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## ASX/Media Release

### STOCKLAND ANNOUNCES CASH OFFER FOR AEVUM

Stockland has announced an attractive \$1.50 per share all-cash off-market offer to acquire retirement village operator, Aevum. The offer values the total equity of Aevum at \$266 million and, if successful, would almost double the size of Stockland's Retirement Living business.

Based on the closing share price of Aevum on 30 July 2010 of \$1.09, Stockland's offer is compelling and represents a substantial premium of:

- 37.6% to the closing price;
- 40.2% to Aevum's one month Volume Weighted Average Price (VWAP); and
- 32.7% to Aevum's three month VWAP.

Stockland has increased its relevant interest in Aevum by 5.8% to 15.9% following recent off-market purchases at a price of \$1.50 per share.

Stockland Managing Director Matthew Quinn said the recent acquisition of additional shares indicated strong market support for the offer price and confirmed that Stockland's offer represented value for Aevum shareholders.

The offer is subject to minimal conditions, regulatory and other approvals, including a 50.1% minimum acceptance condition; no prescribed occurrences; no material adverse changes; and no specified index decline.

Full details of the conditions of the offer are set out in the appendix to this announcement.

"We believe this is a compelling offer for Aevum shareholders, providing a significant premium to the current market value of the shares and certainty of value through an all-cash offer," Mr Quinn said.

"The retirement living industry is highly fragmented, and consolidation is beneficial for the long-term sustainability and prosperity of the sector.

"As Australia's population ages, retirees will benefit from having well-capitalised organisations with strong property development and management capability, such as Stockland, driving customer research and delivering product innovation.

"Joining the two businesses, and utilising our position as Australia's largest diversified property group, would provide greater diversity and scale to the benefit of Aevum's stakeholders including employees and residents," Mr Quinn said.

The proposal was put to the Aevum Board on 30 July 2010. Stockland looks forward to a constructive dialogue with the Aevum Board.

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The transaction would be fully funded from Stockland's ample cash reserves, and undrawn and available debt facilities. If Stockland acquires 100% of Aevum, proforma net gearing would increase around 2% from a conservative 18% at 30 June 2010 to around 20%.

The acquisition would be EPS neutral in FY11 and approximately 2% accretive in FY12, and is expected to deliver a cash return on investment<sup>1</sup> of around 8.5% by FY13.

Mr Quinn said the move was firmly in line with Stockland's 3-R strategy to grow its Residential Communities, Retirement Living and Retail portfolios.

"Retirement Living is one of our key strategic growth platforms, leveraging our experience in residential development and appealing to Australia's growing retirement-age population," Mr Quinn said.

"While our Retirement Living development pipeline will deliver good organic growth, the acquisition of Aevum would almost double the size of our existing portfolio and provide us with a national Retirement Living platform.

"The transaction would provide us with geographic diversity, particularly in NSW, as well as greater scale and efficiency. It would also enhance our cash flow profile by delivering a more mature village portfolio," Mr Quinn said.

Aevum has a total of 29 established retirement villages across Australia. This includes 17 in New South Wales, the largest for-profit market, and another 12 across Victoria, Queensland, South Australia and Western Australia. In addition, Aevum has a development pipeline of around 800 brownfield development units.

Aevum's aged care business comprises just 5% of its net assets. Stockland would undertake a strategic review of the aged care operations to identify the most appropriate action, in line with its strategy to offer access to aged care services through specialist third-party providers rather than directly managed operations.

Stockland acquired an initial 14.4% stake in Aevum for \$1.50 per share, or \$26.9 million, in October 2008. Following Aevum's merger with IOR Group in early 2010, this stake was diluted to 10.1%.

### Indicative timetable

The following dates are subject to change:

Lodgement of bidder's statement	5 August 2010
Takeover offer open	20 August 2010
Expected lodgement of target statement	Early September 2010
Takeover offer closes	Late September 2010

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<sup>1</sup> Pre-tax cash earnings as a percentage of cash investment

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## Appendix - Conditions of the Offer

The Offer will be subject to the following conditions, unless waived by Stockland:

- (a) **(minimum ownership)** during, or at the end of, the Offer Period, the number of Aevum Shares in which Stockland and its associates together have relevant interests (disregarding any relevant interest that Stockland has merely because of the operation of section 608(3) of the Corporations Act) is at least 50.1% of all the Aevum Shares (even if that number later becomes less than 50.1% as a result of the issue of further Aevum Shares).
- (b) **(no material adverse effect)** that no specified event occurs that will or is reasonably likely to have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses or prospects of Aevum and its subsidiaries, including as a result of making the Offer or the acquisition of Aevum Shares pursuant to the Offer. For these purposes, a “specified event” is:
  - (i) an event or occurrence that occurs during the Offer Period;
  - (ii) an event or occurrence that occurs or circumstance that exists prior to the Offer Period but is only announced or publicly disclosed during or after the Announcement Date; or
  - (iii) an event or occurrence that will or is likely to occur following the Offer Period and which has not been publicly announced prior to the Announcement Date.
- (c) **(no prescribed occurrences)** that during the period beginning on the Announcement Date and ending at the end of the Offer Period, none of the following events happen:
  - (i) Aevum converts all or any of its shares into a larger or smaller number of shares;
  - (ii) Aevum or a subsidiary resolves to reduce its share capital in any way;
  - (iii) Aevum or a subsidiary:
    - (A) enters into a buy-back agreement; or
    - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act;
  - (iv) Aevum or a subsidiary issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
  - (v) Aevum or a subsidiary issues, or agrees to issue, convertible notes;

- (vi) Aevum or a subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
  - (vii) Aevum or a subsidiary charges, or agrees to charge, the whole, or a substantial part, of its business or property;
  - (viii) Aevum or a subsidiary resolves to be wound up;
  - (ix) a liquidator or provisional liquidator of Aevum or of a subsidiary is appointed;
  - (x) a court makes an order for the winding up of Aevum or of a subsidiary;
  - (xi) an administrator of Aevum or of a subsidiary is appointed under sections 436A, 436B or 436C of the Corporations Act;
  - (xii) Aevum or a subsidiary executes a deed of company arrangement; or
  - (xiii) a receiver or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of Aevum or of a subsidiary.
- (d) **(index decline)** that between the Announcement Date and the end of the Offer Period the S&P ASX 200 Index does not fall to a level that is 90% or less of the level as at the close of trading on the business day immediately before the Announcement Date and remain at or below that 90% level for at least 3 business days or until the business day immediately prior to the end of the Offer Period.