ASX/Media Release

8 February 2016

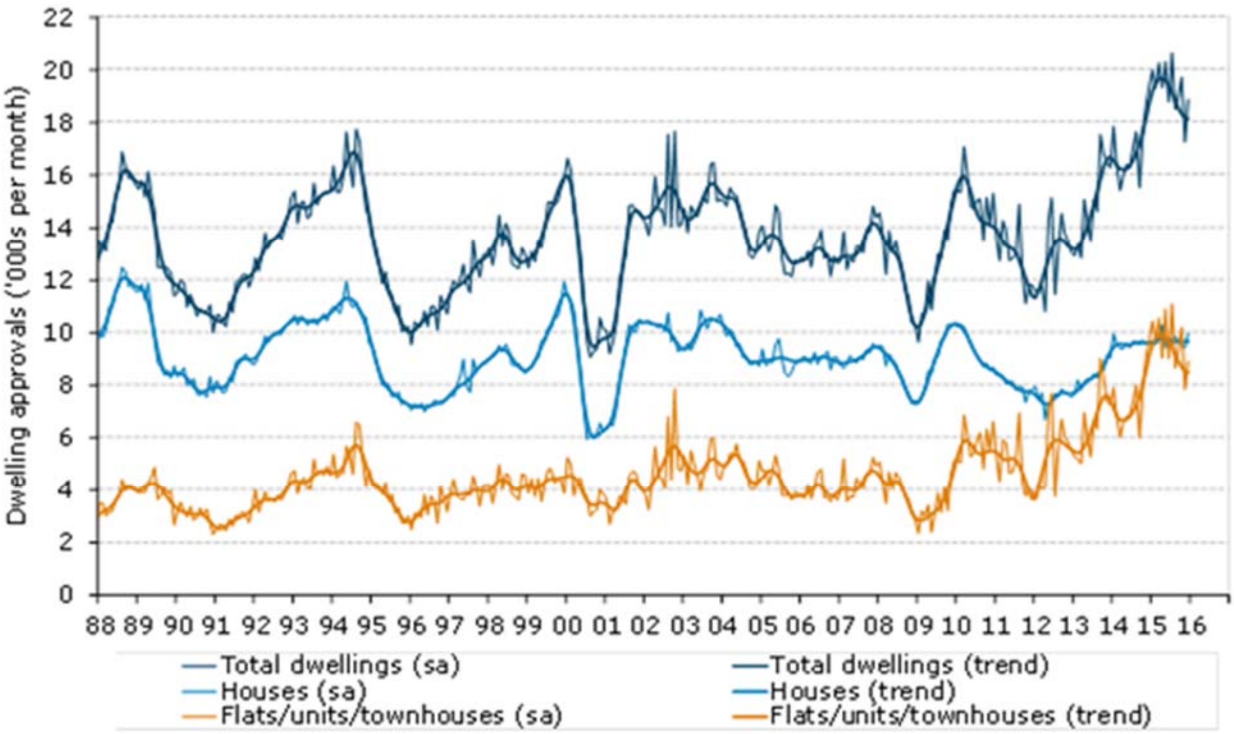
Demand for Traditional Housing to Remain Strong

- Strong financial results and growth including revenue +57.9%, PBT +42.2% and EPS +38.8%
- Continued operating momentum with contract signings +14.6% and settlements +5.2%
- Active and balanced capital management with declaration of a 1.5 cents fully franked interim dividend
- Increased controlled land holdings by 2.3% to 10,436 lots

Leading Australian residential property developer AVJennings Limited (ASX:AVJ) today announced strong financial results for the half year ended 31 December 2015. These included revenue growth of 57.9% to $187.2 million, growth in profit before tax of 42.2% to $23.9 million and profit after tax was $16.5 million. Earnings per share grew by 38.8% to 4.3 cents per share.

AVJennings Chairman, Mr Simon Cheong, said the pattern of continuous improvement in its results over the past three years validates the Company's diversified geographic strategy and reflects continuing good levels of production, sales and gross margins in key locations. It also reflects continued focus on traditional housing.

"We remain confident of the strength of underlying demand for housing in our key markets," Mr Summers, AVJennings CEO and Managing Director added. "Supply and demand for capital city high density housing has significantly increased in recent years and is likely to decrease in the short term. However, there are no signs of an over supply in the proven traditional housing sector, comprising medium density and detached housing, in which the company operates. We believe there continues to be pent up demand for detached and medium density housing, particularly in east coast capital cities and Auckland, New Zealand."



Source: ABS, ANZ Research Feb 2016

Operating momentum

Continued positive operating momentum delivered strong financial results. Contract signings grew 14.6% to 999 lots, up from 872 in the prior corresponding period. Settlements grew 5.2% to 694 lots, up from 660 lots in the prior corresponding period.

Work in progress was up 5.5% on the prior corresponding period to 1,623 lots and 7.3% up from the position at 30 June 2015 (1,512 lots). The level of completed unsold stock remains insignificant at less than 1.1% of total lots under control.

“We believe that the important drivers of demand in our markets are quite different from those affecting markets for CBD apartment towers and inner-ring established housing,” Mr Summers said. “We remain committed to delivering quality affordable housing in modern, vibrant communities that satisfies our customers’ needs and their response continues to underpin the Company’s steadily improving performance.”

New South Wales and Queensland businesses contributed strongly to the first half result. These businesses continue to benefit from buoyant market conditions and proactive decisions relating to project delivery and product mix.

Once again, 'Arcadian Hills', Cobbitty and ‘Argyle at Elderslie’ were strong contributors to profit, generating good margins with new stages at each underway. ‘Magnolia’, Hamlyn Terrace on the New South Wales Central Coast is performing well and project development of a major new stage there recently commenced. Acquisition of the remaining 50% interest in the ‘Argyle’ project at Elderslie will boost the Company’s revenue and margin in New South Wales in the second half.

Market activity and selling prices continue to firm-up in Brisbane, Caloundra and Coomera with new stages underway at ‘Creekwood’ and ‘Big Sky’.

Activity in Melbourne is expected to further strenghten in the second half when new product at ‘Lyndarum’ and ‘Hazelcroft’ becomes available for sale and development works commence on the Wollert land, owned in joint venture with Australian Super. Construction of the first sub-stage of the Company’s new flagship medium density project ‘Waterline Place’, located in the Melbourne bayside suburb of Williamstown, commenced during the first half and settlements are expected to commence early next calendar year.

Auckland remains an excellent market and ‘Hobsonville Point’ continues to experience significant demand. Strong contract signings were achieved in the first half that will translate into excellent revenue and margin in the second half.

The South Australian residential market remains stable but subdued and the Company’s small investment in four residential projects in Perth, Western Australia is performing in line with expectations.

Capital Management

Directors are also pleased to declare a fully franked interim dividend of 1.5 cents per share to be paid in April 2016 (1.0 cent per share was paid in April 2015) and reaffirm the Company’s full year target dividend payout range of 40-50.0% of profit after tax.

Gearing (net debt/ total assets) remains low at 22.9% (total net debt $154.6 million). Whilst higher than the position at 30 June 2015 (13.6%) and 31 December 2014 (17.9%) the increase reflects seasonal build-up in production and new acquisitions. The Company also continued its programme of diversifying and expanding its sources of funding by securing a project finance commitment of $92 million for ‘Waterline Place’.

The Company actively replenished inventory during the year with controlled land rising a further 2.3% to 10,436 lots (30 June 2015: 10,198 lots) despite strong sales. Acquisitions included:

- 44 hectares of land in Spring Farm, New South Wales (approximately 540 lots);
- 1.6 hectares of land in Bridgeman Downs, Queensland (approximately 60 lots); and
- A further 9.4 hectares of land in the Hobsonville Point joint venture, New Zealand (approximately 312 lots)

The overwhelming majority of the Company's projects, including sites acquired within the last 12 months, are under (or will within the forthcoming 12 months enter) active production.

Outlook

The Company continues to focus on the proven traditional housing markets. It has no exposure to high-rise apartments and minimal reliance upon foreign buyers (less than 1%).

Key economic drivers for those traditional housing markets are positive, with strong consumer confidence in housing, supported by expectations of continuing low interest rates and inflation, positive population growth, shortages of affordable detached and low-rise dwellings in Sydney, Melbourne and Auckland together with stable employment conditions in the east coast cities.

"The Directors and management expect a typically stronger second half in fiscal 2016 and reiterate the Company's contract signings guidance for the current financial year of 1,800 to 2,100 lots," Mr Summers said. "Our markets are undersupplied so demand should remain strong for some time."

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