

24 February 2011

Solid result for Peet

- Increase in operating net profit after tax to \$22.2 million
- Revenue of \$98.7 million
- Earnings per share increased to 7.4 cents
- EBIT margin of 41% - compared to 39% in the previous corresponding period
- Increased EBIT across all business segments
- Interim dividend of 4.0 cents per share
- Group sales of 1,179 lots for a gross value of \$256.7 million
- A total of 1,248 contracts on hand at 31 December 2010 for a gross value of \$311.2 million
- Gearing at 28.7%¹

Peet Limited today announced an operating net profit after tax of \$22.2 million for the half-year ended 31 December 2010.

Managing Director and Chief Executive Officer, Brendan Gore, said the Group achieved a sound result with good price and margin growth, particularly in Victoria, where a large number of Peet's owned and managed projects are located in urban growth corridors.

"The performance reflects good contributions to pre-tax earnings from all business areas resulting from an increase in the weighted average sales prices of lots over 1H10, and ongoing operating cost efficiencies," Mr Gore said.

The Group recorded a 7% increase in EBIT over the previous corresponding period, to \$40.5 million, and its EBIT margin increased to 41% for the period.

"The geographic diversity of the Group's land bank, around a third of which sits in growth corridors in the more robust Victorian market, remains a key strength and means Peet has the flexibility to respond to variations in the market in different states with of range of quality, competitively priced land."

Total sales of 1,179 lots were recorded during the period across the Group's owned and managed projects. This was down on the previous corresponding period, resulting largely from a reduction in first homebuyer activity and the deferment of projects into the second half as a result of delays in planning and development approvals processes.

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

However, the reduction in the number of sales was, in part, offset by a 7% increase in the weighted average price of lots sold during 1H11, on the back of continued activity in the market from investors and upgraders. The gross value of sales across the Group during 1H11 totalled \$256.7 million.

At 31 December 2010, Peet held 1,248 contracts on hand (up 6% on 1H10) with a gross sales value of \$311.2 million. This included 940 contracts on hand in syndicated projects, with a total gross value of \$241.0 million.

The Group's 1H11 profit was derived from 27 projects across Australia, one fewer than in the previous corresponding period. Up to seven new projects are scheduled to be launched across the country during 2H11. Five of these are managed projects in Victoria, Western Australia and Queensland and two are Company-owned projects in Victoria and Western Australia.

Peet's land bank, as at 31 December 2010, stood at 37,100 lots with an estimated on-completion value of \$6.9 billion.

Land portfolio metrics

	1H11	1H10	Change
Lot sales	1,179	1,407	(16%)
Lot settlements	1,125	1,292	(13%)
Contracts on hand as at 31 December	1,248	1,172	6%
Syndicates / JVs contributing to earnings	18	18	
Company-owned projects contributing to earnings	9	10	

Capital management

At 31 December 2010, Peet had interest bearing debt, net of cash, of \$202.9 million. Gearing² decreased further during the period to 28.7%.

The average cost of debt for the period ended 31 December 2010 was 8% (including margins). As at 31 December 2010, 88% of the Group's interest bearing debt was hedged resulting in an average hedge maturity profile of 3.6 years.

The weighted average debt maturing profile at 31 December 2010 was 2.3 years, compared with 1.9 years at 30 June 2010.

Peet continued to comply with all of its debt covenants during the half-year.

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



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Group outlook

The fundamentals of the Australian residential property sector remain positive, underpinned by expected long term population growth and strong employment conditions. However, continued affordability pressures which could be compounded by further mortgage rate rises during the year, is expected to moderate demand in the short term.

“Peet will continue to focus on our core strengths and key markets – the lower and middle market segments, which are most likely to benefit from population growth and urban expansion,” said Mr Gore.

“We will continue to address the vexing issue of affordability with a good mix of quality product in key growth corridors and a continuing focus on business efficiency.”

Peet has a small number of projects in Queensland but none was directly impacted by the 2011 Queensland floods or Cyclone Yasi.

“Though too early to accurately assess, it is, however, possible that severe weather conditions and natural disasters in parts of Australia, and particularly in Queensland, could result in additional short-term planning and development delays in that State.”

Positive factors influencing the residential land market in the remainder of the 2011 financial year include a low unemployment environment and wages growth.

Mr Gore said he expected that Peet’s full-year performance would also benefit from a significant number of contracts on hand (1,248) as at 31 December 2010, with a gross value of \$311.2 million.

Dividends

The Directors have declared a fully franked interim dividend of 4.0 cents per share to be paid on 20 April 2011.

The Company’s Dividend Reinvestment Plan (DRP) continues, providing shareholders with an opportunity to acquire additional shares in the Company. Details of the final pricing and terms of the DRP will be communicated to shareholders in due course.

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