



ASX Announcement

AGM 2012

- FY12 underlying profit reflects weaker markets and investor caution
- Transformation 2015 fundamentally enhancing company's resilience
- 1H13 UPAT guidance range of \$30m-\$35m

1 November 2012

Shareholders of Perpetual Limited (Perpetual) attending its 49th Annual General Meeting in Sydney today will receive an overview of the company's performance in the 2012 financial year and an update on Transformation 2015, the strategy launched in June this year to simplify Perpetual's corporate structure, refocus its operational activities, and capture new growth opportunities.

Perpetual's Chairman, Mr Peter Scott, will highlight a number of significant, but necessary changes implemented during the year, and assure shareholders that the characteristics that have made Perpetual a unique company over the last 126 years will be preserved.

In his preview of today's presentations, Mr Scott noted that the changes reflected the company's efforts to improve its performance in the context of the volatile and difficult environment the financial services industry has experienced over the last five years.

Strong position in a structurally sound industry, but cyclical challenges remain

"There is no doubt that the longer term outlook for the Australian wealth management industry remains positive. For Perpetual, the investment returns created for unit holders by our asset managers continue to lead the industry, the longstanding expertise supporting our wealth advice is highly regarded, and the corporate fiduciary services we provide remain highly valued by our corporate clients," Mr Scott said.

He noted however that while the longer term outlook appeared promising, negative cyclical factors again dominated during the 2012 financial year. The consequences of lower markets were felt at Perpetual and across the industry, with total market quarterly flows into non-cash investment products now negative for the last four quarters.

"To put the impact of this environment into perspective, at 30 September 2012, we estimated that every 1% movement in the All Ordinaries index changes our annualised revenue by about \$1.5 to \$2 million. Clearly, the significant 11% decline in the Australian share market has been a major influence on our financial performance for the year," Mr Scott indicated.

Results overview

On 30 August 2012, Perpetual reported a statutory net profit after tax of \$26.7 million and an underlying profit after tax of \$67.6 million for the 12 months to 30 June 2012. Both were down on the previous year.

Mr Scott said: "The decline in underlying profit after tax reflects the impact of net outflows and lower equity markets, as well as ongoing investment in all of our businesses.

“However, our performance did benefit from a number of initiatives implemented during the year, including a group-wide cost reduction programme, the exiting of a number of non-core businesses, and lower variable remuneration expenses. Costs related to these initiatives and the Transformation 2015 programme were the main factors impacting net profit after tax,” he observed.

In line with the decline in net profit, dividends for the year, at 90 cents per share fully franked, were lower than in the previous year.

“We firmly believe that we need to fundamentally change the way we operate to be able to respond to the continued challenging environment the industry faces. The cost of implementing our response is reflected in the dividend, but we are confident this investment sets us on a better path for the future by creating significant and maintainable cost savings and efficiencies,” Mr Scott said.

In line with the company’s more active capital management approach, Perpetual conducted an off-market share buy-back in October 2011, buying back around 3.35 million shares at \$20.90 per share, and returning approximately \$70.0 million to participating shareholders.

Board and management succession

Over the last year, the composition of Perpetual’s Board changed in line with its succession planning guidelines.

Today, Mr Scott will also announce that Mr Philip Twyman will be retiring effective from the end of November 2012, after eight years as a director.

Mr Scott will be thanking the departing directors for their contributions and welcome their replacements. “We will of course miss the contributions of those leaving, but I am also delighted that we have been able to attract new, talented directors with relevant financial services experience to the Board,” Mr Scott said.

In February 2012, Perpetual informed shareholders that its Board and Chris Ryan, the company’s previous CEO, had mutually agreed to disagree on the way forward for Perpetual as it became clear that there were important differences between Mr Ryan and the Board’s views concerning the emphasis and execution of the company’s strategy.

Following this, the Board appointed Geoff Lloyd as the company’s new Chief Executive Officer and Managing Director. Mr Lloyd previously was Group Executive Private Wealth and Retail Distribution since joining Perpetual in 2010.

“Geoff was recruited to Perpetual as a potential future CEO and the Board felt he was ideally placed to step into the role. He has demonstrated since his appointment a clear ability to identify the challenges we face, lead the necessary responses, and articulate the company’s new strategy. The strong and experienced executive leadership team Geoff has assembled will assist him with its implementation,” Mr Scott noted.

Remuneration framework review

Shareholders at today’s AGM will also receive a detailed account of the remuneration review Perpetual conducted.

As a result of the review, non-executive directors’ fees, the CEO’s ongoing remuneration, and the overall remuneration cost of the company’s executive leadership team were substantially reduced from 1 July 2012. Alignment between shareholder interests and staff remuneration will be enhanced by increasing the deferred equity component of short-term incentives, and new long-term incentive awards to Key Management Personnel will now be made in the form of performance rights, ending the payment of dividends on unvested grants.

Towards fundamental change

Perpetual Chief Executive Officer and Managing Director, Geoff Lloyd, is due to address his first Annual General Meeting today. Introducing his statements for the Meeting, Mr Lloyd expressed his

firm conviction that Perpetual was a company with significant capabilities, a great heritage and a great team.

“We are well positioned to capture the growing demand for quality independent advice and superior investment returns. Even though market and macro-economic conditions have significantly influenced investor sentiment, I strongly believe that the future remains compelling for us. However, we have not always performed to our strengths,” Mr Lloyd said.

“Following my appointment as CEO, I agreed with the Board that we needed to conduct a thorough assessment of the business, and I immediately initiated a comprehensive strategic review of the company’s operations, and a careful and in-depth assessment of the issues, challenges and opportunities it is facing. This review culminated in the launch of the Transformation 2015 programme, which, under the guidance of a smaller and more focused leadership team, is delivering the fundamental change Perpetual needs,” he observed.

Business unit review

In August 2011, the company’s specialised asset management unit, Perpetual Investments, sold the smartsuper SMSF administration services business, appointed US-based firm Wellington Management Company, LLP to manage its international equity funds and closed its own loss-making management capability in Dublin, Ireland.

In the second half of the year, Perpetual Investments launched a number of new funds and was awarded a first offshore sub-advisory mandate for its Global Resources strategy. The business also refocused its distribution approach on key clients and decision makers in the retail funds market.

The Perpetual Private wealth advice business continued to invest for future growth via a number of initiatives during the year, including the enhancement of its existing administration platform, which saw the launch of a new superannuation wrap offer.

The business also stepped up the penetration of new customer sub-segments, such as trustee services for native title trusts, and continued to build a more diversified base of other non-market related revenue streams such as life risk sales, estate planning, and financial planning.

Corporate Trust enhanced its focus on corporate trustee services by selling the mortgage processing and third party registry services businesses and utilised its strong market position to capture new trusteeship mandates in emerging asset classes.

Accelerating the company’s progress – Transformation 2015

“Our overall performance in 2012 financial year confirmed the need for the accelerated change Transformation 2015 will deliver,” Mr Lloyd noted.

“Perpetual has now embarked on a strategy that will create a simpler, leaner and more efficient structure and refocus on activities where it has a substantial competitive advantage. These changes will enable us to identify and better exploit growth opportunities by leveraging our core businesses.

“Progress has already been made towards these objectives during the 2012 financial year, with a major reduction in our cost base. Since then, we have made further significant progress with Transformation 2015 and we are on track to meet our objectives,” Mr Lloyd said.

Efforts to simplify Perpetual’s management structure and aggressively manage central costs resulted in a significant reduction in staff roles. In Perpetual Private, a realignment of the advice model is underway to commit more strongly to a limited number of targeted client segments and build services and capabilities specifically for these segments. In August 2012, the company announced the signing of an IT outsourcing agreement, which will enable a number of service and capability improvements.

Transformation 2015 will also create a platform and capabilities for future growth.

Perpetual Investments will concentrate on selected, specialised areas of asset management under the leadership of its newly appointed Group Executive, Michael Gordon. Perpetual Private is pressing on with its initiatives in new business areas, while at the same time improving its ability to promote its core

wealth advice and philanthropy offer. In the refocused Corporate Trust, growth is being pursued by profitably extending the services already provided by the business.

"We are confident we can increase this momentum across our businesses during the year," Mr Lloyd observed.

Earnings outlook

Mr Lloyd will be providing guidance on Perpetual's expected Underlying Profit After Tax (UPAT) from continuing operations for the six months ending 31 December 2012 (1H13) at the Meeting.

"Based on financial markets as at the end of October 2012, we expect UPAT from continuing operations for the first half of the 2013 financial year to be in the range of \$30 million to \$35 million. This outlook is subject to there being no material deterioration in financial markets and business conditions over the remainder of the 2012 calendar year. UPAT from discontinued operations for the period is not expected to be material," Mr Lloyd said.

An improved position

"The implementation of the Transformation 2015 strategy has started the year on a positive note," Chairman Peter Scott said. "Our new leadership team, led by Geoff, and our committed staff are tackling the challenges ahead of us with great determination. We have had to make some hard decisions in the past year, but these will improve our performance for our shareholders and for our clients," he concluded.

CEO Geoff Lloyd equally expressed his confidence in the company's vision to become Australia's largest independent wealth manager of choice. "The Transformation 2015 strategy is a major milestone in our history. Our unrivalled asset management performance, strong client advocacy and scale in high net worth personal advice, and our significant capability in corporate fiduciary services will underpin the company's future successes. While the environment continues to challenge us, we are now responding more swiftly and more decisively," he said.

For further information, please contact:

Investors:

Mike Woods
General Manager Investor Relations & Group Treasurer
Perpetual Limited
Tel: 02 9229 3449

Media:

Kate Abrahams
General Manager Group Corporate Communications
Perpetual Limited
Tel: 02 9229 3181

Yves Noldus
Senior Manager Group Corporate Communications
Perpetual Limited
Tel: 02 9229 9893

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.