

18 November 2016

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 18 November 2016.

Yours faithfully,



Carl Thompson
Company Secretary.

AVJennings®

Annual General Meeting - Friday, 18 November 2016

INTRODUCTION

Good morning and welcome to the Annual General Meeting of AVJennings Limited. We would like to begin proceedings by acknowledging the traditional owners of the land on which we are gathered and we pay our respects to their Elders, both past and present.

Safety is one of our core Company Values and everyone at AVJennings knows how important it is to be safe whether it's on site, in the office or even here. In the unlikely event there is an emergency this morning, your exit is behind the elevators directly across from this room and if there is an evacuation alert then the assembly point is the Cathedral car park in Flinders Lane.

It would be appreciated if you would kindly switch off your mobile phone or set it to silent.

It is now my pleasure to introduce our Chairman, Mr Simon Cheong, who will formally open the meeting.

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

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

Mrs Elizabeth Sam – a non-executive Director

Mr David Tsang – 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 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.

Our Company has delivered another strong result in this past year. Profit before tax increased 22% from the previous year to \$58.8 million. Gearing remains conservative at 17.9%, and despite healthy sales, we have been able to maintain our land bank at similar levels to last year.

By maintaining production levels, as well as the impact of acquiring the joint venture interests in certain projects in the previous year, we were able to increase turnover. This increased turnover, together with stable gross margins in most jurisdictions, contributed to the pleasing full year result. It enabled us to declare a final dividend of 3.5 cents bringing total dividends declared for the year to 5 cents per share.

We remain committed to paying dividends each year consistent with our dividend policy.

The Directors believe the market will continue to be supported by positive fundamentals in the near term, although changes to our production mix and timing in revenue recognition may dampen first half results.

At an operational level, our activities occur in a dynamic environment. In the vast majority of the markets in which the company operates, there remains continuing demand and under-supply, particularly in both New South Wales and Victoria which houses about half of Australia's population.

The low interest rate environment and the employment outlook remains stable amidst an increasing population.

It is for these reasons your Directors are confident that the decision to maintain production levels is the correct one. As you would expect, your Board spends much of its time carefully considering how to proceed, and just as importantly, how not to.

It is that discipline to remain strategic, with the aim of delivering consistently good shareholder returns, that has underpinned another year of strong results.

These results would also not be possible without the dedication and expertise of our staff. Without their commitment to building quality affordable housing in thriving communities, the Board's strategy would not be implemented with the same level of success.

It is therefore with great pride that I reflect on another significant year in the 84 year history of this remarkable business. One in which the AVJennings staff, under the leadership of our CEO Peter Summers, has achieved another increase in revenue and profit, and allowed us to reward you with an increased dividend.

As Chairman, I would 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.

I am particularly grateful for the assistance rendered by Directors in fostering deeper relationships between management and our financiers – some of which are relatively new to the Company.

Finally, it is pleasing to see a number of new shareholders on the register, some of whom are here today. We warmly welcome you.

We believe AVJennings remains a compelling investment proposition because of our experience; exposure to urban growth corridors in major capital cities; low risk profile; and shareholder return that offers a mix of income and capital growth.

The outlook remains promising for all AVJennings shareholders and I would like to thank you for your continued support.

Thank you Simon. I now invite the Managing Director and Chief Executive Officer of AVJennings, Mr Peter Summers, to address the meeting.

CEO/MD ADDRESS – Mr Peter Summers

Good morning everyone and I also thank you for your attendance today.

Residential property is a great industry to be part of. Housing is so fundamental to our lives that it's a topic that seems to dominate conversations everywhere and it is little wonder it attracts enormous media attention.

Whilst the sensational aspects of media coverage are sometimes frustrating and inaccurate, I do understand the fascination in housing. It is something, that as Australians, we place enormous importance in, more so than people from many other countries.

Unfortunately, much of what is reported is short term or based on short term trends. Often it doesn't take into account how Australians choose to live. Often it is reacting to the extremes such as auction results. And unfortunately, so often, it translates into poor and opportunistic government policy that lacks long term vision. All of which we need to react to.

But when you step back from all of this, it is interesting to see how predictable property is in many areas. Sometimes short term issues can impact on short term outcomes, but certainly, in terms of fundamentals, what has been – and still is – happening in the Australian and Auckland traditional housing markets, is logical in so many ways.

Prices and activity have been strong in many parts of Australia, particularly Sydney. That is because for well over a decade prices and activity in Sydney were subdued.

That subdued climate was not due to a lack of demand but low consumer confidence. We went from the GFC, where consumer confidence was rock bottom, to a mining dominated economy that created higher inflation and interest rates, and a higher Australian dollar - all things which aren't great for most Australians. As we have reverted to an economy less dominated by mining, we have seen better employment prospects and better economic conditions in areas where our customers are based.

This has translated into greater consumer confidence. The pent up demand from low price growth and activity in past years, together with a growing population, has seen improved market conditions.

The significant increase in apartment construction has been well documented.

A small part of this has been a trend to higher levels of apartment living than in the past. But this is only a small aspect, as Australians have not suddenly in the last few years decided they want to live differently.

The higher relative level of apartment construction has mainly been because the planning barriers to development of many apartment projects are lower compared to traditional areas of housing.

Governments continue to underinvest in infrastructure and poor planning processes hinder supply of much needed traditional housing.

Affordability continues to be an issue. Again, unfortunately, the reasons for this are quite logical. For more than a decade we have moved strongly to a user pay system with significant taxes now forming a large part of the price for buyers. Even the most basic promise from the introduction of the GST – the removal of stamp duty – remains unfulfilled.

Governments continue to see property as a vehicle for revenue raising and the price is housing affordability. Planning continues to be below the level we should all expect and acts to limit supply in areas where traditional demand exists. This lack of supply, plus the cost of delays, adds to the affordability problem.

Australians deserve better. But frustratingly governments continue to bring in new rules and taxes that add to the cost of housing and delays continue to be the norm.

None of this is new and has been raised by us in the past, as have the outcomes we have predicted.

They all provide opportunities and challenges and I am pleased to say the results which our Chairman spoke of earlier show we are meeting those challenges and making the most of our opportunities.

However, there is an important underlying fact about AVJennings that also needs to be understood.

It is not too simplistic to say that investment in property can be opportunistic or strategic. Property does offer a chance for speculation and many do adopt that approach.

It is not the approach of AVJennings.

To us, what is just as important, in fact, more important, than short term outcomes, is our desire to be sustainably successful. We have never been driven solely by short term thinking, outcomes, or measurements. In the end our decisions are designed to achieve the best long term outcomes for all stakeholders, whether that be our customers, our business partners, our staff, or you, our valued shareholders.

So how do we bring this to life? What do we do in practice that demonstrates this commitment to strategy and to being sustainably successful? There are many but the key elements to me are as follows:

- We don't speculate on land in terms of zoning or similar approaches.
- A critical aspect of our land bank is our geographic diversity.
- We focus on traditional housing customers, especially in terms of the affordable part of the market.
- We are an integrated developer that is able to offer completed housing product on our own land.
- In the main, we are a horizontal developer (as opposed to a vertical apartment developer) able to learn and adjust project construction as we go. Having said that we offer a diverse product mix by investing in medium rise apartments in traditional housing areas.
- We continue to invest in the AVJennings brand to build on the tradition and trust the brand stands for.
- We take a conservative approach to risk, especially in terms of appropriate funding and liquidity levels.
- And we continue to focus on community – after all that is why we exist.

All of these points are critical to the success of our business, but we know we can only achieve our goals if we have the right people, both in terms of skills and values.

We aim to provide an inspiring and fair workplace. One that is respectful and diverse. We will continue to invest in our people and back them in their decision making to do the right thing, taking into account the interests of all stakeholders.

There is no doubt market conditions have been solid and the outlook is positive. But instead of purely riding that wave, I believe we have made sensible and important progress in each of the areas I have mentioned that will continue to strengthen the Company in the long term.

This has, and will, continue into the current financial year. In fact, the current financial year is likely to be one of the most important foundation years for some time.

For example, in the 2016 financial year we started one new project but saw the end of a number of projects.

In the current year we have or will start seven additional projects. Virtually none of these will contribute to results in the first half and most will have limited impact on the full year. But the work done this year is vital to the long term success of the Company.

Frustratingly, delays in getting some of the projects underway has been due to a slow planning approval process.

While significant numbers of apartment projects have been commenced and completed in a particular state, one of our major new projects has been held back by planning delays.

The relevant State Government included the land for this project in an expanded Urban Growth Area in August 2010.

Along with our neighbours we have invested significant funds and held countless meetings with the State Planning Authority, and as I stand here today, we are still waiting for approval to apply for a permit, let alone turn the first sod of soil.

A six year process is too long and unacceptable, particularly when compared with the number of apartment completions in the same time period.

This type of issue is indicative of governments around Australia, in fact in some jurisdictions, the problem is even worse.

Our Chairman has detailed the results for the previous year and I hope I have adequately explained our strategies that will deliver long term success.

However, it would be remiss of me not to address the short term as we need to react to market conditions along the journey. Our management team uses the experience gained across many different cycles to ensure we adopt the correct actions to meet current market conditions.

I am pleased to say we see a very positive outlook in relation to the traditional housing markets.

So much media attention has been on the recent high levels of apartment construction. However, this has done little to meet the needs of traditional housing requirements and overall, there remains an under supply in the traditional housing markets.

Our population continues to grow each year and along with it, new housing needs also grow.

Against this basic fundamental of undersupply, we see other economic factors as being favourable. The low interest rate environment is stable, as are employment conditions, and population growth remains positive.

We have backed this with investment in production levels and continued to replenish our land bank.

More specifically, we see ongoing strength in New South Wales, Queensland and Victoria. South Australia remains subdued but some positive signs are emerging, while in the west, the Company has no immediate plans to increase its relatively small investment in Perth.

In summary, barring any significant event which negatively impacts on consumer confidence, we believe market conditions will remain relatively similar to the previous year. From an AVJennings point of view, timing of our new investments and the completion of older projects will create a bias towards the second half of the 2017 financial year and provide a great platform for even better outcomes in 2018 and beyond.

Of course many people have been involved in achieving results to date and in setting us up for the future.

To our Chairman, Simon Cheong, and the Board, thank you for your continuing wisdom and unwavering commitment to a long term strategy. Many would be spooked by short term sentiment into hasty decisions but the AVJennings Board remains resolute in its belief that remaining strategic is what enables sustained success.

To the wonderful team at AVJ, thank you for your continued dedication and hard work. We are united in our purpose that housing matters and community matters and every day I see how committed our people are to that purpose and our values.

To our business partners, thank you for your continued support. You play a crucial part in our ability to deliver quality, affordable housing.

And, to you our shareholders, my sincere thanks for your investment in our Company. I hope you are not only pleased with the results for the last financial year but that you are also pleased to have invested in a Company that has a strategy for sustained success.

In conclusion, the 2016 financial year was a positive one for the Company. We see traditional housing markets and relevant macro-economic conditions continuing to be positive. We have maintained a solid land bank of in excess of 10,000 lots, increased the diversity of our product offerings and continued to invest in key aspects of our business.

Finally, the commencement of 7 new projects will provide a great base for future years.

ENDS