



21 August 2014

MIRVAC INDUSTRIAL TRUST - FY14 RESULTS

Mirvac Funds Management Limited ("MFML") as responsible entity for Mirvac Industrial Trust (ARSN 113 489 624) ("MIX" or the "Trust") (ASX Code: MIX) is pleased to announce the financial results for MIX for the year ended 30 June 2014.

Key financial information for the year ended 30 June 2014 included:

- > A statutory net loss of \$3.56 million, representing (0.98) cents per unit ("cpu");
- > An operating profit¹ of \$8.40 million (representing 2.32 cpu) an increase of 15.86 per cent over the previous corresponding period's operating profit of \$7.25 million (representing 2.00 cpu);
- > Total assets of \$192.31 million;
- > Net tangible assets ("NTA") of \$0.20 per unit, a decrease over the NTA of \$0.21 per unit at 30 June 2013;
- > Gearing reduced to 57.27 per cent, from 63.01 per cent at 30 June 2013; and
- > A weighted average cost of debt of 4.43 per cent and debt expiry of 1.67 years.

The Trust's FY14 earnings¹ of 2.32 cpu were slightly above guidance due to a combination of Trust operating cost reductions and reduced financing costs as a result of the sale of the Ridgewood asset which settled in December 2013.

The Trust has also delivered on a number of strategic initiatives announced in February 2013:

- > Completed strategic non-core asset sales:
 - o W165 N5830 Ridgewood Drive, Menomonee Falls for a total consideration of US\$17.18 million²; and
 - o The Trust's four non-core assets³ for a total consideration of US\$30.50 million⁴;
- > Achieved a realigned portfolio of 24 B-grade, Chicago-centric, industrial assets; and
- > Following the sale of the Trust's four non-core assets on 27 June 2014, MFML announced the commencement of an Expressions of Interest campaign for the remaining portfolio.

The unit price of MIX was \$0.165 as at 30 June 2014.

¹ Operating profit/earnings is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents the profit under AAS adjusted for specific non-cash and significant items. The Directors consider operating profit to reflect the core earnings of the Trust. Its calculation is consistent with the Trust's product disclosure statements. This has not been subject to any specific audit procedures by the Trust's auditors but has been extracted from the financial statements. Please refer to page 2 of the Trust's Annual Financial Report for the year ended 30 June 2014 for the reconciliation between statutory (loss)/profit and operating profit for the year.

² Before costs. The sale price of US\$15.20 million plus the lease buy out proceeds from the Innaware Paper lease of US\$1.98 million provides total proceeds from the sale of US\$17.18 million.

³ As announced on 28 May 2014, the Trust's four non-core assets are 308 South Division Street, Harvard, 900 East 103rd Street, Chicago, and 4527 and 4531 Columbia Avenue, Hammond.

⁴ Before costs. US\$29.50 million received on settlement in June 2014 and US\$1.00 million promissory note payable in June 2017.

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PORTFOLIO UPDATE

Asset valuations

During the six months ended 30 June 2014, eight assets, or 29.76 per cent⁵ of the portfolio, were independently valued with the remaining 16 assets being subject to Directors' valuations.

The combined impact of both independent and Directors' valuations was an increase in the portfolio's asset value of US\$0.10 million to US\$164.00 million^{6,7}. The weighted average capitalisation rate for the portfolio firmed slightly to 8.12 per cent as at 30 June 2014.

Leasing and occupancy

During the period, the Trust executed 15 leases totalling approximately 0.87 million square feet of space (0.71 million square feet of renewals and 0.16 million square feet over vacant space).

As a result of the asset sales during the year, the Trust's weighted average lease expiry reduced to 3.91 years⁸. Tenant retention since inception remains strong at 76.11 per cent as at 30 June 2014.

At 30 June 2014, vacancy in the portfolio increased to 10.61 per cent. As foreshadowed in the 30 June 2013 results information, the increase in vacancy was due to tenant expiries early in the 2014 financial year at 5990 W. Touhy Avenue, Niles and 1020 Frontenac Road, Naperville. These two assets account for 45.09 per cent of the portfolio's vacancy. The market availability rate as at 30 June 2014 was 7.95 per cent⁹.

Divestment of assets

The Trust successfully completed the sale of the following assets during the year:

- > W165 N5830 Ridgewood Drive, Menomonee Falls for a total consideration of US\$17.18 million¹⁰. Settlement of the asset occurred on 4 December 2013.
- > 308 South Division Street, Harvard, 900 East 103rd Street, Chicago, and 4527 and 4531 Columbia Avenue, Hammond (the Trust's four non-core assets) for a total consideration of US\$30.5 million¹¹. Settlement occurred on 27 June 2014.

Sales proceeds received from these sales totalled US\$2.85 million.

⁵ By book value.

⁶ By book value, on a like-for-like asset basis.

⁷ Based on audited book values at 30 June 2014 totalling A\$173.88 million at an AUD/USD foreign exchange rate of 0.9432.

⁸ By income.

⁹ Source: CBRE. Market availability includes competing space available for sub-lease but not listed as vacant.

¹⁰ Before costs. The sale price of US\$15.20 million plus the lease buy out proceeds from the Innovare Paper lease of US\$1.98 million provides total proceeds from the sale of US\$17.18 million.

¹¹ Before costs. US\$29.50 million received on settlement and US\$1.00 million promissory note payable in June 2017.



CAPITAL MANAGEMENT

As at 30 June 2014, the Trust had total debt of US\$104.27 million with a weighted average debt expiry of 1.67 years and a weighted average cost of debt of 4.43 per cent.

The Trust's gearing level at 30 June 2014 was 57.27 per cent down from 63.01 per cent as at 30 June 2013. This reduction was due to the sale of the five assets which were completed during the period. A combination of amortisation and repayments from the asset sales saw the ING facilities reduced by US\$39.37 million.

STRATEGY

MFML has delivered on a number of key milestones announced in February 2013 including: a number of strategic asset sales; and reduced debt levels; resulting in a realigned portfolio comprising of 24 B-grade, Chicago-centric, industrial assets.

Following the completion of the sale of the Trust's four non-core assets, MFML announced the commencement of an Expressions of Interest ("EOI") campaign on 28 May 2014, with Macquarie Capital (Australia) Limited and Chicago property specialists, CBRE Group Inc., as joint advisers to the campaign.

MFML believes that the EOI campaign may create an opportunity to deliver value to MIX unitholders.

The EOI campaign is focussed on two broad transaction structures, being:

- > The sale of 100 per cent of the Australian listed MIX units via a scheme of arrangement; or
- > The sale of the US domiciled entities owned by MIX.

The EOI campaign is comprehensively testing the market's interest in MIX and its underlying real estate portfolio and is progressing well. The EOI campaign is expected to culminate in an outcome by the end of the 2014 calendar year; however, MFML cannot guarantee that the EOI campaign will result in a successful conclusion.

It is important to note that MIX unitholders must vote and approve the ultimate outcome of any transaction that may result from the EOI campaign.

MFML will continue to keep the market updated as the EOI campaign progresses.

EARNINGS AND DISTRIBUTION GUIDANCE

With the EOI campaign in progress, MFML believes it is prudent for the Trust to retain capital to provide adequate funding for both the expected costs associated with the EOI campaign and to continue to actively maintain the Trust's assets through this period.



ASX RELEASE

Until an outcome is achieved with the EOI campaign, MFML will not be releasing an earnings guidance and there will be no distributions paid from the Trust.

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