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ASX/Media Release

SERIOUS DEFICIENCIES IN AEVUM'S TARGET'S STATEMENT

Stockland today said that it had identified a number of serious deficiencies in Aevum's Target's Statement, lodged with the Australian Securities Exchange this morning.

Stockland Managing Director, Matthew Quinn, said: "We are examining the document in detail and will make a full response in due course. However, it is already clear the Target's Statement and the Independent Expert's Report are deficient because they fail to reflect the underlying performance of the business and include a fundamentally flawed valuation."

Failure to accurately reflect the true underlying performance of the business

Aevum's operating performance is not reflected accurately in the Target's Statement, for example:

- Re-stated to allow for development expenditure, underlying operating cash flow in FY10 was \$8.7m versus a reported operating cash flow of \$29.1m. Similarly, Aevum's forecast FY11 underlying operating cash flow is a deficit of \$(1.3)m versus an emphasised operating cash flow of \$50.4m.
- Aevum's net profit, adjusted for non-cash revaluation gains/losses on investment properties declined from \$2.4m in FY09 to a loss of \$(5.2)m in FY10. Aevum's reported underlying net profit after tax for FY10 of \$19.3m includes a non-cash revaluation gain on investment properties of \$24.5m.
- Aevum's Target's Statement and the Independent Expert's Report (IER) fail to provide a profit forecast for FY11.
- Aevum's reported NTA declined from 30 June 2009 to 30 June 2010.

Aevum's Independent Expert's valuation is fundamentally flawed

The Lonergan Edwards' IER substantially overstates value and contains numerous errors in valuation methodology and assumptions, including:

- The discount rate and growth rate used to value Aevum's retirement assets are inconsistent with those signed off by Aevum's own Board for the FY10 accounts released to the market on 24th August 2010. This has the effect of inflating the valuation of the Retirement assets by 5-15%.
- The omission of Retirement Living operating costs from the sum-of-the-parts valuation is not substantiated. Aevum reported \$8.7m of Retirement Living operating expenses in FY10, which included only five months' worth of IOR's costs following the Aevum-IOR merger.
- The Aged Care valuation is based on a normalised EBITDA of \$3.6m which is significantly higher than historically achieved including IOR, and is not substantiated.
- The Independent Expert, Lonergan Edwards, has not complied with ASIC guidance regarding the content of Expert's Reports.

Furthermore, Aevum has rejected the use of its share price as a measure of fair market value, despite using it for the purpose of assessing the underlying value of IOR less than a year ago.

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“I urge Aevum shareholders to consider carefully our formal response to the Target’s Statement in due course and also to note the Aevum Board’s clear statement that it has not received any formal alternative offers,” said Mr Quinn.

Stockland’s all-cash Offer provides Aevum shareholders with both certainty of value and a substantial premium to Aevum’s trading price prior to the announcement of its Offer.

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