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Queensland
New South Wales
Victoria
South Australia
Western Australia
New Zealand

22 November 2017

The Manager
Company Announcements
Australian Securities Exchange Limited
Level 4, Rialto North Tower
525 Collins Street
Melbourne Vic 3000.

Dear Sir,

ANNUAL GENERAL MEETING
AVJENNINGS LIMITED

Please find attached the Chairman's and Managing Director's address made at the Annual General Meeting of AVJennings Limited on 22 November 2017.

Yours faithfully,

Carl Thompson
Company Secretary.

AVJENNINGS LIMITED – ANNUAL GENERAL MEETING
CHAIRMAN AND MANAGING DIRECTOR ADDRESSES
WEDNESDAY, 22 NOVEMBER 2017

CHAIRMAN'S ADDRESS – Mr Simon Cheong

Good morning ladies and gentlemen. As Chairman of the Board, Chair of the meeting and a fellow shareholder, I am delighted you could attend today. There is a quorum present so I declare this meeting open.

Firstly, I would like to introduce my fellow Directors. They are:

- Mr Jerome Rowley – who is an independent Director and Deputy Chairman of the Board
- Mrs Elizabeth Sam – a non-executive Director
- Mr Peter Summers – the Company's Managing Director and Chief Executive Officer
- Mr Bobby Chin – an independent Director
- Mr Bruce Hayman – an independent Director
- Mr Teck Poh Lai – an independent Director
- Mr Tan Boon Leong – a non-executive Director

Mr Carl Thompson who is the Company Secretary is also in attendance, as well as Mr Mark Conroy, from Ernst and Young, the Company's External Auditor.

Also here today are a number of senior executives and staff.

I will now provide a brief overview of AVJennings' performance during the year and Peter Summers will then expand on this by discussing our business operations and the current environment in which we operate.

Following Peter's address, there will be a general forum for questions and comments. I will then proceed with the meeting's formal agenda as set out in the Notice of Meeting.

AVJennings continues to be one of the most recognised residential property development companies in Australia.

The scale of your Company continues to grow. The breadth of our geographic and product diversification continues to differentiate us from our peer group.

We operate in the major urban growth corridors in every Australian mainland state and Auckland, NZ. We provide a diverse product mix from land only and built form including detached homes, town homes and low rise apartments. And we continue to deliver affordable residential housing.

The Company had enjoyed strong increases in profit in 2014, 2015 and 2016, but this time last year I advised you, my fellow shareholders, that project timings and changes to our production mix would impact on the timing of revenue recognition, and dampen our results.

The Company's before tax profit of $51 million was broadly in line with market expectations, it was 13.2% down on last year.

I will leave it to Peter to expand on this during his presentation. However, for now let me just say underlying business momentum remains strong.
In the past financial year, the Company signed contracts for 1,843 lots which was up on the prior year.

Work-in-progress rose 28.6% to 2,161 lots and the Company's average share of revenue-per-contract increased by 18.7% to $292,000.

This value creation and solid operating momentum, combined with a positive economic outlook, gave the Directors the confidence to maintain a full year fully franked dividend of 5 cents per share.

Over the past four years, the Company has generated solid growth in revenue and profitability and improved the quality of its inventory, management, and production processes, enabling it to create substantial shareholder value through the payment of fully franked dividends, share price and NTA growth.

There continues to be strong drivers for residential property in the Company's key markets. The interest rate environment is likely to remain comparatively low for the foreseeable future, the employment outlook remains stable and positive population growth remains at historically high levels.

There continues to be an under supply of detached, semi-detached and low rise apartments in Sydney, Melbourne, Brisbane and Auckland.

Price growth is still occurring in some residential communities in these markets but it is likely to be offset to some extent by competition and increased construction costs.

Peter will talk more about our commitment to affordability, but suffice to say, providing quality, affordable housing in places where people want to live, has been our core business for more than 85 years.

Despite obstacles to achieving affordability, we are proud of the fact the average price of an AVJennings home is well below the first quartile of house prices in our major capital cities.

AVJennings remains a Company that is strategic rather than opportunistic or speculative. The Board and Management have demonstrated a willingness to make bold decisions, with the aim of delivering consistently good shareholder returns.

I want to thank our staff for their unwavering commitment to ensuring the Company enjoys sustained success. Our people are some of the best in the industry and we continue to recruit not only for skills but for values.

As Chairman, I would also like to thank my fellow Directors for their active engagement and invaluable contributions during the year. Their wise counsel and business acumen enables the Board to appropriately balance oversight and guidance in the interests of all stakeholders. Additionally, I would like to welcome to the Board Mr Boon Leong Tan, who joined us through the year and is up for election today and I thank Mr David Tsang, who left us during the year, for his service and contributions to the Company.

And finally, my sincere thanks to my fellow shareholders, some of whom are here today.

MANAGING DIRECTOR'S ADDRESS – Mr Peter Summers

Good morning everyone. As Simon mentioned in his Chairman's Address, the 2017 financial year was one of transition in many ways.

There are four things I will cover with you this morning. They are:

- Firstly, the transition happening in our business;
- Secondly, the outlook for the residential real estate market. It remains positive and traditional trends in the market are returning;
- Thirdly, I will discuss the disappointing government policy settings; and finally
- I will highlight the good progress AVJennings is already making on key developments this year. I emphasise we're in control of our future and we're delivering.

But before we look at the last financial year let's go back a little further.

After a long period of difficult trading conditions, recent years have seen much more favourable conditions for the Company.

This saw us increase activity levels quite strongly. For example, at 30 June 2017 we had 2,161 lots under production compared to 715 lots at 30 June 2013, a strong and deliberate increase of 202%.

There are two points to be made about this. The first is how poor market conditions were in Australia a few years back. The GFC, coupled with weaker consumer confidence, higher inflation and a stronger mining sector provided little benefit for sectors like education, health, agriculture, tourism and housing. It is important that the unusual, almost rare, nature of these circumstances is understood and these previous production levels are not used as a reference point for where the future may take us.

The second point is more obvious. The type of increased activity I outlined above is significant by any measure.

However, at some stage there becomes a maturing of these levels. Production starts to catch up to capacity and barriers relating to infrastructure constraints become a factor. This point was highlighted at this meeting last year.

Whilst overall, existing projects continued to perform well, growth rates from these projects started to slow and even deteriorate as these projects completed.

Our transition from results dominated by these existing projects to newer acquisitions, was and is vital to both fill the gap from completing projects but also provide a platform for new growth.

To put this transition in context, we started only one new project in 2016. Reported results were therefore very strongly related to existing projects. In 2017, we started 6 projects and we anticipate we will commence up to another 5 before the end of the 2018 financial year.

While some financial benefits from the new projects were realised in financial year 2017, and these will increase in 2018 they will be strongest in 2019, 2020 and beyond.

The nature of residential property is that the commencement of new projects is rarely smooth and rarely short in terms of the time required. So whilst the 2017 financial year saw considerable value creation through achieving critical planning milestones; the physical commencement of projects and in some cases good pre-sales; a significant proportion of this value creation was not reflected in the profit result for the year.

Frustratingly, some of this was due to unnecessary delays in planning approvals. But it is also just a function of larger scale property development and we will see the benefits coming through in coming years.

In terms of market conditions, let me start with a deeper analysis of the increase in work in progress levels. An increase of 202% is dramatic. But it has been dramatic because of the long period of depressed market conditions that preceded it. And to some extent it has been confined to the markets of Sydney and Melbourne, in Australia, and Auckland in New Zealand.

As we move forward we will see those stronger markets moderate in terms of growth rates but not by much and more in terms of price growth than volumes.

Those states which haven't been as strong, Queensland and certainly South Australia and Western Australia, have transitioned out of a mining dominated economy more slowly.

However, as more traditional trends in Australian residential markets return, we will see those states better placed to compete with the states that have more maturing cycles.

So what we see in front of us are the current strong markets continuing to be strong even if that means lower growth. It is also likely that existing slower markets will improve.

I make these comments in the context of traditional housing markets which is where AVJennings operates. These markets have been driven by basic needs and fundamentals, not speculation. As the issue of supply has yet to be solved in those traditional areas of the housing market, we expect that conditions will remain strong.

And at least in the short term, we see that undersupply issue being supported by interest rates remaining at historically low levels, stronger employment and a continuing growing population.

What I have described above are all basic and understandable outcomes. There is an important lesson in all of this. What can seem extreme in the short term can seem more even and logical when looked at over a broader period. We look at the true drivers and for some time that has been the significant undersupply of housing.

We hope governments at all levels have learnt from the past. Unfortunately they continue to react with a focus on demand. They also see property as the funding solution for government revenues.

On the issue of land supply there continues to be inconsistent policy and actions. These problems are exacerbated by unfair and opportunistic taxation policies. An example is, on one of our recent projects, Lyndarum North, Government taxes and charges represent 29% of the price paid by customers. This, unfortunately is now fairly typical across Australia.

These policy and tax settings are affecting everyday Australians, especially the younger generation who are dealing with the lack of affordable housing these policy inadequacies have created.

We know how important housing and community is. Whilst we will continue to raise our concerns in this area we will make it a priority to focus on what is in our control.

That is to make available affordable, quality housing as fast as possible. The new projects we have, or will soon commence, provide the perfect opportunity to do this at even higher levels. This is what will benefit everyday Australians and New Zealanders as well as provide growing returns for our shareholders.

And in terms of developments since year end the news is good. We are now at site at our Lyndarum North project in Melbourne and we have also commenced physical construction at Riverton, our joint venture at Jimboomba in South East Queensland. These are two critical projects for our future growth. We have also commenced early works for the second apartment building at Waterline Place in Williamstown, Melbourne. These are just some of the key milestones that have been achieved in recent times and they give us confidence that we remain on track for our continued growth in earnings in FY18 and beyond.

The commencement of these new projects definitely provides opportunity. But it is important we continue to look ahead and embrace demographic shifts and innovate. AVJennings has a proud history of being innovative and a leader. It is important we continue to review how we operate internally. It is critical we continue to invest in our brand, our people and our product.

I would like to join Simon in thanking the tremendous staff of AVJennings and our key business partners for their contribution to our results and to the groundwork for the future that was done in the last financial year.

I would also like to thank Simon and the other Directors for their support and guidance. And may I finish by thanking you, our shareholders for your ongoing support of your Company.

AVJennings believes housing matters and community matters. We are proud of the results we have produced in recent years, we are proud of the work we have done to underpin future results and we are proud to have done so as a strong participant in the community.

ENDS.

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