PEET

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asx release

27 February 2009

Results show positive signs for Peet

- $14.5 million in operating net profit after tax
- $10.5 million statutory net profit after tax, after inventory write off of $4.0m (less than 1% of market value of owned land bank)
- Statutory net profit after tax of $10.5 million
- Interim dividend of 3.0 cents per share
- Fully underwritten DRP
- Group sales in excess of 890 lots for a gross value of $154 million
- In excess of 930 lots under contract at 31 Dec 2008 for a gross value of $172 million
- Strong start to second half of the year – solid increase in activity due to first home owner incentives and improved affordability – in excess of 450 lots sold over Jan and Feb 09
- 1,115 lots under contract at the end of Feb 2009 for a gross value of $203.7 million
- NTA per share of $1.40, adjusted for market value of inventory
- Gearing ratio at 45.5%

Peet Limited today announced an operating profit after tax (excluding write-down in carrying value of inventories) of $14.5 million for the half-year to 31 December 2008.

Peet Limited Managing Director and Chief Executive Officer, Brendan Gore, said the Group's results had been achieved in extremely challenging market conditions and were a pleasing indication of the Company's fundamental strength.

"Falling interest rates and government incentives have helped activate our core markets – first and second homebuyers – and this increased activity, together with our continuing focus on optimising performance, is reflected in the results being announced today," said Mr Gore.

"The operating profit after tax (excluding write-down in carrying value of inventories) of $14.5 million for the half year was in line with expectations and was achieved despite the deferral of a number of Company-owned projects and the decision to defer any syndicate capital raisings," he said.

The statutory net profit after tax and write-down in carrying value of inventories was $10.5 million for the half year ended 31 December 2008.

"Essentially, we have achieved a successful balance between earnings and margins, and higher revenue, allowing the Company to recycle capital," said Mr Gore.

"The strength of the Company's geographically diversified asset base has again been a key factor with 57% of the Group's half year earnings coming from east coast operations," he added. "While the Queensland market softened considerably in the first half of the financial year, Victorian operations continued to do well and the performance of Peet's Western Australian operations improved, contributing 43% of the Group's result.

"The second half of the financial year is also off to a good start with in excess of 450 gross sales across the Group to 27 February 2009 and the number of lots under contract increasing to more than 1,110 lots for an anticipated gross value of around $204 million."

Land sales and settlements for the period to 31 December 2008

The Group sold in excess of 890 lots from its Company-owned, syndicated and joint venture projects grossing more than $154 million. Meanwhile settlements were achieved on 907 lots. As at 31 December 2008, the Group had in excess of 930 lots under contract for a gross value of $172 million.

Company-owned projects:

- in excess of 195 sales
- average price of $203,000
- $49 million in revenue (compared with $28 million 1H08)
- $9.2 million pre-tax earnings (before write-downs)

Syndicated projects:

- revenue of $20.2 million (up 29%)
- pre-tax earnings up 15% to $13.2 million
- in excess of 670 lots under contract (gross value in excess of $117 million)

Joint venture projects:

- 62 lot sales (average price of $200,000)
- $5.5 million in revenue
- First sales at Quattro: the New Queens Park

Peet Limited is currently managing 81 projects across Australia with 30 projects actively being developed.

Sales in the first half of the financial year were boosted by fundamental factors including population growth and improving affordability as well as State and Federal government incentives to first home buyers. Trends in the first two months of the second half of the year also indicate increased activity from Peet's other core market segment – second homebuyers.

Operating margins for owned projects were down for the half year, due largely to the Company's decision to defer development of some Company–owned projects in Queensland and to pursue sales of titled stock to achieve revenue as part of the Group's capital management strategy.

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The Company maintains a strong Company-owned project pipeline and will commence development and sales of deferred projects once market conditions warrant it. The Company also has a strong syndication pipeline that positions it well to offer opportunities once investment market conditions improve.

This potentially includes the Alkimos retail syndicate opportunity which was deferred in late 2008. First sales at the coastal development north of Perth are scheduled to commence before the end of the 2009 calendar year.

The strength of Peet's syndicate investor base was evidenced by the raising of $27 million in final syndicate instalment payments in November and December 2008 (99% of total amounts due).

Land bank

National land bank:	Approximately 36,100 lots
Estimated on-completion value:	$7.2 billion

Peet's land bank has been acquired over many decades and underpins a proven business model including the management of a production and marketing pipeline designed to optimise results at different stages of the property cycle.

The Board has reviewed the property portfolio and this has resulted in a pre tax inventory write-down of $5.7 million.

The Company's Net Tangible Assets per share, adjusted for the market value of inventory, was $1.40 as at 31 December 2008. 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 1H09, contributed pre-tax earnings of $13.2 million, representing an increase of 15% on the previous corresponding period.

Capital management

Net debt:	$273 million
Gearing:	45.5%
Cost of debt:	6.88%
Interest cover:	3.3 times

Peet is well positioned with 100% of total debt secured by its portfolio of high-quality assets, sound operating cash flows and a strong, 114 year relationship with the National Australia Bank. The Group's three year evergreen corporate facilities have a maturity profile of 1.8 years and were 33% hedged, providing the ability to benefit from the low interest rate environment.

Dividends

As advised at the November 2008 Annual General Meeting, the Board has adjusted the Company's dividend payout policy to 60%. The Board has declared a fully franked interim dividend of 3.0 cents per share and has activated the Company's Dividend Reinvestment Plan.

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Under this plan, shareholders registered as at 30 March 2009 have an opportunity to acquire shares in the Company at a discount of 2.5% to the average trading price for the 10 business days following the record date of 30 March 2009. The Directors have undertaken to participate fully in the Dividend Reinvestment Plan with the balance being fully underwritten by Euroz Securities Limited.

Strategy and outlook

Peet's experience in the national residential property market and decisive action in difficult trading conditions has underpinned sound results in line with expectations in the first half of the year. The underlying profit demonstrates the fundamental strength of the Company and the performance of the land syndication business, in particular, confirms Peet's expertise in this area.

Peet will continue to adapt quickly and appropriately to the very challenging operating environment which is expected to prevail throughout the remainder of the 2009 calendar year.

Peet's strategic priorities remain 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.

Managing Director and Chief Executive Officer, Brendan Gore said the Company maintained its confidence in the fundamentals of the Australian residential property market and was well positioned to successfully manage itself through the current economic downturn.

"While prudent capital management is a particular priority in current conditions, we will also continue to responsibly identify and explore growth opportunities, and ensure we are well positioned to benefit from any improvement in the property sector," he said.

"Peet has a high-quality asset base across Australia and our geographic diversity will continue to serve us well.

"Based on the key factors already improving affordability continuing – particularly for first and second homebuyers – it is expected that the Victorian market will remain solid and our Western Australian operations will continue to make a positive contribution to our full-year results."

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