	(49%)
<b>Adjusted Funds From Operations (AFFO)<sup>1</sup></b>	<b>97.4</b>	<b>136.2</b>	<b>(28%)</b>

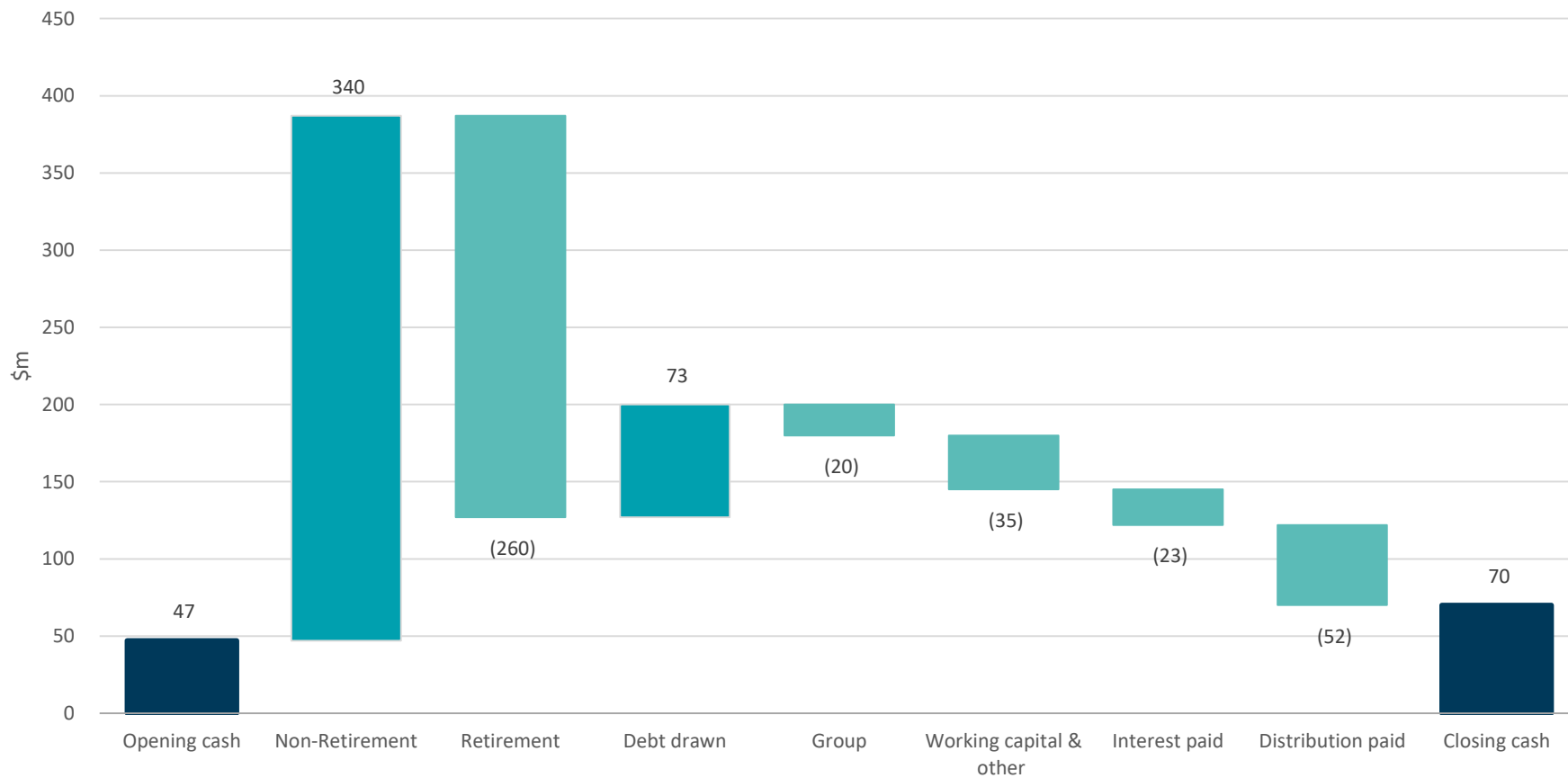
<sup>1</sup> FFO and AFFO reflect Property Council of Australia guidelines.

- As announced to the ASX on 22 June 2018, the distribution from the Trust will be 9cps for \$51.9m
- Distribution will be paid on 28 September 2018
- Consistent with prior periods, no distribution was declared at HY18
- FY18 distribution is in line with policy at distributing between 40%-60% of underlying profit after tax
- FY19 targeting full year distribution amount based on 40%-60% of FY19 underlying profit payout range (Board may adjust payout range for securities bought back during the period)

	FY18 (\$m)	FY17 (\$m)	Change
<b>Underlying Profit After Tax</b>	<b>127.2</b>	<b>108.4</b>	17%
Funds from operations <sup>1</sup>	115.4	163.9	(30%)
Adjusted funds from operations <sup>1</sup>	97.4	136.2	(28%)
Distribution declared	51.9	52.0	-
Distribution as a % of UPAT	41%	48%	(7%)
Distribution as a % of FFO	45%	32%	13%
Distribution as a % of AFFO	53%	38%	15%

<sup>1</sup> FFO and AFFO reflect Property Council of Australia guidelines.

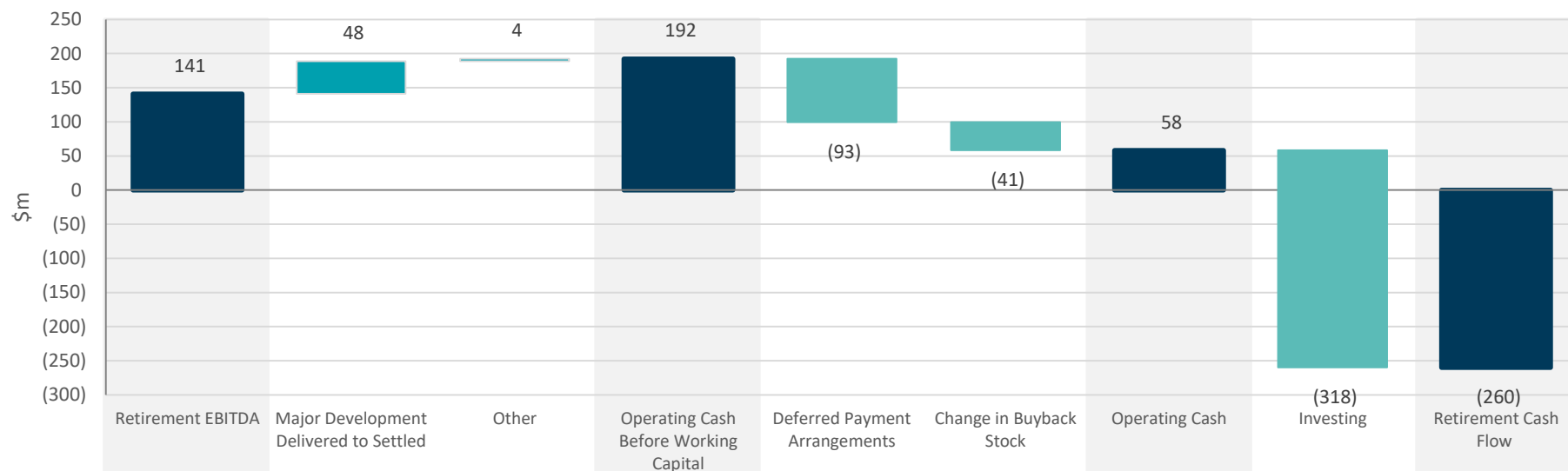
# Cash Flow Reconciliation



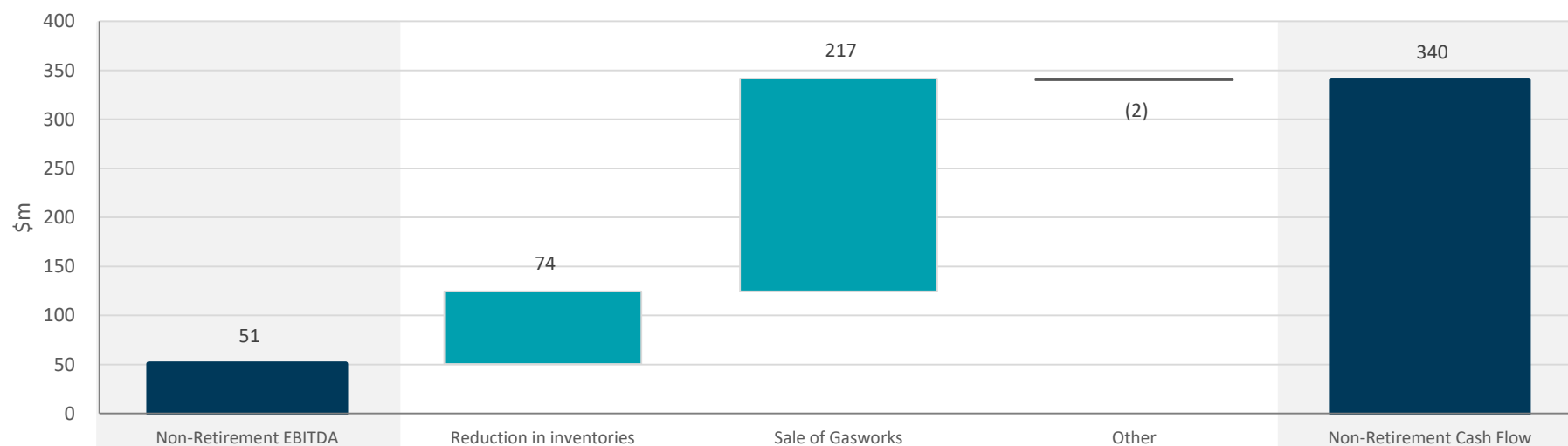
# Divisional Cash Flow Reconciliations



## Retirement EBITDA to Cash Flow



## Non-Retirement EBITDA to Cash Flow





# Financial Covenants



- All financial covenants met

Covenant		FY18	Required
<b>Aveo Group Syndicated Facility</b>			
EBITDA to interest expense of the consolidated group (12 months rolling)	<b>Group ICR</b>	5.8x	$\geq 1.5x$
Total assets less cash and resident loans / net debt	<b>Group Gearing Ratio</b>	16.8%	$\leq 30\%$
Established Business, Care and Support Services and unallocated overheads to interest expense (12 months rolling)	<b>Retirement ICR (Core)<sup>1</sup></b>	2.7x	$\geq 2.0x$
Drawn debt less cash / retirement valuation and non-retirement valuation	<b>LVR</b>	21.3%	$\leq 30\%$
<b>Aveo Healthcare Facility</b>			
Total assets less cash and resident loans / Bank debt less cash	<b>Gearing Ratio</b>	25.2%	$\leq 30\%$
EBIT (adjusted for fair value of assets and resident loans) / Finance Charges	<b>ICR</b>	3.2x	$\geq 1.5x$

<sup>1</sup> Includes net cashflow from retirement established business and care and support, offset by unallocated overheads to interest expense of facility A and B only.

# Summary of Debt Facilities



Summary of Debt Facilities <sup>1, 2</sup>	Facility Limit (\$m)	Maturity (\$m)	Maturity Date	Maturity (\$m)	Maturity Date	Maturity (\$m)	Maturity Date
Aveo Group Syndicated Facility <sup>3</sup>	600.0	600.0	Jul 2021	-	-	-	-
US Seniors <sup>4</sup>	33.6	33.6	Nov 2027	-	-	-	-
Aveo Healthcare Facility	150.0	20.0	Aug 2018	100.0	30 Mar 2020 <sup>4</sup>	30.0	19 Oct 2019
<b>Total Facilities</b>	<b>783.6</b>						
<b>Drawn</b>	<b>688.9</b>						
% Drawn	88%						
<b>Undrawn<sup>1,5</sup></b>	<b>94.7</b>						

<sup>1</sup> Excluding bank guarantee and surety bond limits.

<sup>2</sup> Adjusted for changes post 30 June 2018 - see slide 17.

<sup>3</sup> As at 30 June, syndicate facility limit was \$522m. Post 30 June, facility has been refinanced.

<sup>4</sup> US Seniors debt USD \$25.4m.

<sup>5</sup> Undrawn facilities are dependent upon having sufficient security.



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# Financial Summary



	FY18	FY17	FY16	FY15	FY14
Financial Metrics					
Net profit/(loss) attributable to security holders	\$365.1m	\$252.8m	\$116.0m	\$58.0m	\$26.1m
Underlying net profit after tax <sup>1</sup>	\$127.2m	\$108.4m	\$89.0m	\$54.7m	\$42.1m
Total assets	\$6,715.6m	\$5,955.1m	\$4,094.5m	\$3,392.8m	\$3,269.8m
Total debt	\$687.7m	\$573.1m	\$462.0m	\$359.5m	\$344.6m
Total equity	\$2,298.1m	\$1,978.7m	\$1,660.4m	\$1,505.6m	\$1,429.5m
Reported gearing <sup>2</sup>	16.8%	16.9%	17.4%	13.8%	15.8%
Market capitalisation	\$1,402.1m	\$1,604.9m	\$1,715.3m	\$1,326.7m	\$1,030.2m
Security price at period end	\$2.43	\$2.78	\$3.17	\$2.58	\$2.06
Reported earnings per security	63.3cps	44.2cps	22.1cps	11.6cps	5.9cps
Underlying earnings per security	22.0cps	18.9cps	17.0cps	10.9cps	9.5cps
Dividends and distributions paid	\$51.9m	\$52.0m	\$43.5m	\$25.8m	\$20.0m
Dividends and distributions per security	9.0cps	9.0cps	8.0cps	5.0cps	4.0cps
Net tangible assets per security	\$3.92	\$3.37	\$3.00	\$2.85	\$2.78

<sup>1</sup> Underlying profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Group, in accordance with AICD/Finsia principles of recording underlying profit.

<sup>2</sup> Measured as net debt divided by total assets net of cash and resident loans.

# FY19 Calendar



Date	Event	Location
15 August	FY18 Results Announcement @ 10:30am	Sydney
16-17 August	Private Roadshow	Sydney
20-21 August	Private Roadshow	Melbourne
4-5 September	Private Roadshow	New Zealand
14 November	Annual General Meeting	Sydney
13 February	HY19 Results Announcement @ 10:30am	Sydney

Term	Definition
<b>A</b>	Relevant page in Annexure
<b>AFFO</b>	Adjusted Funds From Operations
<b>AGM</b>	Annual General Meeting
<b>AICD</b>	Australian Institute of Company Directors
<b>ASX</b>	Australian Stock Exchange
<b>Average margin</b>	Ratio of gross profit to revenue
<b>BBSY</b>	Bank Bill Swap Bid Rate
<b>CAGR</b>	Compound Annual Growth Rate
<b>COGS</b>	Cost of Goods Sold
<b>CPS</b>	Cents Per Security
<b>Deposits on Hand</b>	Number of deposits held for contracts yet to settle
<b>Development Type (Low)</b>	Detached or semi-detached broad-acre development
<b>Development Type (Med)</b>	Apartment (up to three floors) development
<b>Development Type (High)</b>	Apartment (over three floors) development
<b>DMF / CG</b>	Deferred Management Fee / Capital Gains
<b>EBIT</b>	Earnings Before Interest and Taxes

Term	Definition
<b>EBITDA</b>	Earnings Before Interest, Taxation, Depreciation and Amortisation
<b>EPS</b>	Earnings Per Security
<b>Established Business</b>	Existing revenue generating retirement communities
<b>Freedom</b>	Freedom Aged Care
<b>FFO</b>	Funds From Operations
<b>Gross Profit</b>	Revenue less cost of goods sold
<b>ICR</b>	Interest Cover Ratio
<b>ILU</b>	Independent Living Unit
<b>Internal transfer</b>	Transfer of an existing resident from one Aveo unit to another
<b>Long term</b>	Six years plus
<b>LVR</b>	Loan to value ratio
<b>Major development</b>	Construction of new units on vacant land or airspace
<b>Medium term</b>	Less than or equal to six years
<b>Minor development</b>	Reconfiguration of existing saleable product into new product different in nature
<b>NCI</b>	Non-controlling interest
<b>NM</b>	Not Meaningful

Term	Definition
<b>NPAT</b>	Net Profit After Tax
<b>NPV</b>	Net Present Value
<b>NTA</b>	Net Tangible Assets
<b>Occupancy</b>	Ratio of units occupied to units available for occupancy
<b>Operating Buyback Purchases</b>	Units that are bought back by Aveo from exiting retirement residents
<b>Portfolio Sales Rate</b>	Sum of unit resales and buyback sales divided by total available units
<b>RACF</b>	Residential Aged Care Facility
<b>RAD</b>	Refundable Accommodation Deposit
<b>Redevelopment Buyback Purchases</b>	Repurchase of units from exiting residents for the purpose of redevelopment
<b>Resales</b>	Resident to resident retirement unit sale
<b>RLC</b>	Retirement Living Council
<b>ROA</b>	Return On Assets
<b>RVG</b>	Retirement Villages Group
<b>SA</b>	Serviced Apartment
<b>STI / LTI</b>	Short term incentive / Long term incentive
<b>UPAT</b>	Underlying Profit After Tax



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