

20 August 2009

Peet results show strong response to challenging market

- Increase in revenue of 5.3% to \$176.8 million
- Operating net profit after tax of \$31.2 million (excluding write-down in carrying value of inventories)
- Operating earnings per share of 13.2 cents (pre write-down)
- Final dividend of 4 cps, fully franked – 7 cps, fully franked, for the full year
- Write-down in carrying value of inventories of \$19.2 million, net of tax
- Statutory profit after tax of \$12.0 million
- More than 2,400 Company-owned and managed lots sold – up 6% compared with the previous corresponding period – for a gross value of \$447.0 million
- A total of 1,048 lots under contract as at 30 June 2009, 11.3% more than at the same time last year, for a gross value of \$195.7 million
- Successful institutional and retail capital raising of \$77.7 million completed in May 2009
- Gearing¹ at 34%
- Extension of the maturity date of the Group's core debt facility for a further three (3) years
- Announcement of a new retail land syndicate

Peet Limited today announced an operating profit after tax (excluding write-down in carrying value of inventories) of \$31.2 million for the year ended 30 June 2009.

It also announced its first new syndication in more than a year – the \$22 million Peet Point Cook Kingsford Syndicate – which will purchase a 40.2 hectare property immediately opposite Peet's successful Innisfail Estate, approximately 25 kilometres from the Melbourne CBD.

Managing Director and Chief Executive Officer, Brendan Gore, said that while the full year operating result represented a 36.7% decrease on the previous corresponding period, it represented a solid performance in what had been particularly difficult and challenging market conditions.

"The increase in revenue (up 5.3%) from strong sales, a significant reduction in net debt and relatively low levels of gearing, evidence the underlying strength of Peet's business and its management strategy," said Mr Gore.

"The Group's statutory profit after tax for the year ended 30 June 2009 was \$12 million, which includes a write-down in the carrying value of inventories of \$19.2 million, net of tax. Peet is a specialist residential land developer and more than half of the write-downs were attributable to non-core assets including industrial land holdings," he said.

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

“There were more than 2,400 Company-owned and managed lots sold during the year with particularly strong sales in the second half of the year driven by a range of government incentives for first home buyers, low interest rates and competitive pricing – all contributing to increased affordability,” said Mr Gore.

More than 30 Company-owned and managed projects in Western Australia, Victoria and Queensland contributed to Peet’s revenue in FY09 and the Company is planning to commence development of up to 5 new projects in FY10, including the 3,300-dwelling Alkimos project on Perth’s northern beaches.

As at 30 June 2009, Peet’s land bank stood at 34,400 lots with an estimated on-completion value of \$6.9 billion. This represents more than 15 years’ supply at the current rate of production. More than 18,640 of those lots make up the syndicated and joint venture development pipeline.

“The Group continues to benefit from its geographical diversity and range of titled stock available for its core markets – and new projects getting underway in the year ahead will continue to target first and second homebuyers with a variety of product in quality, master-planned communities,” he said.

Land portfolio metrics

	FY09	FY08	Variation
Lot sales ¹	2,409	2,274	6%
Lot settlements ¹	2,282	2,445	(7)%
Lots under contract as at 30 June 09 ¹	1,048	942	11%
Syndicates / JVs contributing to earnings	18	14	29%
Company-owned projects contributing to earnings	14	10	40%

¹ Refers to Company-owned and managed lots.

The Company’s Net Tangible Assets per share, adjusted for the market value of inventory, was \$1.34 as at 30 June 2009. This measurement reflects assets on the Peet Limited balance sheet but does not take into account the value of the funds management business which, in FY09, contributed pre-tax earnings of \$23 million.

Capital management

- \$77.7 million equity raising
- Reduced gearing to 34%
- Extension of the Group’s core \$250 million Multi Option Facility for a further three (3) years to October 2012
- All other bank facilities extended to July 2011
- An increase in the weighted average debt maturity profile from 2.2 years to 2.8 years
- Group interest cover ratio covenant of 2.7 times, compared to a banking covenant of 2.0 times
- A decrease in the weighted average cost of debt from 7.8% to 5.9% (including margins)

At 30 June 2009, Peet had interest bearing debt, net of cash, of \$184 million, compared with \$224 million at 30 June 2008. Gearing¹ decreased during the period to 34% at year-end (FY08 37%). The decrease was principally due to the \$77.7 million equity raising and despite a pre-tax write-down of inventories of \$27.4 million.

Since year-end the Group has successfully negotiated the extension of the maturity of the Group's core \$250 million Multi Option Facility until October 2012, with all other facilities extended to July 2011. The Group's weighted average debt maturity profile now stands at 2.8 years, compared with 2.2 years at the same time last year.

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

"Peet has moved into FY10 with 100% of total debt secured by its quality asset portfolio, solid operating cash flows and strong banking relationship," said Mr Gore. "We are benefiting from a very disciplined approach to capital management, which will continue in the year ahead."

Dividends

The Board has declared a final dividend of 4.0 cents per share, fully franked, to be paid on 8 October 2009. This brings total dividends in respect of FY09 to 7.0 cents per share, fully franked.

The Board has activated the Company's Dividend Reinvestment Plan, details of which will be communicated to shareholders in due course.

New land syndicate

Peet is preparing for the imminent launch of a new syndicate opportunity with the release of the Peet Point Cook Kingsford Syndicate.

The \$22 million Syndicate will acquire and develop a residential community in the established suburb of Point Cook, some 25 kilometres south-west of Melbourne's CBD. Point Cook is within one of the five growth areas identified by the Victorian Government for Melbourne and this new project will serve a rapidly expanding local population.

Point Cook is within the Wyndham City Council, the fastest growing municipality in Victoria and fourth fastest in Australia. The Kingsford residential community is expected to yield approximately 567 residential lots, with development expected to commence in 2010.

The Product Disclosure Statement will be available to investors in both printed and electronic formats at www.peet.com.au/investing or by calling 9420 1111. Investors are encouraged to take appropriate advice before completing and lodging an application.

The closing date for the Offer, which will be underwritten by Peet, is expected to be 30 October 2009.

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

Strategy and outlook

There are signs that the impact of the Global Economic Crisis on the Australian economy may not be as severe as first thought.

The Group is cautiously optimistic about the year ahead, though challenging conditions are expected to continue for at least the first half of FY10, requiring an ongoing, prudent approach to capital management. Conditions are expected to improve by the start of the 2011 financial year.

Favourable factors underpinning this position include population growth in all key markets; resilience in business and consumer confidence; continued downward revisions of the expected increase in unemployment; a low interest rate environment; the positive impact of government incentives for first home buyers; and improved housing affordability.

Peet's management strategy continues to position it well for the year ahead and expected improved conditions beyond, particularly as demand continues to outstrip supply.

The Group's strategic priorities remain unchanged and are to:

- focus on the core business of residential land development and funds management;
- continue to meet the needs of its core markets – first and second homebuyers – with a range of product at affordable prices;
- remain proactive and prudent with capital management by recycling capital and managing gearing levels; and
- maintain a commitment to being environmentally responsible across its operations.

With credit conditions expected to remain somewhat challenging in the short-term, Peet will continue to constrain development activities where appropriate and indicated by market conditions, and will manage the business prudently, maintaining adequate liquidity levels for the business.

Longer-term indicators underpin Peet's confidence given the sector's sound fundamentals and the Company's underlying strength including a very experienced management team and significant land bank – more than half of which is made up of the Group's syndicated and joint venture pipeline.

“Peet looks forward to meeting the challenges of the year ahead and remaining flexible and responsive to market conditions as they improve towards the end of the financial year,” said Mr Gore.

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