

17 February 2016

VILLA WORLD LIMITED ABN 38 117 546 326 ASX CODE: VLW

Villa World Reports Strong Financial Results for Half Year Ended 31 December 2015

As Villa World Limited (ASX: VLW) enters its 30th year, the Board's strategy is designed to achieve consistent performance through the cycle. The Company's focus on its key business fundamentals - a core product in the affordable to mid-price point, a diversity of sales channels, superior operational execution, geographic diversification across strategic east coast markets and financial strength - continues to deliver a strong performance and a resilient business model.

Key Performance Statistics

- Statutory profit after tax up 57% to \$20.4 million
- EPS: 18.5 cps (1H15: EPS 13.9 cps)
- Profit before tax of \$28.5 million
- 8.0 cps fully franked interim dividend declared post balance date (1H15: 6.0 cps)
- 311 sale contracts carried forward into 2H16 with a gross value of \$107.7 million¹
- Acquisition Success – 1,586 lots acquired²
- FY16 guidance of profit before tax of \$46.6 million

Strong Financial Result

The Company has reported a strong 1H16 result, reporting a statutory net profit after tax of \$20.4 million (18.5 cps), compared to a net profit after tax of \$13.0 million (13.9 cps) for the period ended 31 December 2014.

The Company has reported a profit before tax of \$28.5 million. The Eynesbury joint venture settled the second tranche of the sale to the Hyde Group in 1H16 and a \$3.6 million contribution to profit was recorded, primarily reflecting increases in the selling price and extension fees.

Operational Performance

At an operational level, sales momentum continued in 1H16, and excellent delivery of land and housing resulted in 550³ accounting settlements in 1H16 (1H15: 329). As a result, revenue increased by 49% to \$200.2 million (1H15: \$134.1 million). The gross margin was \$55.0 million or 27.5% (1H15: \$32.3 million or 24.1%⁴). As previously advised, the Company expects the margin at the full year to be at the lower end of the target range of 26% to 29%. The Company will continue to focus on maintaining a balance between gross margin and sales volume.

- ¹ Contracts are included on the basis of 100% for Company projects and 50% of Joint Venture projects. Represents gross sales price including GST.
- ² Unconditional contracts through to 8 February 2016.
- ³ 1H16 all Company owned lots. (1H15: 327 settlements of Company owned lots and 2 joint venture lots).
- ⁴ 1H15 underlying gross margin exclusive of provision for litigation was \$34.9 million (26.0%).

VILLA WORLD LIMITED

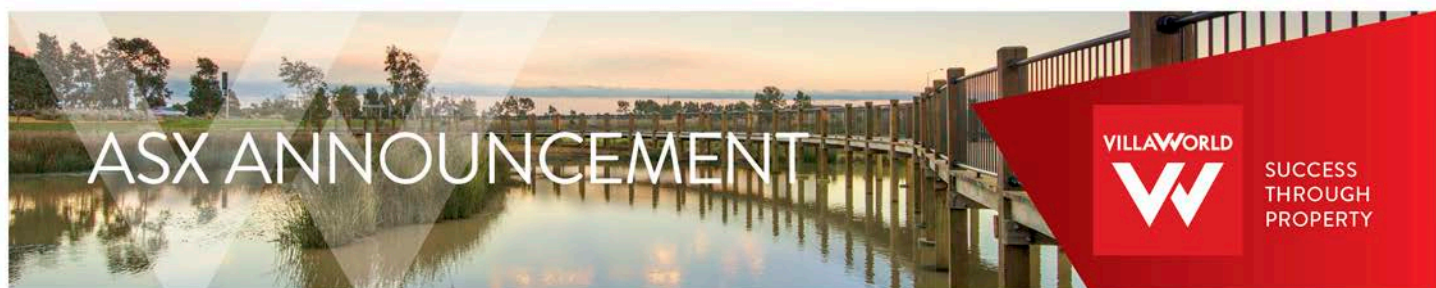
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The Company delivered⁵ 552 lots of land, up 72% on the 321 lots delivered in 1H15. Pleasingly, the Company's housing operation has lifted production to deliver 385 homes across both Queensland and Victoria, up 45% on the 266 homes delivered in 1H15.

Sales Performance

The Company recorded 497 sales during 1H16 (1H15: 352) across 19 projects (1H15: 18 projects). Sales have risen from an average of 59 per month in 1H15, to 83 per month in 1H16. Seven projects will be released in FY16 and are expected to contribute to robust sales volumes in 2H16.

Sales were heavily weighted to Queensland (80% of sales) reflecting continuing supportive market conditions and increased numbers of projects being marketed. Particularly strong performance was recorded from projects located in Brisbane's bayside and north. Victorian projects accounted for 20% of sales, with a strong performance from the affordable land only project Cardinia Views, as well as a good market response to the Company's turnkey house and land offering at Lavinia and Sienna. This follows the Company's first Victorian display home opening in November 2015.

The Company will carry forward 311 sales contracts worth \$107.7 million⁶ into 2H16. The majority of these (262 contracts worth \$93.1 million) are anticipated to accounting settle in 2H16.

Strong Cash Flow and Balance Sheet

Strong cash flows from operating activities of \$106.6 million were achieved during 1H16 enabling the Company to spend \$53.1 million on the acquisition of new land, whilst ending the period in a strong cash and debt position. Net debt as at 31 December 2015 was \$38.9 million with \$118.6 million of undrawn capacity in the debt facility. Gearing was 9.4% compared to 16.9% as at 30 June 2015. Land acquisition payments of \$89.5 million⁷ will be paid during 2H16 from existing debt facilities and working capital. The target gearing level remains with an upper limit of 30%.

Net tangible assets at 31 December 2015 were \$230.3 million (FY15: \$220.6 million), representing \$2.09 per share (FY15: \$2.00) before the declaration of the interim dividend.

Tax Position

All carried forward tax losses were utilised at 31 December 2015, and the effective tax rate was 28.4%. Cash tax payable in relation to 1H16 is \$4.4m, which will be paid in 2H16. The franking credit balance at 31 December 2015 is \$5.5 million.

⁵ Delivery (production) requires a certificate of title for land only product; for house and land, delivery requires a certificate of building completion and title.

⁶ Contracts are included on the basis of 100% for Company projects and 50% of Joint Venture projects. Represents gross sales price including GST.

⁷ Including \$78.4 million in land payments recorded as payable as at 31 December 2015.

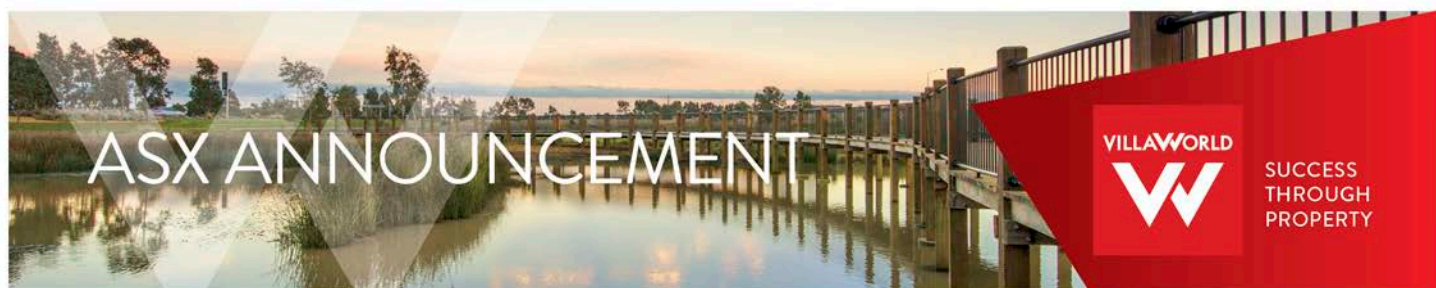
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Acquisitions Success

The Company continues to execute on its acquisition strategy of replenishing Queensland whilst diversifying into the east-coast states. In the year to date, the Company has acquired 1,586 lots⁸. This includes the acquisition of three sizeable projects in South East Queensland, which will provide product continuity for four to six years, as our very successful Park Vista and Mt Cotton projects near completion. The Company will continue to grow its presence in Victoria while entering the NSW market through partnering and joint ventures.

The Company holds a portfolio of 5,869 lots⁹, representing approximately 5 - 6 years of sales.

Joint Venture Success

During 1H16 the Company entered into a joint venture for the land component of the Rochedale development with the Ausin Group. This joint venture will free up a significant amount of capital for the Company to recycle into other projects while participating in profits on the land component of the development as well as generating commencement fees and development management fees.

1H16 Dividend

The Board is pleased to have declared post balance date an 8.0 cent fully franked interim dividend in relation to the half year ended 31 December 2015. The ex-dividend date for the interim dividend is 8 March 2016, the record date for this dividend is 9 March 2016, and payment scheduled for 31 March 2016.

Outlook

In 2H16 the Company's operational focus will remain on delivering and settling carried forward sales and releasing new projects to meet projected demand. Positive underlying market fundamentals continue in the Company's key markets of South East Queensland and Melbourne. With an increased number of projects delivering sales throughout the year, the Company reaffirms its sales target of 1,000 – 1,200 lots during FY16.

The Company has a continued commitment and capacity to acquire land across and within the east coast markets. The focus will remain on the continued replenishment of the portfolio in South East Queensland, growing the Victorian land bank with a focus on the South Eastern and Northern growth corridors of Melbourne, and entry into New South Wales. Projects with 3 to 5 year durations will be targeted, as well as appropriately structured larger projects. The Company expects cash outflow for acquisitions of \$145 million - \$160 million in FY16 funded from existing debt facilities and working capital.

FY16 Guidance

Assuming general consumer confidence is maintained, interest rates remain low and first home buyer grants remain in place, the Company is targeting statutory profit before tax of \$46.6 million in FY16, representing a 59% growth on the FY15 statutory profit before tax of \$29.4 million. With the Company returning to an effective tax rate of 30%, the Company is targeting profit after tax of \$32.6 million EPS: 29.6 cps.

⁸. Unconditional contracts through to 8 February 2016.

⁹. As at 8 February 2016.

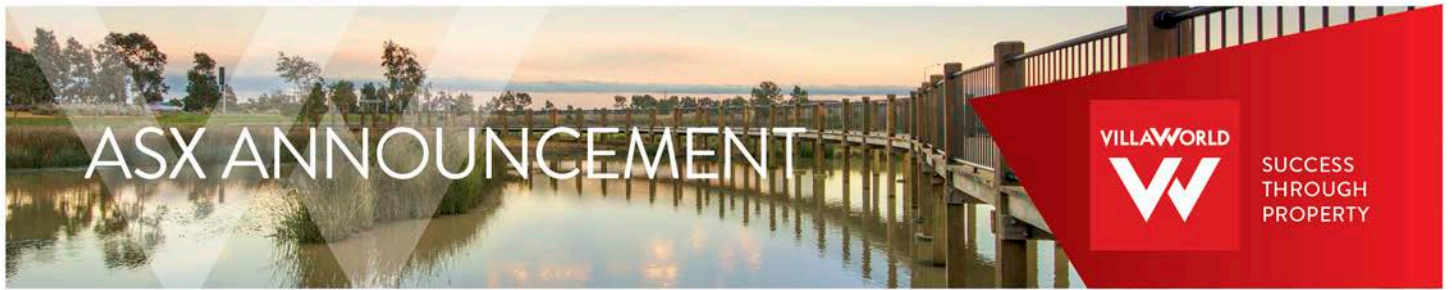
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This expected strong result is underpinned by substantial carried forward sales, continued sales momentum across our portfolio, and an increased delivery capability. Seven new projects will contribute to sales, with sales weighted to the second half.

CEO and Managing Director Mr Treasure said, “Our focus on delivering a core product that delights the customer – both in terms of price and value has been critical to Villa World achieving consistent performance through the cycle.”

FY16 Dividend Guidance

It is the intention of the Board to continue the payment of dividends in accordance with the stated payout policy of 50% to 75% of annual NPAT, paid semi-annually. The Board anticipates paying a total dividend of at least 18.0 cents per share in FY16.

1H16 Financial Results Webcast

Villa World’s 1H16 results presentation will be webcast on Wednesday 17 February 2016 at 11 am AEDT at <http://webcast.openbriefing.com/2584/>. The webcast will be archived at <http://www.openbriefing.com/OB/2031.aspx>.

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