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MIRVAC GROUP FULL YEAR RESULTS – 30 JUNE 2014

Mirvac Group ("Mirvac" or the "Group") [ASX: MGR] today reported its full year results for the year ended 30 June 2014 ("FY14").

Highlights included:

- profit attributable to securityholders significantly increased from $139.9 million (30 June 2013) to $447.3 million[1];
- operating earnings[2] of 11.9 cents per stapled security ("cpss"), in line with guidance and up 9.2 per cent;
- distributions of $331.1 million, representing 9.0 cpss, up 3.4 per cent;
- acquired $854.8 million[3] of assets in core locations across the office, retail, industrial and residential sectors;
- disposed of $624.0 million[3,4] of non-core assets, improving the quality of the Mirvac Property Trust ("MPT") portfolio,
- reduced asset specific risk with the sale of 50.0 per cent of 275 Kent Street, Sydney[5];
- reached $1.2 billion in residential pre-sales contracts[6] and settled 2,482 residential lots;
- achieved 10.5 per cent Development return on invested capital at 30 June 2014, above target 10.0 per cent, and residential gross margins of 24.3 per cent, also above target; and
- delivered a total securityholder return of 19.8 per cent, outperforming the S&P/ASX 200 A-REIT index which was 5.9 per cent.

Mirvac CEO & Managing Director, Susan Lloyd-Hurwitz, said, "This year has been a tremendously successful year for the Group, characterised by strong performance, delivering the strategy and setting the business up for the future.

"We successfully completed a substantial volume of acquisitions and disposals over the year that significantly improved the quality of our MPT portfolio, and strong metrics ensured we continued to outperform the IPD index in the office, retail and industrial sectors.

"We achieved a 10.5 per cent Development return on invested capital at year end, ahead of our target of 10.0 per cent, and we substantially restocked our residential and commercial development pipeline to deliver future earnings.

"Our strong performance saw us deliver a total securityholder return of 19.8 per cent."

Key financial and capital management highlights:

- operating profit after tax of $437.8 million[2], up 15.9 per cent on 30 June 2013 ($377.6 million);
- net tangible assets ("NTA")[7] per stapled security of $1.66 up from $1.62 (30 June 2013);

1 For further details refer to 30 June 2014 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 year ended 30 June 2014 financial statements, which has been subject to audit by its external auditors.
3 Excludes transaction costs.
4 Includes assets held for sale as at 30 June 2014.
5 Settlement of the asset occurred on 1 July 2014.
6 Total exchanged pre-sales contracts as at 30 June 2014, adjusted for Mirvac's share of JVs, associates and Mirvac managed funds.
7 NTA per stapled security, based on ordinary stapled securities including Employee Incentive Scheme securities.

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- Standard & Poor's upgraded the Group's credit rating from BBB to BBB+ with stable outlook;
- 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 2.7 years (30 June 2013) to 4.3 years;
- maintained strong liquidity with $510.8 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 27.8 per cent[1].

"We continue to prudently manage the Group's capital position, which is demonstrated by a strong balance sheet and gearing within our target range. Overall, we remain focused on accessing a range of sources of capital, including both the domestic and international markets, to ensure we can continue to meet our strategic objectives without increasing our overall risk profile."

Mirvac Property Trust
As at 30 June 2014, MPT had a total portfolio value of $7.5 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 3.1 per cent;
- high occupancy at 97.6 per cent[3,4];
- a strong weighted average lease expiry ("WALE") profile of 4.7 years[3,5]; and
- the disposal of twelve non-core assets across office, retail and industrial, realising $624.0 million[6,7] in gross sale proceeds.

Ms Lloyd-Hurwitz commented, "While each sector has seen different market conditions, the Trust has maintained a high occupancy, robust WALE and a strong, diversified tenancy base, underpinning secure earnings to the Group. The disposal of non-core assets over the financial year, facilitated by strong capital demand, has seen the quality of our MPT portfolio markedly improve, with 97.7 per cent of the portfolio now represented by assets that are on strategy."

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

- high portfolio occupancy rate of 96.1.per cent[3,4];
- solid like-for-like net operating income growth of 3.4 per cent;
- a strong WALE of 4.7 years[3,5];
- the acquisition of two Melbourne CBD office assets (367 Collins Street and 477 Collins Street) for a total value of $299.8m[6];
- the disposal of $171.4 million in non-core office assets[6,7];
- the sale of a 50 per cent interest in 275 Kent Street, Sydney to an affiliate of Blackstone Group ("Blackstone") for $435.0 million[8], at a premium to book value[9];
- a 4.9 Star NABERS energy rating average, ahead of the FY14 target of 4.75 Star NABERS energy rating average, and a 3.8 Star NABERS water rating ahead of ahead of the FY14 target of 3.5 Stars NABERS water rating.

1 Net debt (at foreign exchange hedged rate) excluding leases/(total tangible assets – cash).
2 Includes IPUC and indirect property investments.
3 Excludes assets held for sale as at 30 June 2014.
4 By area, excluding assets under development, based on 100 per cent of building NLA.
5 By income, excluding assets under development, based on MPT's ownership.
6 Excludes transaction costs.
7 Includes assets held for sale as at 30 June 2014.
8 Settlement of the asset occurred on 1 July 2014.
9 As at 31 December 2013.

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Ms Lloyd-Hurwitz said, "Conditions in the office sector remained challenging, however, Mirvac maintained strong metrics across its office portfolio, outperforming the IPD index over one, three and five years.

"Further strengthening the office portfolio, we secured a fund-through partner in TIAA-CREF's General Account at 699 Bourke Street, Melbourne, which reduces our development costs while retaining our exposure to potential development profit. In addition to this, we established a strategic relationship with Blackstone via the sale of a 50.0 per cent interest in 275 Kent Street, Sydney, reducing our single asset risk from 18.3 per cent to 10.1 per cent.

"Non-core disposals through the year, including non-core assets sold to Blackstone on 1 July 2014, further enhanced the quality of the office portfolio, which is now represented by 98.4 per cent of assets that are on strategy following such disposals."

Retail

Mirvac's retail team has driven a substantial turnaround in the performance of the portfolio which is now outperforming IPD over one, three and five years. Highlights over the year included:

- a high retail occupancy rate of 99.1 per cent[1,2];
- like-for-like net operating income growth at 2.0 per cent;
- moving annual turnover growth of 2.2 per cent[3,4], driven by specialties, food catering and mini majors;
- a 20.8 per cent increase in sales productivity for the portfolio, with sales turnover now at $8,935 per square metre[1];
- the acquisition of Harbourside Shopping Centre, Sydney NSW;
- progressed the Group's non-core asset sale program, with $324.9 million[5] completed to date; and
- Broadway Shopping Centre ranked number one in Shopping Centre News' Big Guns Awards 2014 for annual turnover per square metre ("MAT/sqm") for the second year in a row.

"Retail conditions improved slightly in the second half of FY14, with a marginal increase in discretionary spending. Specialty MAT growth in our retail portfolio, for instance, was positive for the first time since 2011 at 2.0 per cent; however, while retailer business confidence has lifted, we expect leasing to remain challenging in the short term. The Group's decision to be overweight in non-discretionary retailing and our focus on active management and expansions positions us well for the future.

"Our retail development pipeline continues to progress well, and we remain on track to deliver an overall yield-on-cost of 7.0 to 8.0 per cent and IRRs of 10.0 to 12.0 per cent.

"As a result of our acquisition at Harbourside and non-core asset disposals through the year, the retail portfolio is now just over 98.0 per cent on strategy, up from 80.0 per cent a year ago", commented Ms Lloyd-Hurwitz.

1 Excludes assets held for sale as at 30 June 2014.
2 By area, excluding assets under development, based on 100 per cent of building NLA.1 Pre-acquisition costs.
3 Excludes assets under development and Hinkler (flood affected).
4 Impacted by 53 week sales reporting in FY13 compared to FY14 for major tenants.
5 Includes assets held for sale as at 30 June 2014, and excluding transaction costs.

Industrial

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

- solid like-for-like net operating income growth of 4.0 per cent;
- a high occupancy rate of 99.5 per cent[1,2] and a WALE of 8.7 years[1,3];
- 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; and
- the disposal of $125.0 million in non-core industrial assets[4], with the portfolio now 91.1 per cent[1] on strategy (up from 61.2 per cent last year) as a result.

Ms Lloyd-Hurwitz said, "Our niche industrial portfolio performed well in buoyant conditions in FY14, once again outperforming the IPD benchmark and seeing a 0.9 per cent valuation uplift as a result of firming yields at Hoxton Distribution Park and Nexus Industry Park, both in NSW. During the year, we also acquired an outstanding site at 60 Wallgrove Road in Sydney, NSW and are well progressed with plans to redevelop the site, with strong tenant enquiry.

"We will continue to look at opportunities in this sector, and we will pursue industrial sites where we see an opportunity to add value."

Residential

There was a continued focus on improving returns in the residential business and carefully restocking the pipeline for future earnings during the financial year. Key highlights for the period included:

- $1.2 billion[5] of exchanged pre-sales contracts on hand, with $979.7 million secured during the period;
- settlement of 2,482 residential lots, ahead of the revised FY14 target of 2,400 lots;
- achieved a gross margin of 24.3 per cent, ahead of target of 18.0 to 22.0 per cent;
- the release of key residential projects including:
    - Apartments: Yarra's Edge, Array, VIC (82.4 per cent pre-sold); Harold Park Precinct 3, Glebe, NSW (98.0 per cent pre-sold);
    - Masterplanned Communities: Enclave, Ascot Vale, VIC (96.9 per cent of total lots released pre-sold); Alex Avenue, NSW (97.7 per cent of total lots released pre-sold); and Stage 4, Elizabeth Hills, NSW (97.8 per cent of total lots released pre-sold);
- the acquisition of $248.0 million of prime residential development sites in key locations, comprising 2,671 lots. Approximately 64.0 per cent of lots were acquired in the strong Sydney market, significantly contributing to the Group's future development pipeline;
- sold seven englobo sites ahead of schedule; and
- released $129.2 million of provision.

Ms Lloyd-Hurwitz said, "We have $1.2 billion in pre-sale residential contracts on hand, and we continue to see high demand in Sydney and Melbourne, where we maintain an overweight position.

"We substantially restocked our residential development pipeline over the year, acquiring 2,671 lots in key locations which provides us with excellent visibility for future earnings. We have also been able to acquire a large portion of these projects off-market, achieving good pricing in a highly competitive market.

1 Excludes assets held for sale as at 30 June 2014.
2 By area, excluding assets under development, based on 100 per cent of building NLA.
3 By income, excluding assets under development, based on MPT's ownership.
4 Includes assets held for sale as at 30 June 2014.
5 Total exchanged pre-sales contracts as at 30 June 2014, adjusted for Mirvac's share of JVs, associates and Mirvac managed funds.

"Taking advantage of improved market conditions, we accelerated the release of a number of our provisioned projects, and we exceeded normalised residential development margins of 18.0 to 22.0 per cent, with a strong contribution from Era in Chatswood pushing the overall margin to 24.3 per cent.

"A focus on urban medium and high density opportunities and a conservative approach to where we acquire will allow us to continue to deliver normalised residential gross margins in the Development division."

Outlook

Mirvac has provided an FY15 operating EPS guidance range of 12.0 to 12.3 cpss, with a distribution guidance range of 9.2 to 9.4 cpss.

Ms Lloyd-Hurwitz concluded, "Our focus on improving the quality assets and earnings right across the business, restocking our development pipeline and maintaining a strong capital position will ensure we are well-placed for the future.

"Our people continue to be a top priority and we have implemented a number of initiatives that aim to improve processes, procedures, collaboration and innovation across the organisation.

"By continuing to leverage our competitive advantage and by remaining focused and disciplined in our allocation of capital, we will continue to deliver value to our securityholders."

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

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Disclaimer:

Indications of, and guidance on, future earnings and financial position and performance of Mirvac Group contained in this announcement are "forward-looking statements". Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Mirvac Group, that may cause actual results to differ materially from those expressed or implied in such statements. No representation is made as to the accuracy of these statements and there can be no assurance that actual outcomes will not differ materially from such statements.