

22 May 2020

**ASX RELEASE
AVJENNINGS LIMITED
(ASX: AVJ)
UPDATE ON COVID-19 IMPACT**

AVJennings Limited ('AVJ', 'Company') today provides an update on the impact of the COVID-19 pandemic and the measures it has taken in response to it.

The Company acknowledges the impact the COVID-19 crisis has had on so many people. We recognise that this is first and foremost a serious health crisis and, from the outset, we have proactively implemented appropriate measures to safeguard the well-being of our employees, suppliers, customers and the wider community.

AVJ entered the COVID-19 crisis well placed, with a strong balance sheet, good liquidity and sufficient funding capacity for the medium term.

The Company's long-term prudent approach towards acquisitions means that it is not unduly exposed to short term fluctuations in asset values. Securing the control of large parcels of land such as that in Caboolture, Queensland last year, on capital-efficient terms that effectively share risks and rewards between the parties, helps to protect the Company's balance sheet.

Management continues to prioritise its workflows and reduce operating costs and overheads. The mainly horizontal nature of the Company's operations enables it to quickly review and adjust the level of site activity. In addition to receipt of Federal Government 'JobKeeper' support, most staff have agreed to move to a four day week, and senior executives have also agreed to initiatives that will help to improve cash and profit outcomes for the benefit of all stakeholders. In the spirit of solidarity, the Board of Directors have also agreed to reduce their fees.

Market conditions began to improve early in calendar 2020, as the Company predicted they would in commentary associated with the release of its first half results. The escalating COVID-19 crisis, including restrictions on the physical movements of Australians and New Zealanders, saw markets become challenging, and they remain so.

Pleasingly, settlements of pre-sales continue to occur largely in line with expectations, with a slight uptick in the number of deferrals. There have also been a small number of rescissions, which had previously been rare. Sales continue to occur. While both sales and enquiry levels are below the levels we would have anticipated to see had the COVID-19 crisis not occurred, they are above our short term expectations. Net contract signings in February, March and April were 100, 57 and 51 respectively, while those in May are tracking broadly in line with April. Some of these transactions are of a B2B nature - sales to builders and other corporate customers rather than retail buyers, that we believe indicates an underlying level of confidence in the medium and longer term outlook as they are acquiring land for their future operations. That retail sales have continued during this period reinforces the fundamental need that housing plays in all of our lives.

Following release of its half year results, the Company said that despite some uncertainty it anticipated that the full year outcome for financial 2020 would be stronger than the prior year. The advent of the pandemic and the prescribed constraints on social and business activity that followed it have depressed consumer sentiment and the level of new sales is well below pre-pandemic expectations, making that statement no longer valid.

Government at all levels has provided stimulus to support businesses and keep people employed, and it is clear that strong action will be taken to support the construction sector and its customers going forward, with housing likely to feature strongly.

Whilst short term challenges no doubt remain, as Australia and New Zealand gradually emerge from the crisis and the economy again opens up, we hope conditions will improve and the Company's strong balance sheet and contracts in hand, together with the measures taken to reduce expenditure, leave the Company well-placed to navigate this period.

ENDS.

This announcement was authorised for release to the market by Mr Carl Thompson, Company Secretary of AVJennings Limited.

Investor Relations:

Carl Thompson
Company Secretary
Ph: +61 3 8888 4802

Andrew Keys
Keys Thomas Associates
Ph: +61 400 400 380