

15 November 2011

Peet Limited trading announcement

Peet Limited today provides a trading update on market conditions and the anticipated impact on operating profit for the 2012 financial year.

Since the release of Peet's 2011 full-year results in late August 2011, trading conditions have continued to prove challenging. Consumer sentiment in particular continues to be challenged by ongoing domestic and global economic uncertainty, and has deteriorated over the past couple of months. Whilst the underlying fundamentals for the residential market and Peet's business remain sound, and the level of buyer enquiry remains relatively consistent with prior periods, Peet in common with the broad market is experiencing reluctance by consumers to make significant financial commitments in the current environment.

In light of these factors, Peet's Board and management have decided to defer capital expenditure on some of its major projects until conditions normalise and greater confidence emerges around sales and settlement activity. This will have the impact of deferring settlement revenue to future periods.

As a result, Peet's profit for the 2012 financial year will be negatively impacted. Peet expects to report a net operating profit after tax of between \$15 million and \$20 million for the year ending 30 June 2012, which is expected to be largely weighted to the second half of the year.

This range assumes that current market conditions persist for the remainder of this financial year.

Peet's dividend policy will remain unchanged at 60% of operating earnings, however this is all likely to be paid as a final dividend in respect to the 2012 financial year, by which time a clearer picture of the future may emerge.

"Peet's board and management are focused on strong capital management and positioning the company to take advantage of improvements in the residential market, anticipated to emerge during the second half of FY12 or early FY13," said Peet's Managing Director and Chief Executive Officer, Brendan Gore.

"A number of key Company-owned projects including Craigieburn and Greenvale in Victoria and Gladstone in Queensland and a number of other projects will underpin the performance of Peet in the years ahead. However, we have temporarily cut back the development spend on certain projects, until suitable levels of pre-sales are secured. This has the effect of delaying settlement revenue to future periods," he said.

Sales from Peet's projects in Western Australia, Victoria and Queensland have continued to be made, but below expectations with a total of 327 net contracted sales for the four months to 31 October 2011, compared with 668 in the previous corresponding period. While demand remains subdued broadly across all markets, the Company has successfully made some new releases in desirable and affordable locations in WA, Victoria and Queensland in November, which have been well received, and with further releases planned for early in the New Year.



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Contracts on hand as at 31 October 2011 totalled 1,090 for a value of \$279 million, compared to 1,125 contracts on hand with a value of \$289 million as at 30 June 2011.

“Consumer interest in our residential projects continues to be solid with consistent sales traffic and registrations of interest though there has been a slower rate of conversion into sales.”

Mr Gore said that while the recent interest rate cut was a welcome first step, it has not been enough to return confidence to the residential property market, citing a significant improvement in consumer confidence as the key to improved trading conditions in the residential market.

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