ASX Announcement

Perpetual reports improved 1H13 UPAT of $35.1m for continuing operations, on track with Transformation 2015 program

- Benefits of Transformation 2015, continued cost discipline, and stronger equity markets result in improved financial performance
- 1H13 UPAT up 13% on prior period
- 1H13 statutory NPAT of $27.3m, compared to $3.8m in prior period
- Board resolves to pay fully franked FY13 interim dividend of 50 cents per share

28 February 2013

Perpetual Limited (Perpetual) today announced an Underlying Profit After Tax[1] (UPAT) for the six months to 31 December 2012 (1H13) of $35.1 million, up 2% on 1H12, and 13% on 2H12. The improvement in UPAT on the prior periods reflects the benefits of continued execution against the Transformation 2015 program.

Statutory Net Profit After Tax[2] (NPAT) was $27.3 million. The result includes a $6.0 million after tax restructuring cost and the foreshadowed $5.2 million non-cash after tax foreign currency translation cost related to the closure of the Dublin operations in FY12[3].

For the six month period ended (all figures $m, rounded)	***1H12***	***2H12***	***1H13***
Underlying Profit After Tax (UPAT)[1]	**34.3**	**31.1**	**35.1**
Operating income from discontinued operations (PLMS[4])	0.4	1.8	0.4
Research & development tax incentive	-	-	1.9
Gain/(loss) on disposal of businesses	0.6	(0.8)	2.1
Loss on disposal / impairment of investments	(2.2)	(3.4)	(0.9)
Restructuring costs	(10.2)	(12.4)	(6.0)
Impairment of assets	-	(12.5)	(0.1)
Foreign currency translation costs	-	-	(5.2)
Statutory Net Profit After Tax (NPAT)[2]	**22.9**	**3.8**	**27.3**

Good progress with Transformation 2015, steady momentum across all businesses

In commenting on the results, Perpetual's Chief Executive Officer and Managing Director Geoff Lloyd indicated that the company's transformation program was well on track. "Transformation 2015's objective is to simplify, refocus and grow Perpetual, and we have made clear progress against each of these goals.

"We have delivered permanent cost savings of $12.3 million, which is equivalent to $31 million on a before tax annualised basis, against initial guidance of $7-10 million. We remain on track to deliver our $50 million before tax annualised run-rate target. Major milestones have been completed as planned and Transformation 2015 has reduced the number of full time equivalent roles by about 450. We are six months into a two-year plan, with more to do, and we remain focused on its execution," Mr Lloyd indicated.

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“We have now completed three divestments in Corporate Trust to simplify and refocus that business, and we continue with the implementation of the new operating model in Perpetual Private. The work we have done is enabling the businesses to pursue growth initiatives and greater ongoing efficiencies.

“Pleasingly, evidence of that can be seen in Perpetual Investments, where our sales and distribution teams are delivering tangible results. We have seen an improving trend in net outflows during 1H13, compared to 1H12, and this has continued into the second half, with both January and February showing net inflows across this business,” Mr Lloyd said.

Dividend

The Board of Perpetual has resolved to pay a FY13 interim fully franked dividend of 50 cents per share, compared to 50 and 40 cents per share fully franked in 1H12 and 2H12 respectively. This equates to a dividend payout ratio of 77% of 1H13 statutory NPAT. The Dividend Reinvestment Plan will be operational for the FY13 interim dividend.

Financial Position

During 1H13, the Group’s holdings of cash, cash equivalents and liquid investments increased from $192.8 million at the end of FY12 to $218.8 million, primarily as a result of improved net cash inflows from operating activities and the proceeds from the sale of PLMS. Net tangible assets per share increased from $3.23 at the end of 2H12 to $3.82 at the end of 1H13.

Business Unit Overview

Perpetual Investments

A continued focus on expenses and stronger equity markets supported a 16% increase in Perpetual Investments’ profit before tax on the prior period, to $39.8 million. Total expenses before tax of the specialised asset management business decreased by $3.3 million, or 6% on 2H12, to $53.8 million before tax, largely as a result of Transformation 2015 initiatives. This disciplined management of costs led to an improvement in profit margins on revenue from 38% to 43%, on slightly lower revenue.

Funds under management (FUM) at the end of the period, at $24.3 billion, were 8% higher than at the end of the prior period, underpinned by the rebound in equity markets. Net outflows were substantially lower than in the previous corresponding period. The strong relative investment performance of Perpetual Investments’ funds has been maintained in 1H13.

In line with the simplification objective of Transformation 2015, a single Group Executive is now responsible for Perpetual Investments’ end-to-end business. Michael Gordon assumed this role on 29 January 2013.

Perpetual CEO Geoff Lloyd highlighted the increased impact of the business’ new retail distribution function, which has started to translate the continued strong performance of Perpetual Investments’ funds into positive research house reviews and further inclusions on major platforms, as well as in model portfolios and approved product lists.

“During the period, we have been awarded three new institutional client mandates, and core products such as our Australian Share Fund are now on the product lists of some of the largest financial planner networks. This reflects the strong returns our flagship funds have delivered for investors and the expertise of our highly regarded investment management team. Perpetual Investments was again recognised for this last week, when it won Morningstar’s overall *Australian Fund Manager of Year 2013* title,” Mr Lloyd said.

Perpetual Private

Personal advisory business Perpetual Private recorded a profit before tax of $4.4 million, up 29% on 2H12. The foreshadowed costs of continued investment in the business, particularly in relation to Project ICE, the modernisation of the business’ service offering, were partially offset by a lowering of expenses through Transformation 2015 initiatives.

Funds under advice (FUA) were $8.8 billion at the end of 1H13, up 10% on 2H12, reflecting rebounding investment markets and improved net flows during the period compared to 1H12 and 2H12.

Mark Smith, the new Group Executive of Perpetual Private, joined the company late in the period, on 19 November 2012.

"We continued the build phase of the platform outsourcing as part of Project ICE during 1H13. We are now all set for the final roll-out in the fourth quarter of this financial year, which will give us a scalable, purpose-built and leading administration platform for our target High Net Worth segment," Mr Lloyd said.

"Extensions from our core activities are building momentum, with non-market related revenue from life risk sales and native title trusteeship growing steadily. The latter, together with the flows into our Super Wrap solution and the Advice channel are supporting growth in FUA. Client retention has been very strong and we have been able to keep revenues steady while we continue to work on an improved productivity model," he noted.

Corporate Trust

Corporate Trust's 1H13 profit before tax, at $8.6 million, was broadly unchanged from previous periods, on slightly lower revenues. Total expenses for the business were down $0.5 million before tax or 3% on the prior period.

Corporate Trust's core businesses continue to maintain a leading market share and are capturing a significant proportion of mandates in securitisation, trust management, and fund services.

Funds under administration (FUA) at the end of the period were up 15% on the prior period, to $248.5 billion, largely as a result of increased activity in residential mortgage backed securities repurchase programs, covered bonds, and asset backed securities. The impact of this increase in FUA on revenue was constrained by the lower revenue margins from these securitisation asset classes.

During 1H13, Corporate Trust sold its PLMS mortgage processing business and signed a sale agreement for its loan servicing unit, completed earlier in February 2013.

"Corporate Trust is now fully focused on the provision of corporate fiduciary services," Mr Lloyd said. Whilst we already have a strong position in the increasingly active securitisation markets, we are also seeing good opportunities in fund services and are achieving greater penetration in new growth areas such as trust management. Together with the launch of MARQ Services, a joint venture offering analytics services for securitisation markets, we are now opening up a number of additional growth avenues for this business," he noted.

Steady and disciplined progress

Concluding his overview of the Group's performance, Mr Lloyd noted that while market sentiment improved during 1H13, this was yet to translate into significant net inflows for the industry. "Total market flows excluding cash went into positive territory in the September 2012 quarter for the first time after a full year of negative net flows, but it may take a prolonged period of market stability to fully rebuild investor sentiment and create a sustained recovery in flows," he said.

"However, our business model and strategy do not solely rely on a market recovery. We are maintaining progress with Transformation 2015, the new leadership team is in place, IT service and support have already been successfully transitioned to our outside provider, and further major milestones are on the horizon. While we accelerate extensions from within our core businesses, we also continue to define additional future growth opportunities.

"We are firmly on the course we set for the company, and we are enabling the various businesses for improved performance. The first signs of that impact are emerging, but much remains to be done," Mr Lloyd concluded.

Notes to this statement:

1: Underlying Profit After Tax attributable to equity holders of Perpetual Limited excludes certain items, as determined by the Board and management, that are either significant by virtue of their size and impact on Net Profit After Tax attributable to equity

holders of Perpetual Limited, or are deemed to be outside normal operating activities. It reflects an assessment of the result for the ongoing business of the Group. Underlying Profit After Tax attributable to equity holders of Perpetual Limited has been calculated in accordance with the AICD/Finsia principles for reporting underlying profit and ASIC's Regulatory Guide 230 Disclosing non-IFRS financial information. Underlying Profit After Tax attributable to equity holders of Perpetual Limited has not been reviewed by the Group's external auditors, however the adjustments to Net Profit After Tax attributable to equity holders of Perpetual Limited have been extracted from the books and records that have been reviewed.

2: Attributable to equity holders of Perpetual Limited

3: Non-cash cost related to the recognition of foreign currency translation costs previously held in reserves that have been released as a result of the closure of the business in Dublin, which has ceased operations.

4: Perpetual Lenders Mortgage Services

1H12 refers to the financial reporting period for the six months ended 31 December 2011
2H12 refers to the financial reporting period for the six months ended 30 June 2012
FY12 refers to the financial reporting period for the 12 months ended 30 June 2012
1H13 refers to the financial reporting period for the six months ended 31 December 2012
FY13 refers to the financial reporting period for the 12 months ending 30 June 2013

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About Perpetual

Perpetual is an independent financial services group operating in funds management, financial advisory and trustee services. Our origin as a trustee company, coupled with our strong track record of investment performance, has created our reputation as one of the strongest brands in financial services in Australia. For further information, go to www.perpetual.com.au.

FACT SHEET

Half Year to 31 December 2012

Summary Group results

Period ended	1H12	2H12	1H13	1H13-1H12 change	1H13-2H12 change
Operating revenue ($m)	185.8	178.5	179.4	(3%)	1%
UPAT ($m)	34.3	31.1	35.1	2%	13%
Significant Items After Tax ($m)	(11.4)	(27.3)	(7.8)		
Statutory NPAT ($m)	22.9	3.8	27.3	19%	618%
Diluted Earnings per Share on UPAT (cents)	80.6	76.1	86.1	7%	13%
Annualised Return on Equity (%, based on UPAT)	21.3	22.8	24.9	+360bps	+210bps
Diluted Earnings per Share on statutory NPAT (cents)	53.8	9.3	67.0	25%	620%
Annualised Return on Equity (%, based on statutory NPAT)	14.2	2.8	19.4	+520bps	+1660bps

- Transformation benefits, continued underlying cost discipline, and stronger equity markets support recovery in UPAT
- Diluted EPS on statutory NPAT up 25% on 1H12

Transformation 2015

- Transformation 2015 delivers permanent cost benefits of $12.3 million in 1H13, equivalent to $31 million on a pre-tax annualised basis, against initial guidance of $7-10 million
- On track to deliver $50 million before tax annualised run-rate target
- Execution of major milestones as planned
- Transformation 2015 reduces number of full time equivalent roles by ca. 450 as at February 2013

Movement in funds

At end of	1H12	2H12	1H13	1H13-1H12 change	1H13-2H12 change
Perpetual Investments Funds under management ($b)	22.9	22.6	24.3	6%	8%
Perpetual Private Funds under advice ($b)	8.1	8.0	8.8	9%	10%
Corporate Trust Funds under administration ($b)	205.7	217.0	248.5	21%	15%

- Improving trend in net outflows for Perpetual Investments in 1H13, with net inflows into Australian equity strategies in January and February 2013
- Perpetual Private funds under advice net flows improve in 1H13, compared to net outflows in FY12
- Corporate Trust funds under administration up 15% as a result of increased market activity

Business unit performance
Perpetual Investments financial summary

Period ended	1H12	2H12	1H13	1H13-1H12 change	1H13-2H12 change
Revenues ($m)	99.1	91.4	93.6	(6%)	2%
Total expenses ($m)	(61.4)	(57.1)	(53.8)	12%	6%
Profit Before Tax ($m)	37.7	34.3	39.8	6%	16%
Average revenue margin on FUM (bps)	79	76	77	(2bps)	+1bp

- Transformation cost initiatives and stronger equity markets yield improved profit margin on revenue and profit before tax
- Flagship funds included in expanded platform offers, model portfolios, and approved product lists
- Awarded new institutional client mandates

Perpetual Investments fund performance

Excess/(under) investment performance p.a. – gross as at end December 2012								
Period	Industrial Share Fund	Australian Share Fund	Smaller Companies Fund	Concentrated Equity Fund	Active Fixed Interest Fund	Diversified Income Fund	Share Plus Fund	Ethical Share Fund
1 year	-0.68%	+2.45%	+14.76%	+4.71%	+3.46%	+5.11%	+10.55%	+19.87%
3 years	+0.93%	+4.51%	+12.09%	+5.05%	+1.94%	+4.13%	+9.06%	+9.24%
5 years	+2.48%	+4.36%	+9.39%	+5.72%	+1.29%	+1.01%	+6.87%	+7.86%
7 years	+1.82%	+2.91%	+7.44%	+4.09%	+0.81%	+0.46%	+4.78%	+6.71%
10 years	+2.04%	+3.09%	+5.10%	+3.53%	N/A	N/A	N/A	+5.63

Perpetual Private financial summary

Period ended	1H12	2H12	1H13	1H13-1H12 change	1H13-2H12 change
Total revenues ($m)	56.8	57.9	56.5	(1%)	(2%)
Total expenses ($m)	(51.9)	(54.5)	(52.1)	(0%)	4%
Profit Before Tax ($m)	4.9	3.4	4.4	(10%)	29%

- Lower Project ICE cost ahead of Q4 roll-out and Transformation 2015 expense benefits support profit before tax increase
- Client retention strong, growth extensions building momentum
- Implementation of improved productivity model continues

Corporate Trust financial summary

Period ended	1H12	2H12	1H13	1H13-1H12 change	1H13-2H12 change
Total revenues ($m)	26.1	25.9	25.3	(3%)	(2%)
Total expenses ($m)	(17.4)	(17.2)	(16.7)	4%	3%
Profit Before Tax ($m)	8.7	8.7	8.6	(1%)	(1%)

- Three divestments in last 12 months allow business to focus on corporate fiduciary services
- Leading market share maintained, with greater penetration in growth areas
- Launch of MARQ analytics services for securitisation markets

Financial strength

At end of	1H12	2H12	1H13	1H13-1H12 change	1H13-2H12 change
Total equity ($m)	290.0	280.5	307.2	6%	10%
Cash ($m)	122.6	153.1	180.3	47%	18%
Corporate debt to capital ratio (%)	13.4	13.8	12.8	(60bps)	(100bps)
Interest coverage (times)	47	46	67	-	-
Net Tangible Assets per share ($)	2.91	3.23	3.82	31%	19%

- Gearing ratio lowered, interest coverage strengthened
- NTA per share up in line with increased holdings of cash and cash equivalents

FY13 Interim Dividend details

- Interim dividend: 50 cents per share, fully franked
- Payout ratio of 77%
- Ex-dividend date: 6 March 2013
- Record date: 13 March 2013
- Dividend payable: 5 April 2013
- DRP[1] operational for FY13 interim dividend
- It is the Company's intention that shares to satisfy the DRP will be acquired on-market and transferred to DRP participants
- DRP shares allocated at the Average Market Price as defined in the DRP terms
- No discount applicable to the Average Market Price

[1] The Group's DRP terms can be found at http://shareholders.perpetual.com.au/phoenix.zhtml?c=171717&p=irol-drip