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MIRVAC GROUP HALF YEAR RESULTS – 31 DECEMBER 2013

Mirvac Group ("Mirvac") [ASX: MGR] today reported its interim results for the half year ended 31 December 2013.

Highlights included:

- profit attributable to the securityholders significantly increased from $55.2 million (31 December 2012) to $246.1 million[1,2];
- operating earnings guidance for financial year 2014 narrowed to 11.8 to 12.0 cents per stapled security ("cpss"), providing growth of 8.3 to 10.1 per cent over financial year 2013;
- half year distributions of $161.3 million, representing 4.4 cpss;
- acquired $698.4 million of assets in core locations across the office, retail, industrial and residential sectors;
- maintained strong portfolio metrics within MPT, which delivered a 7.9 per cent un-geared total return[3];
- achieved a record $1.5 billion in residential pre-sales[4] and settled 1,032 residential lots;
- on track to achieve over 10 per cent Development return on invested capital at 30 June 2014 and normalised gross margin within target of 18 to 22 per cent; and
- delivered a total securityholder return of 10.1 per cent, outperforming the S&P/ASX 200 A-REIT index which was -2.5 per cent.

Mirvac CEO & Managing Director, Susan Lloyd-Hurwitz, said "Today's result demonstrates our disciplined focus on executing our strategy across all areas of the Group. It has been an extremely active period, which has seen us acquire almost $700 million of assets and reach a record $1.5 billion in residential pre-sales, while maintaining strong metrics across our Investment portfolio.

"The stability of our MPT earnings, together with a high percentage of Development EBIT already secured, has given us increased confidence around our full-year performance. As a result, we have narrowed our FY14 earnings guidance to 11.8 to 12.0 cpss and we remain on track to deliver our 10 per cent Development return on invested capital."

Key financial and capital management highlights:

- operating profit after tax of $200.2 million (31 December 2012: $194.2 million), representing 5.5 cpss[1,2];
- net tangible assets ("NTA")[5] per stapled security of $1.65 up from $1.62 (30 June 2013);
- Standard & Poor's upgraded the Group's credit rating from BBB to BBB+ with stable outlook;

1 For further details refer to 30 June 2013 financial statements.
2 Operating profit after tax is a non-IFRS measure. Operating profit after tax is profit before specific non-cash items and significant items. Operating profit after tax is used internally by management to assess the performance of its business and has been extracted or derived from Mirvac's half year ended 31 December 2013 financial statements, which has been subject to audit review by its external auditors.
3 Measured as at 30 September 2013. Direct standing basis only. Source: IPD.
4 Total exchanged pre-sales contracts as at 31 December 2013, adjusted for Mirvac's share of JVs, associates and Mirvac managed funds.
5 NTA per stapled security, based on ordinary securities including Employee Incentive Scheme securities.

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- issued over $750.0 million of long-term capital markets debt, further diversifying the Group's sources of debt and increasing the weighted average debt maturity from 3.8 years at 30 June 2013 to 4.8 years;
- maintained strong liquidity with over $800.9 million of cash and undrawn committed bank facilities held; and
- gearing remained within the Group's target range of 20.0 to 30.0 per cent at 28.8 per cent[1].

"Our credit rating upgrade to BBB+ has enhanced the Group's execution of a number of capital management initiatives and further strengthens our financial risk profile. This is demonstrated by a significant increase in our weighted average debt maturity and our strong liquidity.

"The Group is focused on maintaining a robust capital position to ensure it has the capacity to deliver on its strategic mandates, while remaining within the target gearing range of 20.0 to 30.0 per cent," said Ms Lloyd-Hurwitz.

Mirvac Property Trust ("MPT" or "Trust")
As at 31 December 2013, MPT had a total portfolio value of $7.17 billion[2]. During the period, the Trust continued to deliver strong results for the Group with key highlights including:

- solid like-for-like net operating income growth of 3.3 per cent;
- high occupancy at 97.8 per cent[3];
- a strong weighted average lease expiry ("WALE") profile of 5.0 years[4]; and
- the disposal of one non-core industrial asset and two non-core retails assets, realising $232.6 million[5] in gross sale proceeds in the financial year to date and ahead of program.

Ms Lloyd-Hurwitz added, "The solid portfolio metrics were supported by a robust WALE, continued strong tenant retention and a high occupancy rate. The Trust's high quality, strong performing portfolio will continue to deliver stable operating earnings that underpin Mirvac's distribution to securityholders."

Office
Mirvac's active management in the office sector continued to drive strong performance from the Trust, with key highlights including:

- high portfolio occupancy rate of 96.1 per cent[6];
- solid like-for-like net operating income growth of 3.4 per cent;
- a strong WALE of 5.0 years[7];
- a $23.8 million profit delivered to the Development division through 8 Chifley, which represented an $11.9 million profit to the Group after eliminations;
- the acquisition of two Melbourne CBD office assets (367 Collins Street and 477 Collins Street) for a total value of $299.8m (pre-acquisition costs); and

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1 Net debt (at foreign exchange hedged rate) excluding leases/(total tangible assets – cash).
2 Includes investment properties under construction and indirect property investments.
3 By area, excluding IPUC, based on 100 per cent of building net lettable area (NLA).
4 By income, excluding IPUC, based on MPT's ownership.
5 Non-core asset sales include settled disposals (Manning Mall, NSW and Logan Megacentre, QLD) and exchanged disposals (54-60 Talavera Road, NSW, Orange City Centre, NSW and Gippsland Centre, VIC).
6 By area, excluding assets under development, based on 100 per cent of building NLA. Occupancy excluding assets for future re-development is 97.6 per cent.
7 By income, excluding assets under development, based on MPT's ownership. WALE excluding assets for future re-development is 5.2 years.

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- a 4.76 Star NABERS average energy rating in December 2013, ahead of June 2014 target of 4.75 Star NABERS average energy rating;

Ms Lloyd-Hurwitz said, “The office portfolio continues to perform well, with strong WALE and like-for-like NOI growth, despite a challenging market. Low vacancy rates, high average fixed rent increases, a quality tenant profile, a young portfolio and manageable expiry profile will ensure that the Group continues to be well positioned in the office sector.

“Our recent acquisitions at 367 Collins Street and 477 Collins Street in Melbourne also align with our strategy to create and buy prime CBD assets, which is supported by a strong demand for office assets from investors.

“8 Chifley has been a tremendous success for the Group, and is a great illustration of Mirvac’s integrated model at work. The project was delivered on time, ahead of feasibility and was a significant contributor to the Group’s commercial development EBIT. I’m also pleased to announce that as of 18 February 2014, our internal leasing team have secured leases for 97.0 per cent of the building.”

Retail
Mirvac’s focus on non-discretionary spending continued to provide stability in the retail portfolio, with key highlights including:

- a high retail occupancy rate of 99.6 per cent[1] and a WALE of 3.8 years[2];
- steady like-for-like net operating income growth at 2.1 per cent;
- exchanged contracts to acquire Harbourside Shopping Centre, Sydney NSW, which settled on 31 January 2014; and
- progressed the Group’s non-core asset sale program, with $184.6 million[3] completed to date.

“Retail conditions remain challenging, however, Mirvac’s weighting towards densely populated metro markets and our focus on non-discretionary spend means we expect to continue to outperform in this sector.

“The Group also remains committed to unlocking value in our retail development pipeline, with 35 per cent of the identified retail development pipeline completed or currently underway, including expansions at Stanhope Village, NSW and Orion Springfield Town Centre, QLD,” commented Ms Lloyd-Hurwitz.

Industrial
Mirvac’s industrial portfolio continued to deliver solid results, with key highlights including:

- solid like-for-like net operating income growth of 5.2 per cent;
- a high occupancy rate of 99.5 per cent[4] and a WALE of 9.3 years[5]; and
- the strategic acquisition of a 21.9 hectare site industrial asset with redevelopment potential at 60 Wallgrove Road, Eastern Creek, New South Wales for $55.0 million.

1 By area, excluding bulky goods, based on 100 per cent of building NLA.
2 By income, excluding IPUC, bulky goods, development and flood affected tenancies, based on MPT’s ownership.
3 Represents settled disposals (Manning Mall, NSW and Logan Megacentre, QLD) and exchanged disposals (Orange City Centre, NSW and Gippsland Centre, VIC).
4 By area, excluding assets under development, based on 100 per cent of building NLA.
5 By income, excluding assets under development and indirect investments, based on MPT’s ownership.

Ms Lloyd-Hurwitz said, “The acquisition at Wallgrove Road in Eastern Creek aligns with Mirvac’s industrial strategy, and reinforces our ability to identify and secure assets with significant redevelopment potential.”

Residential

There was a continued focus on improving returns in the residential business over the period. Key highlights for the period included:

- a record $1.5 billion of exchanged pre-sales contracts[1];
- settlement of 1,032 residential lots, and an increase on the full year target to over 2,300 lots;
- the release of key residential projects including:
  - Apartments: Yarra’s Edge, Array, VIC (78.5 per cent pre-sold); Harold Park Precinct 3, Glebe, NSW (82.9 per cent pre-sold overall, representing 100.0 per cent of total lots released[2]);
  - Masterplanned Communities: Enclave, Ascot Vale, VIC (100.0 per cent of total lots released pre-sold); Alex Avenue, NSW (98.8 per cent of released lots pre-sold); and Stage 4, Elizabeth Hills, NSW (95.3 per cent pre-sold);
- construction completed at Rhodes Pinnacle, NSW in September 2013 with 100 per cent of lots now settled; and
- the acquisition of prime residential development sites in key locations, significantly contributing to the Group’s future development pipeline.

Ms Lloyd-Hurwitz said, “We have reached an impressive record of $1.5 billion in exchanged residential pre-sales, with $670.2 million secured in the first half alone, and we remain on track to achieve more than 10 per cent Development return on invested capital at financial year end.

“The outlook for the residential market remains mixed by state, however, the Group’s overweight exposure to New South Wales and Victoria will ensure we continue to provide strong returns in the residential business.”

Outlook

Mirvac has narrowed its FY14 operating EPS guidance range to 11.8 to 12.0 cpss, with a distribution guidance range of 8.8 to 9.0 cpss.

Ms Lloyd-Hurwitz concluded, “Our results today demonstrate we are well-positioned to deliver improved returns to our securityholders.

“We continue to invest in our people through leadership programs and have made significant progress on our learning and training strategy.

“Recently, the Group launched a next generation sustainability initiative, ‘This Changes Everything’, which builds on Mirvac’s rich history of sustainable projects and invites everyone to think creatively about the impact we have on our environment and our communities.

“We remain committed to our strategy to be integrated, diversified and focused, as we continue to concentrate on securing income from a high quality Investment portfolio, while improving the return on invested capital achieved by the Development business.”

1 Total exchanged pre-sales contracts as at 31 December 2013, adjusted for Mirvac’s share of JVs, associates and Mirvac managed funds.
2 As at 31 January, 2014.

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A management presentation of the results will be webcast live from 10.00am (Sydney) at www.mirvac.com.

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