PEET

Perth
Level 7, 200 St Georges Terrace Perth WA 6000
Telephone (08) 9420 1111 | Facsimile (08) 9481 4712
Email perth@peet.com.au

www.peet.com.au

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# Renegotiation of debt terms

Subsequent to year end the Peet Group has renegotiated the terms of its debt facilities with its Lenders. The renegotiated terms more closely align with the Group's stated strategy to strengthen its balance sheet and reduce debt.

As announced with Peet's FY12 results on 28 August 2012, this strategy consists of the ongoing non-core asset divestment program, improvement of operating cash flows, careful allocation of capital into new projects and a continued focus on improving operating and overhead costs efficiencies.

Although Peet was compliant with all banking covenants under the existing debt facilities, including having maintained significant headroom on its gearing covenants, Peet has considered it prudent to adopt covenants that reflect this strategy.

Peet is pleased to announce that it has agreed the following covenant package:

- No Interest Cover Ratio ("ICR") covenant to apply until 30 September 2013 after which the ICR covenant becomes 1.25 times until 31 March 2014 and 2.25 times thereafter.

- Gearing covenant to step down from 52.5% (including Peet unsecured convertible notes) currently, to 40% by 1 January 2014 in stages.

- Debt facility limit (excluding Peet unsecured convertible notes) reduced to $200 million by 30 June 2014.

As previously advised to the market, Peet is targeting gearing of 35% as at 30 June 2013 and below 30% by 30 June 2014, compared to its reported gearing of 39.7% as at 30 June 2012.

Consistent with our strategy to reduce gearing and our intention to apply the proceeds of contracted sales of non-core assets to retire debt, the Group has reclassified $38 million of drawn debt from non-current to current borrowings.

Additionally, since lodging its Appendix 4E and Preliminary Consolidated Financial Statements in August, the directors have reclassified $23 million in receivables from current to non-current, as a result of extending the term of existing facilities to Peet Syndicates by a further 12 months in June 2012.

**For investor inquiries, call:**
Brendan Gore
Managing Director and Chief Executive Officer
Peet Limited
(08) 9420 1111

**For media inquiries, call:**
Marie Mills
Mills Wilson Communication Consultants
(08) 9228 1999, 0418 918202
mariem@millswilson.com.au