

24 February 2012

- Statutory net profit of \$8.7 million, down 61%
- Statutory earnings per share of 2.7 cents, down 64%
- NTA per share of \$1.48^{1,2}
- 870 lots sold (down 26%) and 872 lots settled (down 22%)
- A total of 1,053 contracts on hand as at 31 December 2011
- Gearing³ at 38.8% as at 31 December 2011
- \$57.1 million in cash and undrawn cash facilities

Peet Limited today announced a net profit after tax for the half-year ended 31 December 2011 of \$8.7 million.

Peet Managing Director and Chief Executive Officer, Brendan Gore, said the decrease in net profit after tax compared with the previous corresponding period was due to difficult property market and economic conditions.

“The Group’s strategic response to first half market conditions has been to preserve capital, reduce costs across the organisation and position ourselves to respond effectively to improved conditions,” he said.

As at 31 December 2011, there were 1,053 contracts on hand with a gross sales value of \$278.7 million. This represents a 6% decrease in the number of lots under contract and a 3% decrease in the value of those lots when compared to 30 June 2011. Approximately 70% are due to settle before the end of the 2012 financial year.

Despite the challenging conditions in recent years, the Group’s future performance and growth will be underpinned by the strategies being implemented, and activities being undertaken, to fundamentally reposition Peet with quality, long-term projects and strong, quality capital partners. These investments in future growth include:

- the acquisition of a 50% share in a 13,000-lot project in Flagstone in South East Queensland (which settled during 1H12);
- the establishment of a partnership with the Future Fund which involves the acquisition and development of broadacre residential land in growth areas across Australia; and
- entering key project management agreements on larger-scale projects with the Western Australian State Government and Defence Housing Australia.

¹ Net tangible assets (adjusted for market value of inventory as at 30 June 2011; subsequent development costs incurred; and settlements achieved)

² Does not account for value of Funds Management business / earnings

³ (Total interest bearing liabilities (including deferred payment obligations) less cash) / (Total assets adjusted for market value of inventory less cash, less intangible assets)

“Peet will continue to identify opportunities to expand its land bank under its funds management model, while focussing on stringent capital management and debt reduction in the next phase of its growth strategy,” said Mr Gore.

Operations

Peet has quality, low-cost product targeted at the affordable end of the market available in the key states of Western Australia, Queensland and Victoria, and continued to offer a range of product including a greater proportion of smaller lots at attractive price points.

Peet recorded 870 lot sales and 872 settlements for the first half of the 2012 financial year, with sales down 26% and settlements down 22% on the previous corresponding period.

The Group's net EBITDA margin for the first half was 29% compared with 42% for the previous corresponding period. This was significantly impacted by the lower settlement revenue from higher-margin Company-owned projects including Craigieburn and Greenvale in Victoria in particular.

Capital management

Peet has acted prudently in challenging conditions to protect its balance sheet and manage its quality asset base in line with its longer-term, strategic growth plan.

At 31 December 2011, Peet had interest-bearing debt, net of cash, of \$291.1 million and \$57.1 million in cash and undrawn cash facilities. The weighted average cost of debt for the half-year was 8.6% (including margins and interest on convertible notes) which represents an increase of just under 0.6% compared with the previous corresponding period. At 31 December 2011, 78% of the Group's interest bearing debt was hedged resulting in an average hedge maturity profile of 3 years.

Cash flow in 1H12 was impacted by a range of factors including settlement on the 50% interest in the Flagstone City project in South East Queensland, upfront development expenditure on a number of new development projects, as well as delayed settlement revenue due to title delays associated with inclement weather on the east coast.

Sales and settlements at these large-scale projects, including the high-margin Company-owned Craigieburn and Greenvale projects in Victoria, have now commenced. Titles which had previously been delayed are now progressively being issued, resulting in a weighting of settlements to the second half of the 2012 financial year. The revenue from these settlements, along with revenue from non-core asset and super lot sales and ongoing cost reductions, will contribute to an improved operating cash flow position during 2H12.

Dividends

As indicated in Peet Limited's November 2011 announcement to the market, any dividend to be paid in respect of the 2012 financial year will be paid as a final dividend.

However the Board is cognisant of the challenging domestic and global economic conditions and their impact on capital markets and will take these factors into account when determining any final dividend for the 2012 financial year.



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Outlook

Peet expects conditions to remain challenging throughout 2H12 as a result of continued pressure on the broader Australian economy, tightening credit markets and difficult property markets. However, Peet expects operating earnings for the 2012 financial year to be at the upper end of its guidance of \$15 million to \$20 million.

A significant improvement in consumer confidence is the key to improved trading conditions in the residential market and, while sales volumes have improved since the interest rates cuts in late 2011, it is too early to determine whether the increases might be the start of a more positive trend.

Consumer confidence remains fragile and the residential property market remains cautious as a result of high-profile job losses, most notably in the manufacturing sector; the ongoing threat of higher mortgage interest rates; and general cost of living pressures.

Nonetheless, Peet remains confident in the medium to long-term fundamentals of the Australian property market. There is an increasingly significant structural imbalance between housing supply and demand across Australia – historically low construction activity and finance approvals with a tightening rental market across Australia, whose population is forecast to grow to more than 29 million by 2030.

Peet will continue to address the critical affordability issue with the delivery of a range of lot sizes across its residential estates in a wide range of locations in Australia's key residential growth corridors. The Group's performance will reflect a sound growth strategy and expected steady improvements in the residential property market through the second half of FY12 and into the 2013 financial year. Importantly, Peet's current strategies position it well to capitalise on this recovery.

1H12 Results Presentation

Peet Limited Managing Director and CEO, Brendan Gore, will provide a results presentation via conference call at **11.00am (AEST) on Friday 24 February 2012.**

To participate in the conference call, please dial:

1800 157 000 (for participants in Australia)

or

+61 2 8223 9380 (for other international participants)

(All participants should quote passcode 871 986 84).

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