



Directors' Comments

Half-Year Ended 31 December 2012

1 February 2013

The Directors of Devine Limited (Devine) announce the following results for the half-year ended 31 December 2012:

- Total statutory revenue from operations of \$173 million. Additional revenue of \$34.5 million which includes Devine's share of the settlement of apartments at the Hamilton Harbour joint venture project is not included in the statutory revenue;
- Net profit after tax of \$4.2 million (pre-tax \$6.1 million);
- Positive operating cash flow surplus of \$30.1 million;
- Strong balance sheet with gearing levels (net debt / total assets less cash) reduced from 28% at 30 June 2012 to 23% at 31 December 2012.

Market Conditions and Operating Highlights

As reported in the earnings update provided to the market on 5 November 2012 and again at the Company's AGM held on 23rd November 2012, trading conditions in the housing and residential land sectors have been and remain challenging. Housing starts remain at their lowest level for many years with soft demand and a lack of consumer confidence key factors.

Despite housing affordability improving over the past year as a result of the lower interest rate environment, buyer confidence is still fragile and securing mortgage finance remains difficult for many prospective homebuyers. These market dynamics persist despite tight rental conditions existing in most major markets. With interest rates forecast to continue to trend down over the 2013 calendar year, Directors are of the view that buying a home versus renting a home will become compelling again over the course of this calendar year leading to a gradual increase in market activity.

Despite these persistent market conditions the Group reported improved land settlements and housing starts compared to the prior corresponding period:

- 486 residential lots settled;
- 316 housing starts; and
- 131 apartments settled.

Solid enquiry and sales levels towards the end of the half-year has provided a strong carry-in for the second half with 70% of forecast full year settlements secured at the end of December 2012.

Some of the key operating highlights achieved over the past six months include:

- Completion and settlement in November 2012 of the first two stages of the Company's master planned community in Gladstone, "Riverstone Rise";
- Completion and settlements occurring on the first stage of Devine's master planned community, "Orleana Waters", at Evanston Gardens in Adelaide;
- Devine's Victorian operations securing an additional 131 wholesale build contracts (the construction of houses and retirement units for corporate clients) in the six month period;
- Settlement of 131 apartments at the Hamilton Harbour project in Queensland. A total of 551 apartments, representing 84% of the total, have now been sold and settled at this landmark project;
- Additional sales achieved on Devine Apartments' "DoubleOne3" project at Teneriffe in inner Brisbane. With 70% of the 111 apartments in the project now sold, construction of this project, to be undertaken by Devine Constructions, will commence in February 2013;
- Completion by Devine Constructions of the third residential tower, "Riverside", at Hamilton Harbour;
- Devine Constructions progressing ahead of schedule on the first commercial building at Hamilton Harbour. To be known as "KSD1", completion is scheduled to occur in March 2013 and it will become the new corporate headquarters of Devine in Brisbane. This move will see Devine's current three office locations in Brisbane consolidated into a new single office;
- The sale and settlement of a Brisbane CBD site (111 Margaret Street) which was surplus to Devine's future development plans and was consistent with our capital management strategy;
- The proposed re-entry into the NSW market with an option secured over a 5,900 square metre site in Turrumurra in Sydney, earmarked for an 86 apartment development. Pending achievement of appropriate planning approvals, development is expected to commence in 2014;

- The Company's development pipeline totalled approximately 13,600 equivalent lots at December 2012. This continues to place Devine in a strong position as upturn in activity in the residential sector grows.

Results Summary

A summary of the financial results for the half-year ended 31 December 2012 is provided below:

(\$ millions unless otherwise stated)	Half- Year Ended	
	December 2012	December 2011
Revenue from operations*	173.0	196.9
Profit before Tax	6.1	10.4
Net Profit after Tax	4.2	7.3
Net Tangible Assets - \$ per share	2.01	2.15
EPS – cents per share	2.6	4.6
Interim Dividend (Full Franked) – cents per share	-	2.0

* Excludes Devine's share of revenue from joint ventures (December 2012 half - \$34.5M, December 2011 half - \$90M).

Strategy

The Company's growth strategy remains focused on:

- innovative product offerings in the Company's Housing business;
- securing additional "wholesale build" contracts;
- selling developed residential lots as "land only" to other builders, investors and future homebuyers;
- expansion of the Company's apartment business through re-entering the NSW market; and
- diversifying the Devine Constructions business by securing selected build contracts for external customers.

Outlook

Market conditions remain weak in many markets across Australia. Improvement in housing market activity is beginning to become evident with continually improving housing

affordability, low interest rates, low rental vacancies and in some States, the impact of Government stimulus packages.

Devine's approach to delivering affordable homes in quality residential communities, whilst maintaining a clear focus on operating expenses and exceptional customer service, is resulting in improving trading volumes and strong enquiry levels. Directors re-confirm the guidance provided at the Company's AGM in November last year which is for a profit before tax of approximately \$10 million for the 2012/13 year. This assumes that the recent improved trading conditions are maintained. Directors have determined that consideration of the payment of a dividend for the year will be deferred until the full year's results are confirmed.

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