ASX RELEASE

mirvac

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**MIRVAC GROUP HALF YEAR RESULTS – 31 DECEMBER 2014**

Mirvac Group ("Mirvac") [ASX: MGR] today reported its interim results for the half year ended 31 December 2014.

**Key highlights include:**

- profit attributable to securityholders increased by 13.4 per cent to $279.0 million (31 December 2013: $246.1 million)[1];
- operating profit after tax increased by 15.5 per cent to $231.2 million (31 December 2013: $200.2 million), representing 6.3 cpss[1,2];
- half year distributions of $166.4 million, representing 4.5 cpss;
- executed $801.2 million of acquisitions in key strategic locations across the retail, industrial and residential sectors, in line with target return hurdles;
- entered into an agreement with ISPT Pty Ltd ("ISPT") for the sale of a 50 per cent interest in 2 Riverside Quay, Southbank, VIC, for a total consideration of $106 million[3]. ISPT will fund 50 per cent of the total development costs throughout the construction period;
- maintained strong portfolio metrics within the Investment portfolio, with solid occupancy of 96.9 per cent[4] and a weighted average lease expiry of 4.5 years[5];
- reached $1.3 billion in residential pre-sales[6] and settled 1,251 residential lots;
- secured 79 per cent of expected Development EBIT for FY15;
- on track to achieve over 10 per cent Development return on invested capital for FY15, and continue to target 12 per cent by FY17.

**Key financial and capital management highlights:**

- net tangible assets ("NTA")[7] per stapled security of $1.69, up from $1.66 (30 June 2014);
- restructured the Group's $1.4 billion syndicated bank loan from three tranches to four, and extended the facility expiry to FY20 while maintaining the Group's average borrowing cost at 5.6 per cent;
- maintained strong liquidity with $768.3 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 25.0 per cent[8].

Mirvac's CEO & Managing Director, Susan Lloyd-Hurwitz, said, "We have made tremendous progress over the past few years to position Mirvac for the future, and this is reflected by a strong balance sheet, a high quality Investment portfolio, and a well-stocked residential development pipeline that provides us with an excellent platform to deliver value to our securityholders for many years to come.

"Our strong result in the first half positions us well to achieve our operating earnings guidance and distributions growth for FY15."

1 For further details refer to 31 December 2014 financial statements.
2 Operating profit after tax is a non-IFRS measure, and is profit before specific non-cash items, significant items and related taxation.
3 The sale price is calculated on the basis of rents determined under the PwC Agreement for Lease, Wilson and MPT car parking leases, and the target net annual rents for the residual unlet space. Settlement occurred in February 2015.
4 By area.
5 By income.
6 Adjusted for Mirvac's share of JVA and Mirvac managed funds.
7 NTA per stapled security, based on ordinary securities including Employee Incentive Scheme ("EIS") securities.
8 Net debt (at foreign exchange hedged rate) excluding leases/(total tangible assets – cash).

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**Office portfolio highlights:**

- high portfolio occupancy of 94.7 per cent[1];
- solid like-for-like net operating income growth of 3.8 per cent;
- a strong WALE of 4.5 years[2];
- secured PwC as the major tenant at 2 Riverside Quay, Melbourne, for approximately 82 per cent of total lettable office area for an initial 12-year term, and entered into an agreement with ISPT for the sale of a 50 per cent interest; and
- achieved a 5.13 Star NABERS Energy rating average across the office portfolio up from 4.9 in FY14.

"We are starting to see signs of recovery in Sydney and Melbourne, with positive net absorption and vacancy levels expected to tighten as the supply cycle completes. Our strong exposure to these markets positions us well for the future, with 82 per cent of our office portfolio located in these core markets. We also have minimal upcoming lease expiry in Brisbane, Perth and Canberra," said Ms Lloyd-Hurwitz.

"The quality of the portfolio has considerably improved, and 92 per cent of the office portfolio is now represented by Prime or A-grade assets, and we continue to focus on driving greater returns from the portfolio through our in-house active asset management and our asset creation capability."

"Our estimated $1.3 billion committed office development pipeline is significantly de-risked with 87 per cent pre-leased to high quality tenants, and construction of these projects continues to progress; for example, 699 Bourke Street in Melbourne is on track for completion in FY15 and completion for Treasury Building in Perth is expected in the first half of FY16."

**Retail portfolio highlights:**

- high portfolio occupancy of 99.2 per cent[3] and a WALE of 3.8 years[4];
- improved like-for-like net operating income growth at 2.6 per cent;
- strong total comparable MAT growth of 3.1 per cent and strong leasing spreads of 4.1 per cent; and
- acquired Birkenhead Point Outlet Centre, Drummoyne, NSW, for a total consideration of $310 million[5].

Ms Lloyd-Hurwitz said, "The retail portfolio has undergone a substantial transformation in the past two years, with a strong commitment to increasing our presence in key urban locations and reducing our exposure to regional locations; and while conditions in retail continue to be mixed across each state, NSW is showing strong performance. We expect to benefit from our increased exposure to the Sydney metropolitan area, with 67 per cent of our portfolio now weighted towards this market.

"Our focus will be on extracting value from the portfolio through redevelopment, repositioning and tenant remixing, and by actively managing our lease expiry profile."

1 By area, including 8 Chifley, Sydney NSW.
2 By income, including 8 Chifley, Sydney NSW.
3 By area, excluding assets held for sale.
4 By income, excluding assets held for sale.
5 Settlement of Birkenhead Point Outlet Centre, Sydney NSW occurred on 1 December 2014.

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**Industrial portfolio highlights:**

- high occupancy of 99.5 per cent[1] and a WALE of 8.2 years[2];
- strong like-for-like net operating income growth of 3.8 per cent; and
- acquired a portfolio of assets from Altis Real Estate Equity Partnership Fund No. 1 ("Altis"), for a total consideration of $213.9 million[3], which settled in January 2015.

"Tenant demand for industrial assets is encouraging and our industrial portfolio continues to be well-positioned, with high occupancy and a long weighted average lease expiry, supported by an overweight exposure to Sydney," said Ms Lloyd-Hurwitz.

"Our well-located asset at 60 Wallgrove Road in Sydney, which has excellent redevelopment potential, and the select group of assets recently acquired from Altis, has seen our industrial portfolio double in size, providing us with a fantastic opportunity to unlock future value, whilst delivering secure income over the long term."

**Residential highlights:**

- $1.3 billion of exchanged pre-sales contracts[4];
- on track to deliver FY15 residential lot settlements slightly in excess of 2,200 lots, with 1,251 lots settled in the period;
- the successful release of key residential projects including:
  - Apartments: Harold Park, Precinct 6, Glebe, NSW (100 per cent pre-sold); Green Square, Stage 1 and Stage 2, NSW (100 per cent and 90.6 per cent sold respectively); and Waterfront, Unison, Queensland (80.6 per cent sold); and
  - Masterplanned Communities: Elizabeth Point, NSW (100 per cent of Stage 5 pre-sold); Alex Avenue, NSW (99.6 per cent of released lots sold); and Enclave, Ascot Vale, VIC (97.9 per cent of the total project sold);
- delivered 1H15 residential gross margin of 24.9 per cent; and
- acquired nine new residential development sites in key locations with an average project duration of under five years, adding over 3,300 lots to the Group's future development pipeline.

Ms Lloyd-Hurwitz said, "Our deliberate weighting towards the Sydney residential market, has delivered the Group's strong result in the first half, and with NSW continuing to be supported by population growth and broad-based economic strength, we are well-placed to capitalise on sustained positive conditions in this market.

"Within our current pipeline, we have over 10,000 lots which have the potential to be delivered over the next four years, and this gives us confidence in our outlook for our residential business. Our robust pipeline also means we can be selective about where we buy and avoid overpaying in a highly competitive market.

"We remain focused on driving towards a return on invested capital in our development business of 12 per cent by FY17."

1 By area.
2 By income.
3 The agreement included a nomination provision for a third party to acquire 34-44 Jonal Drive, Cavan SA, and adjoining land, which was exercised prior to settlement of the portfolio. Settlement of the third party sale occurred in December, 2014. Settlement of the portfolio of assets occurred in January 2015.
4 Adjusted for Mirvac's share of JVA, and Mirvac managed funds.

**Outlook**
Mirvac has narrowed its FY15 operating EPS guidance range to 12.2 to 12.3 cpss, and has maintained its previous distribution guidance range of 9.2 to 9.4 cpss.

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

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