ASX RELEASE

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MIRVAC GROUP FULL YEAR RESULTS – 30 JUNE 2017

Mirvac Group (Mirvac) [ASX: MGR] today announced its full-year results for the financial year ended 30 June 2017 (FY17).

Key highlights:

- statutory profit after tax increased by 13 per cent to $1.16 billion (30 June 2016: $1.03 billion), driven by substantial property valuation uplifts in the investment portfolio and strong operational earnings;
- operating profit after tax increased by 11 per cent to $534 million[1] (30 June 2016: $482 million), representing 14.4 cents per stapled security (cpss), which was at the top end of guidance provided;
- full-year distributions of $386 million, representing 10.4 cpss, also at the top end of guidance provided;
- achieved strong property revaluation uplifts across the Investment portfolio of $540 million (or 6.4 per cent), supported by an overweight to prime assets in Sydney and Melbourne;
- secured $2.7 billion in residential pre-sales[2] and settled a record 3,311 residential lots;
- achieved a Residential Return on Invested Capital (ROIC) of 18 per cent, exceeding the FY17 target of 15 per cent or more;
- continued to attract high-quality capital partners with the sale of a 50 per cent interest in two of the Group's office developments in Melbourne[3];
- achieved an employee engagement score of 88 per cent, exceeding the Global High Performing Norm by 3 per cent[4];
- installed our first megawatt of renewable energy through Mirvac Energy, a key milestone to move towards our target to be net positive by 2030; and
- launched Mirvac's first Reconciliation Action Plan in July this year.

Key financial and capital management highlights:

- maintained gearing within the Group's target range of between 20.0 to 30.0 per cent at 23.4 per cent[5];
- reduced average borrowing costs to 4.8 per cent per annum (including margins and line fees);
- substantial available liquidity of $749 million of cash and undrawn committed bank facilities held, with $200 million of debt due for repayment in December 2017;
- increased the weighted average debt maturity from 4.0 years at 30 June 2016 to 6.2 years at 30 June 2017;
- maintained high-quality credit ratings, including a Baa1 long-term issuer rating from Moody's and S&P BBB+ credit rating; and
- net tangible assets (NTA)[6] per stapled security of $2.13 up from $1.92 (30 June 2016).

1 Excludes specific non-cash items, significant items and related taxation.
2 Adjusted for Mirvac's share of joint ventures and Mirvac managed funds.
3 The agreement for the sale of 477 Collins Street, Melbourne was entered into in July 2017.
4 As defined by survey provider, Willis Towers Watson.
5 Net debt (at foreign exchange hedged rate) excluding leases/(total tangible assets-cash).
6 NTA per stapled security, based on ordinary securities including Employee Incentive Scheme securities.

Level 28, 200 George Street
Sydney NSW 2000
Australia

T +61 2 9080 8000
www.mirvac.com

Mirvac Limited
ABN 92 003 280 699

Mirvac Funds Limited
ABN 70 002 561 640 AFSL 233 121
as responsible entity of the Mirvac
Property Trust ARSN 086 780 645

Mirvac's CEO & Managing Director, Susan Lloyd-Hurwitz, said, "The results we have delivered for FY17 are a testament to the strength of our urban focus and our commitment to creating, owning and managing high-quality urban assets, while ensuring long-term value to our securityholders.

"Our disciplined approach to capital management, along with a continued focus on capital partnering, has ensured our financial position remains strong, providing us with a stable platform to deliver future earnings growth. Importantly, our capital position provides us with the capacity to invest in future opportunities."

Office & Industrial portfolio highlights:

- maintained solid portfolio metrics, with occupancy of 97.6 per cent[1] and a WALE of 6.5 years[2] in the office portfolio, and occupancy of 95.3 per cent[1] in the industrial portfolio, with a WALE of 7.0 years[2];
- achieved lease deals covering approximately 132,700 square metres[3];
- total asset revaluations provided an uplift of $428 million[4] (or 7.8 per cent) over the previous book value;
- sold a 50 per cent interest in the Group's 664 Collins Street and 477 Collins Street office developments in Melbourne to Morgan Stanley and Suntec REIT respectively[5];
- completed 2 Riverside Quay in Southbank, VIC and Building 1, Calibre in Sydney's Eastern Creek;
- maintained a 5.1 Star NABERS Energy rating average across the office portfolio; and
- received Australia's first Gold WELL certification from the International WELL Building Institute for 200 George Street, Sydney.

Ms Lloyd-Hurwitz commented, "While the strategic repositioning of our office portfolio has impacted net operating income growth in FY17, we expect to achieve double-digit like-for-like growth in FY18, driven by contributions from 2 Riverside Quay in Melbourne and 200 George Street, 60 Margaret Street and 101 Miller Street in Sydney.

"Our impressive $2.3 billion active commercial development pipeline, along with recent development completions, is also expected to deliver over $90 million of additional annual net operating income by FY21, providing us with excellent visibility of future earnings."

Retail portfolio highlights:

- maintained high portfolio occupancy of 99.4 per cent[1];
- achieved leasing spreads of 3.2 per cent, ahead of the Group's target of more than 2 per cent;
- achieved total sales productivity of $10,048 per square metre, in line with the Group's FY17 target and increased specialty sales productivity to $9,864 per square metre;

1 By area.
2 By income.
3 Includes approximately 48,200 square metres of development leasing at 664 Collins Street and 477 Collins Street in Melbourne, VIC.
4 Includes investments in joint ventures.
5 Entered into an agreement for the sale of 477 Collins Street, Melbourne in July 2017.

- achieved comparable MAT sales growth of 4.1 per cent and comparable specialty sales growth of 5.6 per cent;
- reduced specialty occupancy costs to 15.0 per cent (30 June 2016: 15.3 per cent);
- completed the $19 million Flinders Gallery development at Birkenhead Point in Sydney, NSW in August 2017, which saw several premium international brands introduced to the centre; and
- entered into an agreement with PAYCE Consolidated (PAYCE) to acquire an interest in the proposed South Village Shopping Centre in Kirrawee, NSW.

"Our focus on urban markets with strong fundamentals ensured we realised all of our FY17 targets, including occupancy of greater than 99 per cent; leasing spreads of 2 per cent; EBIT growth of 25 per cent or more; and sales productivity of over $10,000 per square metre. Impressively, we also achieved comparable specialty store growth of almost 6 per cent, which reflects the quality of our retail assets and tenancy mix, and puts us well ahead of our peers," said Ms Lloyd-Hurwitz.

Residential highlights:

- $2.7 billion of exchanged pre-sales contracts on hand[1];
- settled a record 3,311 residential lots, up 17 per cent from 30 June 2016;
- maintained strong sales activity with approximately 3,100 residential contracts exchanged;
- released approximately 3,000 lots during the financial year across both new and existing projects;
- achieved residential gross margins of 25 per cent, exceeding the Group's through-cycle targets;
- improved the Residential ROIC to 18 per cent, above the Group's FY17 target of 15 per cent or more; and
- received One Planet Living endorsement at Marrick & Co. in Sydney, NSW.

"Buying at the right time and in the right locations has ensured we have strong embedded margins across a number of our residential development projects, particularly those in Sydney and Melbourne," said Ms Lloyd-Hurwitz.

"We also expect to benefit from the substantial investment in infrastructure the New South Wales and Victorian governments are making, with a number of our residential projects located near proposed major transport lines.

Outlook and guidance

Mirvac has provided operating EPS guidance of between 15.3 to 15.6 cpss for FY18, which represents an increase in earnings of between 6 to 8 per cent, and distribution guidance of 11.0 cpss, which represents DPS growth of 6 per cent.

Ms Lloyd-Hurwitz concluded, "Our focused and disciplined urban strategy has consistently delivered stable earnings and distribution growth over the past few years, and we expect FY18 to be another successful year, driven by a secure yield from our high-quality, modern investment portfolio, embedded rental growth, and attractive returns from our high-quality development pipeline.

1 Adjusted for Mirvac's share of joint ventures and Mirvac managed funds.

A management presentation of the results will be webcast live from 10:30am (Sydney) at www.mirvac.com.

For more information, please contact:

Media enquiries:
Sarah Clarke
Group General Manager,
Sustainability and Reputation
+61 2 9080 8956

Investor enquiries:
Bryan Howitt
General Manager, Investor Relations
+61 2 9080 8749