

PEET LIMITED

1H10 Results Presentation

February 2010



SUCCESS THROUGH EXPERIENCE

PEET

1H10 Performance overview

Strong performance across the business

- » Operating results
 - » Operating net profit after tax up 50% to \$21.7m
 - » Revenue increased by 38% to \$98.4m
 - » EPS of 7.3 cents, an increase of 55%
 - » Group EBITDA margin increased from 35%¹ to 39%
 - » More than 1,400 lots sold – up 57% on 1H09
 - » Successful land syndicate capital raising of \$22m completed in November 2009
 - » Balance sheet remains strong with gearing of 33% - remains within target range
- » Performance driven by
 - » Strong underlying drivers in the residential housing market
 - » Peet's exposure to particularly strong markets for affordable housing in Victoria and WA
 - » Improved operating margins
- » Positive outlook
 - » Peet continues to be well-positioned to capitalise on the recovery in the housing market
 - » New projects commencing development

Notes:

1 Pre 1H09 write-downs

Financial and operating performance



Group key financial highlights

- » Group revenue increased by 38% to \$98m
 - » Lot sales of 1,407 - up 57%
 - » Settlements up 42% to 1,292
 - » Significant settlement revenue from high-margin Company-owned projects in Victoria
- » Operating EBITDA of \$38.5m – an increase of 56% compared with 1H09
 - » EBITDA margin increased from 35%¹ to 39%
 - » Operating margins improved across all business segments
- » Operating NPAT of \$21.7m
 - » No impairment of inventory for 1H10
 - » Land values stabilised
- » Earnings per share of 7.3 cents – up 55%
- » Dividend per share of 4.0 cents – up 33%

\$m	1H10	1H09	Var (%)
Revenue	98.4	71.1	38%
EBITDA ¹	38.5	24.8	56%
Operating NPAT ¹	21.7	14.5	50%
Operating EPS (¢)	7.3	6.5	12%
Statutory NPAT	21.7	10.5	106%
Statutory EPS (¢)	7.3	4.7	55%
DPS (¢)	4.0	3.0	33%
Gearing ² (%)	33%	45%	(27)%

Notes:

1 Pre 1H09 write-downs

2 $(\text{Bank debt less cash}) / (\text{total assets adjusted for market value of inventory less land vendor liabilities and cash})$

Group operating performance

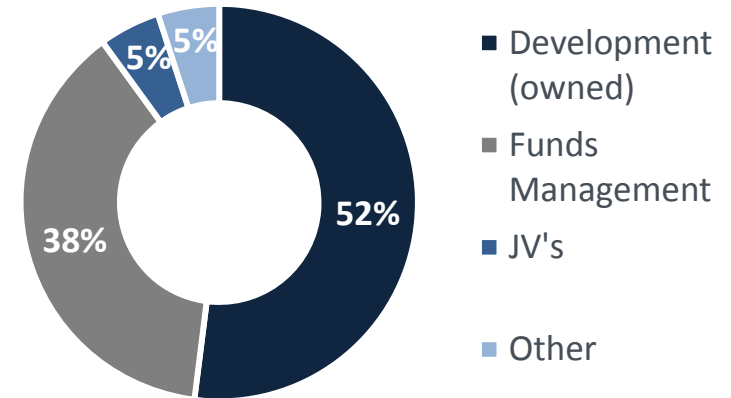
Key performance statistics

\$m	1H10	1H09	Var (%)
Revenue	98.4	71.1	38%
Operating expenses	59.9	46.3	29%
EBITDA ¹	38.5	24.8	56%
Net EBITDA margin	39%	35%	11%

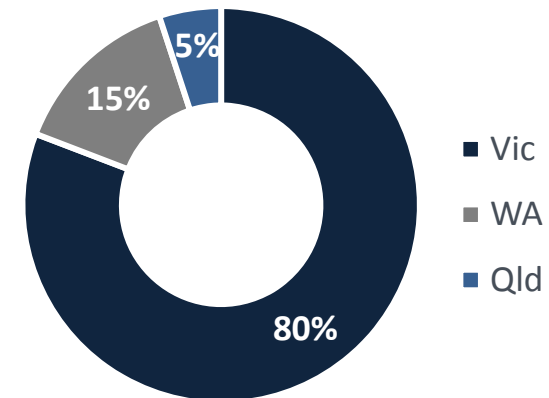
Key operating statistics

	1H10	1H09	Var (%)
Lot sales	1,407	898	57%
Lot settlements	1,292	907	42%
No. of lots under contract at 31 Dec	1,172	934	25%
No. of syndicates/JVs contributing to profit	18	17	12%
No. of owned projects contributing to profit	10	12	(17%)

1H10 EBITDA composition by business type¹



1H10 EBITDA composition by geography¹



Note:
1 Pre 1H09 write-downs

Development operating performance

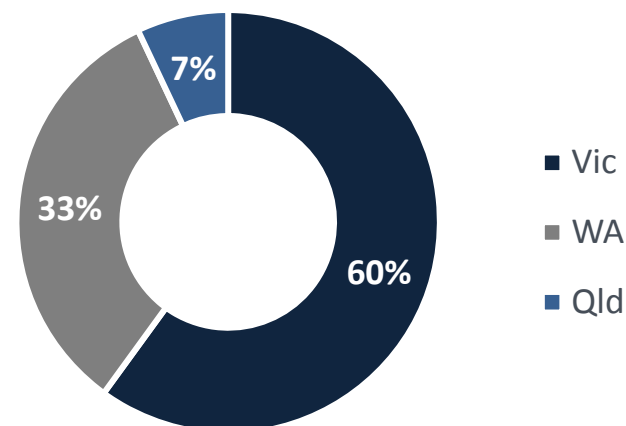
Key performance statistics

\$m	1H10	1H09	Var (%)
Revenue	67.9	48.8	39%
Operating expenses ¹	48.0	37.9	27%
EBITDA ³	19.9	10.9	83%
Write-down in Inventory ²	0.0	5.7	(100)%
Net EBITDA margin ³	29%	22%	32%

Key operating statistics

	1H10	1H09	Var (%)
Lot sales	342	197	74%
Lot settlements	222	241	(8)%
No. of lots under contract at 31 Dec	327	204	60%
No. of owned projects contributing to profit	10	12	(17)%

1H10 revenue composition by geography



- » Significant settlement revenue from high-margin Company-owned projects in Victoria
- » Lots under contract increased by 60%

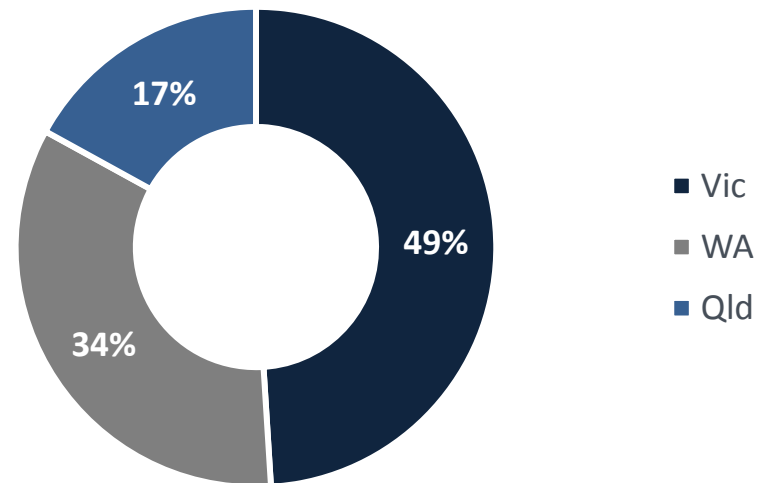
Notes:

- 1 Excludes interest and finance charges amortised through cost of sales
- 2 Pre-tax
- 3 Pre 1H09 write-downs

Composition of development pipeline

- » Targeted towards affordable home-buyer market
- » Land bank located in strong markets
 - » Strong presence in Vic and WA
- » Pipeline has been strategically repositioned towards eastern states over the past five years
- » High exposure to the robust Victorian residential market
- » Up to four new Company-owned projects coming to market during CY10

Geographic composition of Company-owned land bank by value



FM operating performance

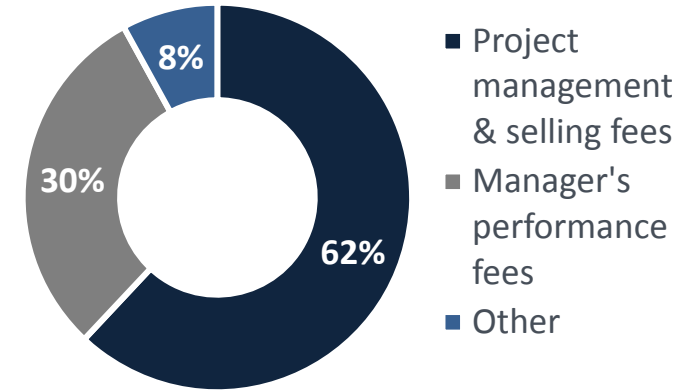
Key performance statistics

\$m	1H10	1H09	Var (%)
Revenue	18.6	15.6	19%
Operating expenses	4.1	3.9	5%
EBITDA	14.5	11.7	24%
Net EBITDA margin	78%	75%	4%

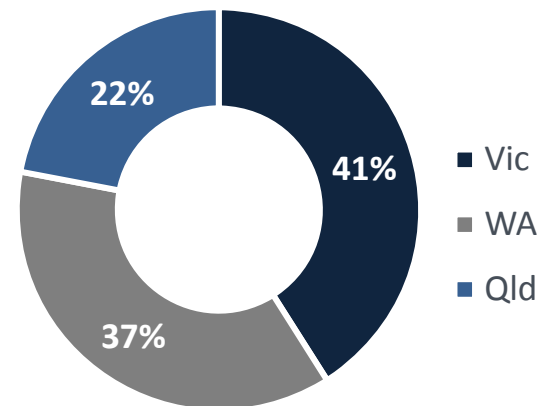
Key operating statistics

\$m	1H10	1H09	Var (%)
Lot sales	920	647	42%
Lot settlements	920	627	47%
No. of lots under contract at 31 Dec	762	676	13%
No. of syndicates contributing to profit	16	15	7%

1H10 FM revenue composition by type



1H10 FM revenue composition by geography



JV operating performance

Key performance statistics

\$m	1H10	1H09	Var (%)
Revenue	9.4	5.5	71%
Operating expenses	7.4	4.5	64%
EBITDA	2.0	1.0	100%
Net EBITDA margin	21%	18%	17%

- » Significant increase in lot sales from joint venture projects
- » Earnings from joint ventures were up due to increased margins and settlements

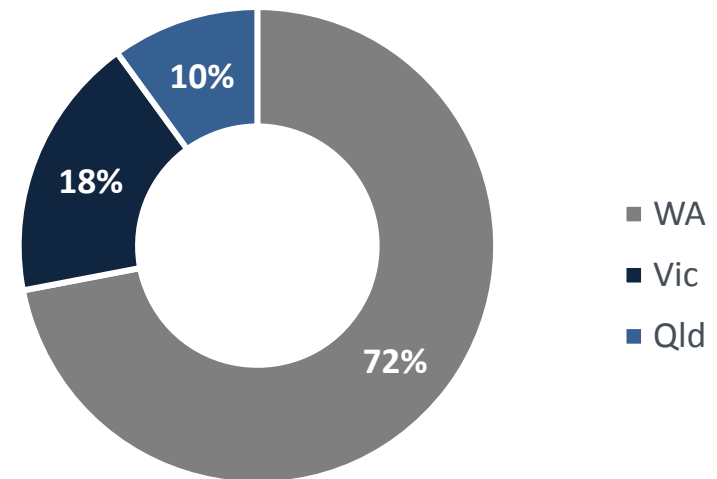
Key operating statistics

\$m	1H10	1H09	Var (%)
Lot sales	145	62	133%
Lot settlements	150	39	285%
No. of lots under contract at 31 Dec	83	54	54%
No. of JV projects contributing to profit	2	2	0%

Composition of FM and JV managed pipeline

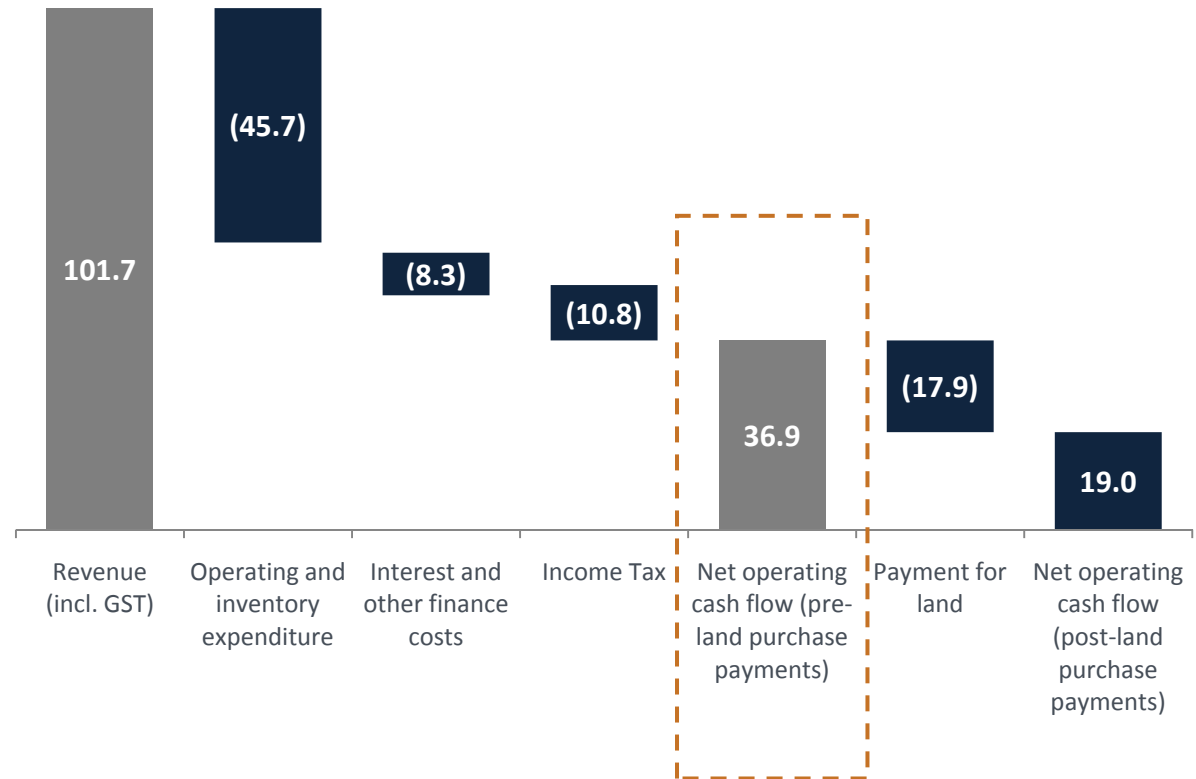
- » Funds management business is well positioned
- » Growth in revenue to come from:
 - » Commencement of development of three existing syndicated projects to contribute to earnings in CY10
 - » Increased profit shares on more recently established syndicates
- » Alkimos contributing to revenues in 2H10 and beyond
- » Land bank located in right growth markets
 - » WA, Vic and Qld
- » Targeted towards the affordable market

Geographic composition of land bank by value



Cash flow analysis

- » Operating cash flow influenced by focus on
 - » Working capital optimisations – i.e. tighter inventory management resulting in release of capital
 - » Cost conscious management
 - » Fewer cancellations of lot sale contracts



Capital management

- » Core debt facility of \$250m extended for a further three years to October 2012
 - » No debt maturity until July 2011
- » Compliant with all debt covenants
- » DRP for first half dividend – 4 cents per share fully franked

	31 Dec 09	30 Jun 09	31 Dec 08
Weighted average debt maturity	2.4 years	1.3 years	1.8 years
Weighted average hedge maturity	4.6 years	5.1 years	1.8 years
Debt fixed/hedged	88%	65%	33%
Weighted average cost of debt ¹	6.3%	5.9%	6.9%
Net debt	\$184m	\$184m	\$273m
Gearing ²	33%	34%	45%
Interest cover ³	4.1x	2.7x	3.3x

Notes:

1 Including all costs, fees and margins

2 (Bank debt less cash)/(assets adjusted for market value of inventory less land vendor liabilities and cash)

3 EBITDA/total interest cost (including capitalised interest)

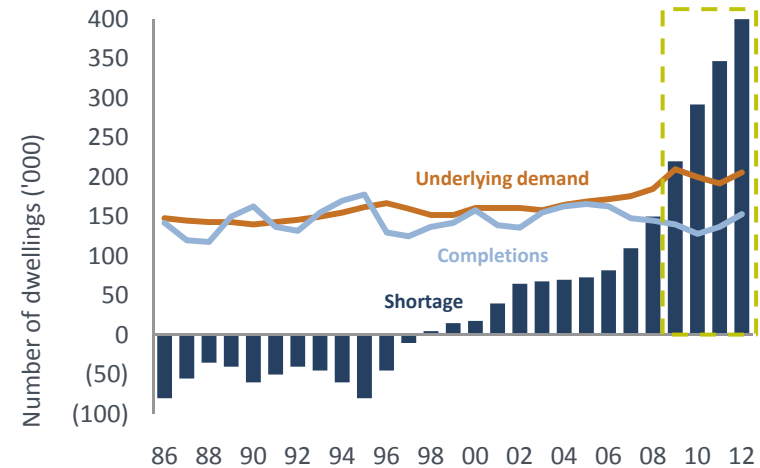
Market outlook



Residential – market outlook

- » Key drivers for residential remain positive – major undersupply of housing & low unemployment
- » Demand in the more affordable market segment expected to be sustained
- » Increased demand from upgraders and investors now apparent, as first home buyer demand normalises
 - » Orderly transition experienced post FHOB

Housing market balance: Australia



Source: ABS, ANZ Economics, Peet Research

KEY DRIVERS

Supply and demand

Population growth

Employment

Interest rates

Lot prices

STATUS

» Market remains in significant undersupply ●

» Strong growth fuelled by immigration and natural births ●





» Unemployment appears to have peaked at moderate levels ●

» Rates at historical lows. Further rate rises may impact affordability ●

» Rate of price growth may moderate in 2H10 ●

Residential – market outlook

- » Melbourne continues to outperform with strong demand supported by affordable land supply and supporting infrastructure
- » Perth has remained relatively resilient – sales rates improving
- » Queensland experienced the largest slowdown – recovery to date has been mild

STATE	MARKET COMMENTARY	
Victoria	<ul style="list-style-type: none"> » New land releases support supply of affordable land to meet demand » High level of domestic and offshore migration underpinning demand 	
Western Australia	<ul style="list-style-type: none"> » Positive outlook due to improving resource sector and limited new supply 	
Queensland	<ul style="list-style-type: none"> » Increasing development charges and legislation/policy changes expected to constrain new affordable supply in the short-term » Investment environment becoming challenging 	
New South Wales	<ul style="list-style-type: none"> » Pent up demand, but supply constrained due to high development costs » Affordability will remain an issue in medium-term 	

Australian economic fundamentals

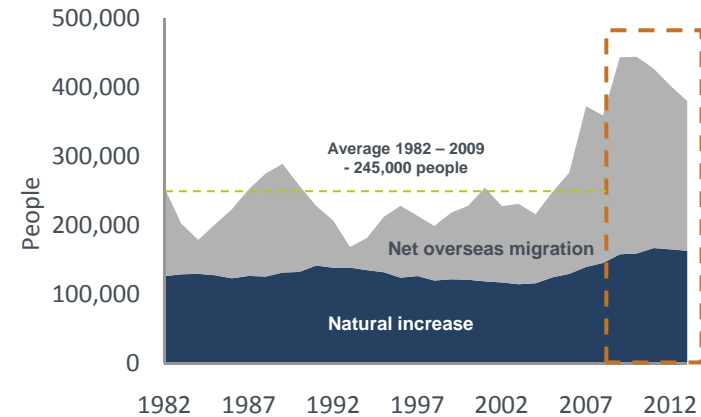
Several signs that the worst is over

- » Unemployment rate remained below 6%
- » Population continues to grow, while building supply falls far short of demand

Medium and long-term fundamentals for residential land remain compelling

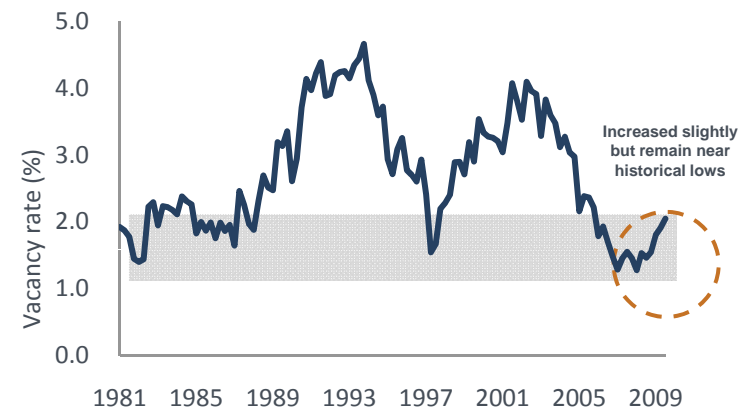
- » Current housing stock deficiency in all states likely to increase due to
 - » Overseas migration / population growth
 - » Decline in production due to lack of credit / planning and environmental constraints
- » Increasing rental yields and low residential vacancy rates likely to underpin future residential demand for owner occupiers and investors

Population growth



Source: ABS, Access Economics, UBS, Peet Research

Vacancy rates



Source: ABS, UBS, Peet Research

Pipeline mix

- » In excess of 33,000 lots under management with end value of \$6.7 billion¹
- » Pipeline weighted towards strongest markets (Vic and WA)
- » Focus remains on the affordable market segment
- » A total of 75 Company-owned and managed projects across Australia
 - » 29 syndicated projects – 16 currently under development, with a further 13 in planning pipeline
 - » 38 Company-owned projects – 10 currently under development, with a further 28 in planning pipeline
 - » 8 managed and joint venture projects – 4 currently under development and 4 in planning pipeline

Note:

¹ Calculated adopting current average lot sales prices

Scale and diversification

- » Strong market position especially in metropolitan regions in VIC & WA
- » Sizeable land bank creates scale benefits

Western Australia



Victoria



Queensland



Strategy



Strategy

- » Peet's strategic priorities remain
 - » Core 'affordable market' – with a range of product at affordable prices
 - » Focused businesses of residential development and funds management
 - » Continuing expansion of retail syndication platform nationally
 - » Maintain strong balance sheet to be able to take advantage of value-adding opportunities
 - » Maintain a commitment to being environmentally responsible across its operations
 - » Remaining proactive and prudent with capital management by releasing capital from its land bank resulting in improved operating cash flow and maintain gearing levels within target range
- » Peet will continue to responsibly identify and explore growth opportunities in line with strategic objectives, building on a quality asset base

Key messages

Peet is well positioned to capitalise on the recovery in the housing market

- » Solid operating performance in challenging trading conditions
- » Entering second half with solid operating cash flows underpinned by:
 - » 1,172 lots under contract (\$234.7m) at December 2009; 12% increase in lots and a 20% increase in contract value compared to June 2009
- » Significant land bank with average age of 6.1 years
- » In the right markets with the right product – affordable housing in Victoria and WA
- » A number of new projects coming to market over the next 12 months – subject to market conditions
- » Well placed through market leadership and balance sheet to take advantage of opportunities
- » 1H10 dividend of 4 cents per share fully franked

Appendix: Additional information



Summary income statement

\$m	1H10	1H09	Var (%)
Funds management	18.6	15.6	19%
Development	67.9	48.8	39%
Other ¹	11.9	6.7	78%
Revenue	98.4	71.1	38%
EBITDA (pre inventory write-downs)	38.5	24.8	56%
Finance costs ²	(5.9)	(3.6)	64%
Depreciation and amortisation	(0.6)	(0.3)	100%
NPBT (pre-inventory write-down)	32.0	20.9	53%
Income tax expense	(10.3)	(6.4)	61%
Operating NPAT	21.7	14.5	50%
Operating EPS (cents)	7.3	6.5	12%
Adjustments for inventory write-down (net of tax)	0.0	(4.0)	(100)%
Statutory NPAT	21.7	10.5	106%
Statutory EPS (cents)	7.3	4.7	55%
Statutory DPS (cents)	4.0	3.0	33%

Notes:

- 1 Includes joint ventures and interest/dividend income
- 2 Finance costs includes interest and finance charges amortised through cost of sales

Summary balance sheet

\$m	31 Dec 09	31 Dec 08
Assets		
Cash	42.8	26.9
Receivables	53.0	24.4
Inventories	409.3	461.9
Investments accounted for using the equity method	32.1	29.8
Other	24.4	3.9
Total assets	561.6	546.9
Liabilities		
Trade and other payables	23.9	20.4
Land vendor liabilities	61.8	75.8
Interest bearing liabilities	226.4	300.3
Other	25.2	25.3
Total liabilities	337.3	421.8
Net assets	224.3	125.1
Gearing ¹ (%)	33%	45%

Note:

1 (Bank debt less cash)/(total assets adjusted for market value of inventory less land vendor liabilities and cash)

Business model

High margin business with operating synergies across divisions

	Target EBIT margin	Capital employed ³	Land bank	Operations
Funds Management¹ <i>56% of EBIT²</i>	65-75%	\$115m	Lots: 18,191 GDV (\$bn): 4.1 No. of projects: 37	» Acquisition » Development management » Marketing » Sales management » Funds management
Development <i>43% of EBIT²</i>	25-35%	\$428m	Lots: 15,001 GDV (\$bn): 2.6 No. of projects: 38	» Acquisition » Development management » Marketing » Sales management
Total / avg.		\$561m ⁴	Lots: 33,192 Years supply: 14 ⁵ GDV (\$bn): 6.7 No. of projects: 75	<i>Significant synergies across divisions</i>

Notes:

- 1 Includes joint ventures
- 2 3-year historical average, unweighted; Other = 1%

- 3 Balance sheet assets at cost as at 31 December post write-downs
- 4 Includes \$18m of unallocated assets
- 5 Based on current level of sales

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