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CEO & Managing Director's Address

Devine Limited

2015 Annual General Meeting

27 May, 2015 – 10.30am



Thank you Peter and welcome shareholders, staff and partners.

At our last AGM we provided detail on what our strategic response would be to the disappointing result in 2013. I am happy to report that as a result of effectively implementing those strategies the Devine business is now stronger, more profitable and well positioned to achieve sustainable growth over the medium and long term.

Our response over the last year has resulted in significant transformation.

- We have implemented a comprehensive asset recycling program that reduced our debt by nearly \$80 million;
- Exited totally or reduced our exposure to a number of marginal projects;
- Accelerated the trade out of impaired projects; and
- Implemented a range of structural and operational changes to reduce overheads.



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The pathway has continued into the current year with recent announcements regarding a re-positioning of our housing business and a new alliance with Daikyo, one of Japan's largest developers.

The impact of the reforms throughout last year was evident in the Company's stronger financial performance.

2014 RESULTS SUMMARY

Transformation has been the theme behind the 2014 result

- Revenue from operations: \$333.5 million
- Net profit before tax: \$10.0 million
- Total assets (at December '14): \$388.3 million
- Gearing*: 15.4%
- Operating cashflow: \$46.7 million

- Trading Highlights:
 - Land settlements: 857 allotments
 - Housing starts: 609 starts
 - Apartment settlements: 102 apartments

- Major construction workbook: \$183 million



*Gearing is defined as (Interest bearing & non-interest bearing debt - cash held) / (total assets - cash held)

We reported a pre-tax operating profit of \$10 million, including the impact of \$1.6 million of costs related to the sales process, with total revenue of \$333.5 million. Revenue was generated primarily from more than 850 land settlements, more than 600 housing starts and a much strong contribution from the Company's in-house construction business.

Total assets as at 31 December 2014 were \$386.7 million with gearing reduced to its lowest level in many years at 15.4%. Our operating cash flow was strong at \$46.7 million, compared to \$3.6 million in outflows for the previous period.

Our Communities business benefitted from a strong increase in sales in the second half from areas of Victoria and Queensland. Our apartments business recorded 136 settlements for the year with the first settlements at DoubleOne3 and final settlements at Hamilton Harbour.



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During the year we also completed the sale of our interest in an apartment project site at Parramatta in Sydney, realising an uplift in value. The sale and settlement of this site added to the return of capital to the business that was achieved also via the settlement of the Camelot development site in Brisbane; the KSD1 building, where we sit today, and the Central Retail building across the street.

Our construction business continued to increase its penetration into the apartment construction market in Brisbane and was successful in winning two new contracts during the year. The new contracts will help maintain a strong pipeline of work once current projects are finished. Following the completion of DoubleOne3 the construction business is currently working on five projects throughout Brisbane.

Current Year Performance

TRADING PERFORMANCE

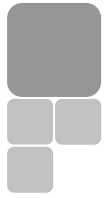
Sales momentum provides a solid basis for 2015 result

- Pipeline of FY2015 settlements secured: 55%
- Land sales (January to April) : \$43 million
- Home under construction: 230 homes
- Homes construction pipeline: 130 homes
- Apartment settlement pipeline: \$53 million
- Major construction work-book: \$220 million



I am pleased to confirm that the momentum established in 2014 has continued into the current year with the improving markets we experienced towards the end of last year continuing into the early months of this year.

The sales we carried into the current year are transitioning to completion and enquiry and new sale levels are encouraging.



As at the end of April the Communities business had a secured settlement pipeline that represented approximately 55% of our full year target. Year to date the Company has written more than \$43 million in new land sales with strong sales demand continuing across a number of the Company's projects.

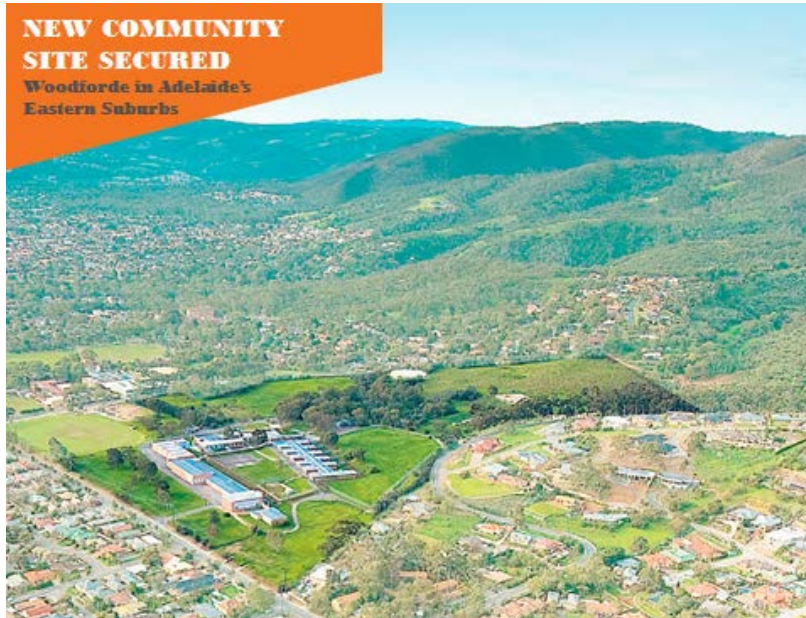
We continue to trade through our impaired projects and where achievable are improving our sales rates and revenues. Impaired projects that have a zero margin will continue to impact our headline earnings, but generate positive cashflow returns.

Though the decision has been made and the actions implemented to modify the focus of the Company's housing business, the Company has committed to do the right thing by its clients. As at April Devine had more than 230 homes under construction, with a further pipeline of approximately 130 homes to be delivered by the end of 2015. No further contract homes will be added to this pipeline, however our focus to deliver increased volumes of medium density housing solutions will be maintained.

By nature of the timing for the completion of projects, the Apartments Business will not be achieving high settlement volumes in 2015. However the Company's apartment settlement pipeline currently exceeds \$53 million in future settlement proceeds.



Communities Update



Over recent weeks the Company has formalised its contract to secure a new 300-lot development on a 19ha site at Woodforde in Adelaide's eastern suburbs. The project is being undertaken in joint venture with Starfish Developments and is expected to deliver more \$150 million in sales over the life of the project. This project is scheduled to launch to the market later this year.

In early April we also launched the Eden's Crossing community at Redbank Plains. The 912-lot community will be built on a site adjacent to our Mountview development. It is expected to realise gross sales of more than \$350 million and be home to more than 3,000 people.

In the last year the Company had completed sales at three separate projects, including the 600-lot Edenbrook community in Victoria, the Woodvale community at Burpengary and the Lakeside project at Andrew's Farm in South Australia.



Apartments Update



Our apartments business continues to build momentum with a number of active projects and a strong pipeline of new projects currently under control.

The \$82 million Mode Apartments project at Newstead has now commenced construction and 115 of its 157 apartments have been sold to date. In an important milestone for the company we announced last week that Mode would be the first project under a new alliance with Japanese developer Daikyo Incorporated. Together with Daikyo we will investigate further opportunities to undertake apartment and mixed-use projects in Australia.

The alliance brings together a number of complementary skills that will allow us to consider a broader range of opportunities. We are already investigating a second project as part of the alliance.

Construction Business Update

Devine Constructions has continued to extend its reach into the apartment construction market in Brisbane being successfully awarded two new construction project contracts with external clients last year.



These projects, along with the Devine's Mode Apartments project, provide 570 additional apartments to the business unit's delivery pipeline, and with the addition of the Mode apartment project brings the construction 'work in hand' to more than \$220 million.

Housing Business

I would now like to briefly expand on Peter's comments regarding the housing business.



As you many of you are aware the housing business has been delivering poor financial outcomes for some time. In 2014 this part of the business recorded losses of \$4.8 million, and \$7.5 million in the six months before that. While we have implemented a range of new strategies and structures to improve performance over recent years the recovery was much slower than we had hoped for.



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The slow pace of recovery prompted us to consider more fundamental changes that we subsequently rolled out across the business in April.

The change will see Devine cease operations in the marketing, sale and delivery of contracted or packaged detached homes; instead, we will focus our resources and expertise on growing our medium density and integrated housing operations. We will also continue to provide limited 'wholesale' building services to select clients.

To date the integrated, medium density housing solutions we are now focused on have been enthusiastically received by the market and all regions and points to a prosperous, profitable future for the new look housing business.

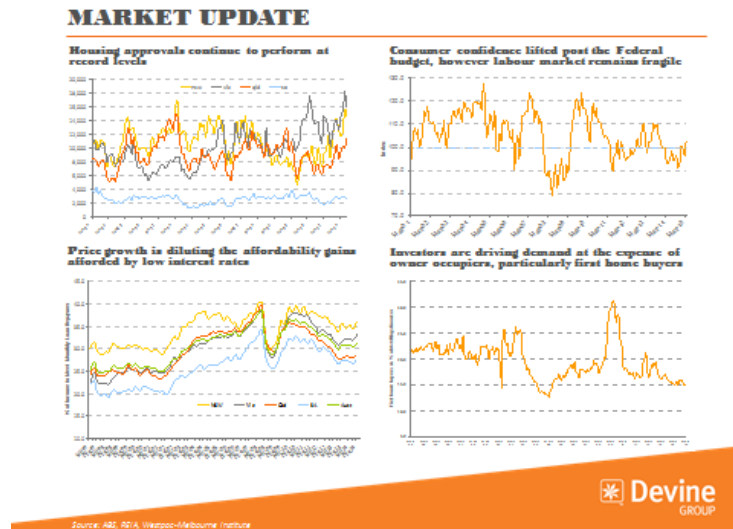
This decision will have some short-term implications, however, I am confident the re-positioning of the housing business will ultimately help to build a stronger, more sustainable business. The losses year to date in housing together with the re-structure costs will impact our half year results.

Whilst we are trading in-line with our budgets and positive contributions are being recorded in our communities, apartments and construction business, there is a weighting to the second half with our earnings profile, as construction of various stages complete enabling settlements to take place.



The Market

I would like to now briefly address the market where we operate.



The strength of certain sectors of the residential property market has been well reported in recent months. Low interest rates and strong demand from local and offshore investors is having an impact on demand in some markets, particularly inner city apartment markets on the east coast. Annual dwelling approvals remain at record levels, with supply shortages coupled with population growth driving demand particularly in Sydney, Brisbane and to a lesser degree Melbourne.

Sentiment among owner-occupiers, particularly first home buyers remains relatively benign. While investors are buoyed by record low interest rates, owner occupiers and first home buyers remain cautious by nature of the broader economy and job security.

We anticipate that to the market generally will need to record some further improvements in consumer confidence before we see the owner occupier market make increase significantly.



Outlook



The last 18 or so months have been a defining period for Devine. We have identified and addressed a range of fundamental, structural deficiencies that were having a negative impact on the performance of the business.

We have reduced our debt, streamlined and re-focused our operations, retired or traded out of poorly performing divisions and projects and identified a range of new growth opportunities. With our 2014 financial results we have seen the first real benefits from these decisions.

While the new year has started well and market conditions continue to improve the process of transformation has not finished. The Company still carries a number of impaired projects that combined comprise about 40% of our future development pipeline. Where we cannot exit these projects through a whole or partial sale we are focused on trading through them as quickly as possible.

These impaired assets will continue to be drag on earnings until such time as they have been completely sold.

The improvement in the business has occurred despite the distraction and significant resources required as a part of the company sale process.



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This process has also inhibited our pipeline of new opportunities. Our decision to terminate this process now will enable the business to move forward confidently.



Our strategic priorities continue to evolve with the business and the market.

These priorities for the coming year include;

- Continuing to recycle capital from low margin, long-term projects, into higher margin, short horizon projects
- Growing our apartment development pipeline
- Bedding down the overhaul of the housing business; and
- Securing further external business for our commercial construction business.



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Based on the current levels of sales and the likely impact from expenses associated with the housing business restructure, we expect to deliver a profit before tax in the current year of between \$10 million and \$13 million.



In concluding I would also like to thank the staff and senior management for their efforts over the last 12 months in sometimes trying and uncertain times. It is only through their commitment to building a better business that we have been able to achieve so much.



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I would also like to take the opportunity to acknowledge the guidance and support of Peter and the Board over the last year and wish our departing Board members all the best in the future.

Finally, thank you to you our shareholders for your continued support of the company.

David Keir

Managing Director and CEO