ASX ANNOUNCEMENT
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Perpetual Limited: 2009 Half Year profit result in line with consensus

Perpetual Limited (Perpetual) today announced an operating profit after tax (OPAT) for the six months to 31 December 2008 of $41.6 million, a decrease of 48 per cent on the prior corresponding period result of $79.3 million. The profit result was in line with market consensus.

The decline in OPAT was driven predominantly by the sharp decline in equity markets, especially in the last three months of the reporting period, which impacted revenues from funds under management and funds under advice.

Perpetual's Chairman, Mr Robert Savage, said the unprecedented conditions in the global markets in 2008 had intensified in the first half of the current financial year.

He said Perpetual had been impacted directly by the financial crisis and its core businesses were being challenged on a number of fronts:

- funds under management were directly affected by the 31 per cent decline in the All Ordinaries Index in the first six months of the 2009 financial year

- following the introduction of the bank guarantee, there was a significant increase in redemptions from mortgage funds across the industry. In October 2008, Perpetual was compelled to move redemptions to a quarterly basis to protect the capital of investors in its mortgage funds

- the securitisation market for residential backed mortgages, a key driver of revenue in Perpetual Corporate Trust, remained largely closed to new business

"This situation has done little to restore already deteriorating investor confidence, leading to industry outflows for all four quarters of the 2008 calendar year. This marked the first sustained period of industry outflows since the introduction of compulsory superannuation more than 15 years ago," Mr Savage said.

"All these factors in turn have led to a decrease in our profitability and dividends."

Net profit after tax

	Dec 2008 $M	Dec 2007 $M	Change %
Operating profit before tax	62.1	114.2	(46)
Operating profit after tax	41.6	79.3	(48)
Gain / (loss) on sale of investments[1]	(4.1)	21.1	~
EMCF losses[2]	(14.9)	(12.8)	~
Restructuring	(8.4)	-	~
Net profit after tax attributable to members	14.2	87.6	(84)
Diluted earnings per share[3]	33.8¢	211.4¢	(84)

(1) Net of minority interest $0.3 million after tax and unrealised losses on impairment
(2) Includes $12.9 million after tax of mark-to-market losses
(3) Diluted EPS calculated using net profit after tax divided by the weighted average number of ordinary shares on issue and potential ordinary shares on issue

Net profit after tax attributable to members (NPAT) for the six months to 31 December 2008 was $14.2 million. Market conditions also drove a number of one-off losses or charges including $4.1 million after tax from losses on Perpetual's investment portfolio, $14.9 million after tax relating to the Exact Market Cash Fund (EMCF) and $8.4 million after tax in restructuring charges. These significant items were disclosed to the market in early February 2009.

Proactively managing costs and capital

Dividend policy

Perpetual's current dividend policy pays ordinary dividends based on 90 per cent of underlying cash earnings after tax. Underlying cash earnings after tax are calculated on operating profit after tax (OPAT) plus any significant non-cash items such as equity remuneration amortisation. This policy can and has resulted in the payment of dividends in excess of 100 per cent of NPAT.

As foreshadowed at the Annual General Meeting and as noted at the strategy briefing in early December, Perpetual had committed to review its dividend policy. In light of this review, the board of Perpetual concluded the current policy was unsustainable over the long-term and, as a consequence, today announced a revised dividend policy with a payout ratio of between 80 and 100 per cent of NPAT.

Mr Savage said the new policy would be phased-in with an interim dividend to shareholders for the six months to 31 December 2008 of $0.40 per share fully franked (record date: 27 February 2009) on 13 March 2009. The interim dividend payment represents approximately 120 per cent of NPAT.

"As fellow shareholders, we understand the impact this revised dividend policy will have on the cash income of our shareholders in the short-term," he said. "Effectively, the new policy restores dividend payments to the 80 – 100 per cent of NPAT range historically paid by Perpetual to shareholders."

Mr Savage said the need to address the dividend policy had been clearly accentuated in the current financial crisis by a series of issues.

"Firstly, credit is tight and expensive; and secondly, very high payout ratios potentially reduce our capacity to invest in growth opportunities such as 'bolt-on' acquisitions. Recent examples of these types of acquisitions include *smartsuper*, Argosy, Wignalls and National Lending Solutions, all of which are contributing positively in terms of growth and profits even in these difficult times."

"Furthermore, given our core role as a custodian of investor funds, we believe the careful management of capital is always a prudent strategy, particularly in uncertain times."

Structured products

Chief Executive Officer and Managing Director, Mr David Deverall, said while Perpetual had concluded the half year with a conservative debt to equity ratio of 14.7 per cent and an interest cover of 51 times, the company was taking proactive measures to manage its capital.

"We have been and will continue to reduce the risk of the Exact Market Cash Funds to Perpetual's balance sheet," he said. "In addition, with the current prohibitive cost of credit and its reduced availability, we will not write any additional business in the Perpetual Protected Investments series in the short to medium-term."

Cost management initiatives

As outlined at the company's Annual General Meeting in October and again at its strategy briefing in December, Perpetual has taken action to reduce expenditure across the group.

The major component of the restructuring charges for the half year to 31 December 2008 related to targeted redundancies across the company in the last quarter of the 2008 calendar year. The restructuring has reduced annualised cash expenses by approximately

$39 million. Perpetual expects to see the positive effect of these initiatives flow through into the second half of the current year and into the 2010 financial year.

In achieving these costs savings, Perpetual sought to ensure it did not compromise its high standards of quality and governance or its ability to capitalise on organic and inorganic growth opportunities arising as a consequence of the current market.

Mr Deverall said: "We have taken these actions in the best interests of our company and are confident they will enable Perpetual to emerge even more strongly from the financial crisis."

Market-leading brand and investment out-performance: well-positioned to grow market share

Despite the short to medium-term challenges presented by the market, Mr Deverall said he believed the current environment presented good prospects for Perpetual to increase market share.

"We have one of the strongest reputations and some of the longest serving, experienced and most awarded funds management teams in the Australian financial services industry. Furthermore, our conservative investment style has delivered a proven track record of excellent long-term returns over multiple market cycles," he said.

The performances of Perpetual's leading equities and multi-sector funds have been above their respective benchmarks in the past 12 months and net flows improved during the course of the first half of the 2009 financial year.

Mr Deverall said Perpetual's client base had remained stable during the course of the financial crisis.

"Overwhelmingly, the reason for the decline in our funds under management in Perpetual Investments and our funds under advice in Perpetual Private Wealth relates to market movements and not to client outflows," he said. "This is evidence of our strong market-leading brand, conservative investment philosophy and solid investment performance," Mr Deverall said.

In particular, Perpetual's global equity fund out-performed its benchmark by more than 10 per cent in 2008, placing it in the top 10 per cent of managers over the past year and in the top quartile in its peer group over a three year period.

"Our strong out-performance is leading to growing interest in our global equity product and we were recently awarded a $125 million mandate from a major Australian institutional client," he said.

"We believe Perpetual's strong investment proposition is resonating with investors."

Mr Deverall also predicted market consolidation within the Australian wealth management industry was inevitable in the near-term.

"Perpetual is well-positioned to participate in opportunities arising from the consolidation," he said.

"For example, in Perpetual Private Wealth, we continue to actively monitor the market for acquisition opportunities, focusing primarily on smaller 'bolt-on' acquisitions. We are pleased to advise that we are well-advanced in this endeavour."

"We are also seeing great opportunities arise in other areas of our business. We boosted our Self-managed Super Fund (SMSF) capabilities in September 2008 with the acquisition of *smartsuper*, one of the most highly regarded SMSF administration providers in the Australian market. The acquisition was an important part of our strategy, making Perpetual one of the leading providers of SMSF solutions in Australia. Since the acquisition, we have been successful in winning the business of a number of large institutional clients and independent financial planning practices."

"In addition, Perpetual Lenders Mortgage Services, which is part of our Corporate Trust business, increased its market share by winning major mandates from large banking clients. Our investment in this business has insulated the group against the full deterioration of the markets. The business is also increasing its contribution to Perpetual's overall profitability."

Outlook

Perpetual's operating environment continues to be shaped by the almost unprecedented global economic and financial market turmoil. While Australia's economy has proved more resilient than most in the current crisis, expectations are that it will slow substantially during 2009.

Over the past year, there have been successive central bank and government interventions, which have sought to restore stability and confidence to the market.

"While we do not realistically believe the market will rebound to its previous high in the short to medium-term, we continue to look for signs of market recovery but remain cautious in our outlook for the second half of the 2009 financial year," Mr Savage said.

"Our shareholders and clients are rightfully concerned about the current crisis. On behalf of the board, I wish to reiterate our heritage as a trustee and our inherent commitment to act always in a manner that inspires their faith and confidence."

"To conclude, we also extend a very important thank you to Perpetual's team for their dedication during what has been one of the most demanding periods in our company's history."

REVIEW OF OPERATIONS

Operating profit before tax for six months ended	Dec 2008[1] $M	Dec 2007[2] $M	Change %
Perpetual Investments	35.7	88.9	(60)
Perpetual Private Wealth	17.4	25.8	(33)
Perpetual Corporate Trust	20.0	13.6	47
Group and Support Services	(11.0)	(14.1)	22
Total operating profit before tax (PBT)	**62.1**	**114.2**	**(46)**

(1) Excludes loss on sale of investments $6.3 million before tax, EMCF losses totalling $21.3 million before tax and restructuring costs of $12.0 million before tax for six months to December 2008

(2) Excludes gain on sale of investments of $29.9 million before tax and EMCF losses totalling $18.3 million before tax for six months to December 2007

Perpetual Investments

Perpetual Investments comprises the company's funds management activities and includes the business units of Australian Equities, Global Equities, Income and Multi-sector and Superannuation and Investment Solutions.

Funds under management

Funds under management in Perpetual Investments were $24.6 billion, a decrease of 19 per cent since 30 June 2008 and 34 per cent since 31 December 2007.

Reflecting overall market conditions, funds under management comprised net outflows of $0.8 billion from mostly institutional investors in respect of Australian equities and cash and fixed interest asset classes and unfavourable market movements of $4.9 billion, including $4.7 billion from Australian equities.

Financial performance

Perpetual Investments' operating profit before tax decreased 60 per cent to $35.7 million for the six months to 31 December 2008 from $88.9 million for the six months to 31 December 2007.

Divisional revenue for Perpetual Investments decreased 33 per cent to $105.4 million for the six months to 31 December 2008 from $158.3 million for the six months to 31 December 2007. The decrease in divisional revenue was driven by a fall in average funds under management, due primarily to the decline in the Australian equities market over the period.

Operating expenses declined 8 per cent to $56.3 million for the six months to 31 December 2008 from $61.0 million in the six months to 31 December 2007. Perpetual Investments implemented a series of cost management initiatives during the period to counteract the impact of decreasing revenues on operating profit before tax. The positive effect of these initiatives will flow through in the second half of 2009 financial year and in the 2010 financial year.

Recent business developments

- Australian equities
  - investment performance of major funds was above respective benchmarks
  - trend of flows to key funds improving

- Global equities
  - very strong continued investment out-performance
  - new $125 million institutional mandate in February 2009
  - trend of flows improved rapidly

- Income and Multi-sector
  - first quartile investment performance for income funds
  - investment performance of multi-sector funds above respective benchmarks and against peers
  - Balanced Fund nominated as finalist by Morningstar in '2008 Fund Manager of the Year'
  - reopened mortgage funds to applications following suspension in October 2008

- Superannuation and Investment Solutions
  - acquired *smartsuper* in September 2008 and won new institutional mandates
  - relaunched WealthFocus platform with innovative Investment Advantage product, which provides significant CGT benefits to investors

Perpetual Private Wealth

Perpetual Private Wealth is a direct-to-clients business providing specialist financial service such as investment strategies, trust advice, custodial solutions, philanthropic solutions, estate planning and administration to high net worth individuals.

Funds under advice

Funds under advice in Perpetual Private Wealth were $6.5 billion, a decrease of 16 per cent since 30 June 2008 and 24 per cent since 31 December 2007.

Funds in financial advisory were $3.9 billion at 31 December 2008, a decrease of 17 per cent over the reported amount at 30 June 2008. The amount included outflows of $0.1 billion and unfavourable market movements of $0.7 billion.

Funds in fiduciary services were $2.6 billion at 31 December 2008, a decrease of 13 per cent over the reported amount at 30 June 2008. The amount included negative market movements and distributions totalling $0.4 billion.

Financial performance

Perpetual Private Wealth's operating profit before tax decreased 33 per cent to $17.4 million for the six months to 31 December 2008 from $25.8 million for the six months to 31 December 2007.

Divisional revenue decreased 18 per cent to $45.0 million for the six months to 31 December 2008 from $54.6 million for the six months to 31 December 2007. Divisional revenue was impacted by a fall in average funds under advice, the result of the sustained decline in the Australian and global markets over the period.

Operating expenses declined 7 per cent to $25.3 million for the six months to 31 December 2008 from $27.3 million in the six months to 31 December 2007. Perpetual Private Wealth also implemented a series of cost management initiatives during the period to counteract the impact of decreasing revenues on operating profit before tax. Similar to Perpetual Investments, the positive effect of these initiatives will flow through in the second half of 2009 financial year and in the 2010 financial year.

Recent business developments

- maintained client base in tough market conditions
- streamlined and improved infrastructure and processes to drive scalability and improve client service offering
- maintained focus on potential 'bolt-on' acquisition opportunities

Perpetual Corporate Trust

Perpetual Corporate Trust is Australia's leading provider of corporate trustee and transaction support services to the financial services industry.

Funds under administration

Funds under administration for Perpetual Corporate Trust were $246.1 billion, an increase of 10 per cent since 30 June 2008 and 20 per cent since 31 December 2007.

The increase in funds under administration comprised primarily of new issuances of internally securitised residential mortgage backed securities, which were eligible for repurchase funding (repo) with the Reserve Bank of Australia.

Financial performance

Perpetual Corporate Trust's operating profit before tax increased 47 per cent for the six months to 31 December 2008 to $20.0 million from the amount of $13.6 million reported for the six months to 31 December 2007. The increase in profit related to the flow-on impact of cost savings implemented in the 2008 financial year and reflected the lower than anticipated run-off in funds under administration, which continue to represent a solid annuity stream for the business.

Divisional revenue declined 1 per cent to $41.0 million for the six months to 31 December 2008 from $41.6 million for the six months to 31 December 2007. Securitisation revenues declined due to the significant impact of the credit crisis on the worldwide securitisation market.

Operating expenses declined 27 per cent to $19.3 million for the six months to 31 December 2008 from $26.4 million in the six months to 31 December 2007. The decline reflected the restructuring of Perpetual Corporate Trust by merging Debt Markets and Fund Services and by consolidating the Mortgage Services premises in 2008.

Recent business developments

- appointed by Australian Government to act as trustee, back up service provider and fund administrator for $2 billion auto industry support package
- appointed by major bank to manage mortgage processing servicing sourced via non-branch channels for business banking

Group and Support Services

Group and Support Services support the business units in the execution of their strategies by providing a range of specialised services. These include finance, tax and administration; company secretariat; legal; risk and compliance; client services and operations; people and culture; strategy; and public affairs and investor relations.

Recent business developments

- drove the group's cost management reduction program
- continued implementation of anti-money laundering and counter terrorism financing obligations across group
- completed implementation of Perpetual's new consolidated unit registry system

A copy of Perpetual's presentation to analysts on the Half Year result to 31 December 2008 is available on its website.

For further information, please contact:

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