

STATEMENT BY AVEO GROUP LIMITED

The article published on 23 May 2018 by www.michaelwest.com.au concerning Aveo Group is not accurate, fair or balanced and consequently does not present a true picture of Aveo and its business activities. In particular:

Related Party Transactions

- Aveo Group, as an ASX listed company, has and continues to meet all its continuous disclosure obligations and follows strict corporate governance procedures concerning any potential related party transactions.
- Every significant commercial initiative concerning Aveo Group is considered by Aveo Group's Board of Directors, the majority of whom are independent non-executive Directors, and in strict compliance with Aveo Group's corporate governance policy, which includes procedures concerning related party transactions. Aveo has and continues to clearly and fully disclose all related party transactions to its shareholders. Any decisions involving transactions with Mulpha, have been made by the independent directors, with Mulpha board representatives recusing themselves from the process in line with Aveo's governance procedures.
- China Medical & HealthCare Group Limited and Tian An Australia Limited are not related parties of Aveo.

Income Tax

- Aveo accrues for all tax payable on its earnings and denies any suggestion that it has been involved in any improper manipulation of its affairs.
- Aveo's nil tax payable in recent years was chiefly the result of tax otherwise payable being offset against carried forward tax losses, most of which were incurred in connection with the GFC, and differences between accounting and taxable income in accordance with Taxation Rulings TR 94/24 *Income tax: taxation amounts received by retirement village owners from incoming residents* and TR 2002/14 *Income tax: taxation of retirement village operators*. All operators in the retirement sector operate in accordance with this ruling.
- The fact that no tax was payable did not result from loan repayments to the stapled trust as stated in the article. Stapled structures are utilised by the majority of listed property REITS in the Australian market and Aveo's current stapled structure is a long-standing arrangement, dating back to 2004. This structure predates any Mulpha based investment in Aveo Group.

Aged Care

- Aveo is a retirement community operator, not a significant aged care operator. Aveo's profits are derived as to more than 99% from private sector buyers and as to less than 1% from Government. It is not a major recipient of Federal Government aged care funding. Any comparison to, or grouping with, listed aged care operators is inaccurate and misleading.
- Aveo is not the "largest aged care company on the Australian share market" as claimed in the article. In 2018 Aveo's 307 aged care beds amounted to less than 2% of its portfolio and Aveo's EBIT from aged care is immaterial.
- Aveo is not on an aggressive campaign to expand from its base of retirement villages into nursing homes. In December 2017, Aveo owned 11,267 retirement living units and 307 aged care beds in nursing homes in Australia. At that time, Aveo had plans to develop 5,007 retirement living units but only 763 aged care beds.

Mulpha

- Since 2005 Mulpha has been a long term substantial security holder in Aveo. It is a strong supporter of Aveo's current "Retirement" strategy which has driven the successful turnaround of Aveo. Mulpha has consistently supported Aveo, including when the Group undertook a series of significant capital raisings, to rebuild its business and become Australia's leading operator and developer of retirement communities.