



## ASX Release / Media Release

**25 August 2009**

### **MIRVAC GROUP RELEASES 2009 FINANCIAL YEAR RESULTS**

In connection with Mirvac Group's 2009 results release please find attached:

- > ASX Announcement
- > FY09 Results Presentation
- > Appendix 4E
- > Mirvac Group Annual Financial Report
- > Mirvac Property Trust Annual Financial Report
- > Property Compendium

A results presentation is being held at 10am today (Sydney time). Webcast details may be found at the homepage of Mirvac's website at [www.mirvac.com](http://www.mirvac.com)

A handwritten signature in black ink, appearing to read 'Nick Collishaw', is positioned above the printed name and title.

**Nick Collishaw**  
Managing Director



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### MIRVAC GROUP FULL YEAR RESULTS

Mirvac Group ("Mirvac" or "the Group") [ASX: MGR] today announced its full year results for the year ended 30 June 2009. The Group achieved a net operating profit after tax of \$200.8 million for the 12 months to 30 June 2009, in line with the high-range NPAT guidance provided by the Group.

Mirvac's statutory net loss after tax for the 12 months ended 30 June 2009 of \$1.08 billion was impacted by the Investment Division's property revaluations of \$487.2 million, and the share of net loss of associates and joint ventures accounted for using the equity method of \$158.0 million. Additionally, the Group impaired goodwill, management rights and other intangibles totalling \$273.6 million and made a provision for loss on inventory of \$186.5 million.

Key financial highlights for the 12 months ended 30 June 2009 included:

- Operating earnings of 13.4 cents per stapled security<sup>1</sup>
- NTA per security of \$1.72<sup>2</sup>
- Total assets of \$7.4 billion
- Net assets of \$4.9 billion
- Full year distribution of 8.0 cents per stapled security
- 1,574 total residential lot settlements
- Exchanged contracts of \$759 million for residential development

Mirvac Managing Director, Mr Nick Collishaw, said, "I am pleased to present Mirvac's 2009 results in what has been a very challenging year. In August 2008, we delivered the Group's strategy stating that we would simplify operational activities, cut costs and strengthen our balance sheet.

"In the last 12 months, we have undertaken a number of capital management initiatives that have significantly bolstered our financial and liquidity position. We have also simplified the Group's operating model and disposed of a number of non-core activities, realising capital efficiencies."

<sup>1</sup> Diluted earnings excluding specific, non-cash and other significant items.

<sup>2</sup> NTA based on issued securities, including EIS securities.

## Capital management

Capital management activities undertaken in the 12 months to 30 June 2009 included:

- successful completion of \$1.1 billion capital raising in June 2009 and \$500 million capital raising in November 2008;
- renewed and extended debt facilities (\$805 million for three years);
- decreased gearing to 18.7 per cent<sup>1</sup> and covenant gearing to 34.2 per cent;
- simplified operational processes with recurring costs savings of \$25 million p.a.;
- preserved capital and further strengthened balance sheet with change in distribution policy to Trust taxable earnings; and
- post year end, achieved S&P rating of BBB, with a positive outlook.

Following the \$1.1 billion capital raising in June 2009, the Group has fully funded its debt maturities and capital commitments beyond June 2011.

Mr Collishaw said, "We will maintain our cautious capital management approach in the current environment. We will finalise our business re-organisation across the Group in FY10 to realise further cost reductions.

"Our focus is on strengthening our capital and liquidity positions to ensure we have the financial flexibility to take advantage of opportunities that will inevitably arise."

## Operational highlights

### Investment Division

As at 30 June 2009, the Investment Division, comprising Mirvac Property Trust ("MPT" or "the Trust") and Mirvac Asset Management, had a total portfolio value of \$3.7 billion, with investments in 58 assets, covering the commercial, retail, industrial and hotel sectors, as well as investments in a number of Mirvac's other managed funds.

The Investment Division's statutory net loss before tax was \$546.4 million, and operating profit before tax was \$242.7 million.

Valuations on all of the Division's 58 assets were undertaken during the 12 months to 30 June 2009 resulting in a total revaluation decline of \$526.1 million<sup>2</sup>. Mirvac's total portfolio weighted average capitalisation rate has increased by 100 basis points to 7.6 per cent. External valuations were undertaken on 45 assets (83.0 per cent of the total portfolio by book value) with the remaining 13 assets internally valued.

Mr Collishaw said, "During the year the Trust maintained its stable portfolio metrics with secure tenant covenants, minimal lease expiries and a high portfolio occupancy of 95.9 per cent, continuing Mirvac's history of high tenant retention.

"Importantly, the Trust's earnings are highly visible and secure with 93.9 per cent of FY10 rent reviews fixed or CPI, and approximately 56.8 per cent of revenue is derived from ASX-listed, multinational and government tenants.

"The Division's strategy is to increase investment in Australian investment grade commercial and retail property assets focused on the east coast of Australia."

<sup>1</sup> Adjusted for retail proceeds from 4 June 2009 Capital Raising, received post 30 June 2009 and USPP debt at hedged rate.

<sup>2</sup> Gross revaluations including assets classified as owner occupied.

## Investment Management

The difficult economic climate continued to impact Mirvac's Investment Management ("MIM") business unit during the 12 months to 30 June 2009. A combination of downward pressure on asset valuations, constrained credit and reduced transactional activity resulted in reduced fee income being received from MIM managed funds.

MIM recorded a statutory net loss before tax of \$221.0 million, and a net operating loss before tax of \$42.3 million, which was impacted by the following items:

- \$16.7 million in impairments relating to the Mezzanine Capital Loans;
- \$12.6 million in one-off commitment payments; and
- \$1.9 million of redundancy costs.

Rationalisation of non-core and unscaleable funds continued during the period with:

- Domaine Funds Management – disposed to Australian Property Growth Fund;
- Mirvac Tourist Park Fund – Deed of Appointment and Retirement entered into, subject to a Unitholder Meeting in September 2009;
- Mirvac Industrial Trust [ASX: MIX] – management are reviewing strategies including expressions of interest in connection to a realisation of the Trust's portfolio; and
- Mirvac AQUA – Heads of Agreement entered into to dispose of the joint venture.

Commenting on the future direction of the business, Mr Collishaw stated that the realigned MIM remains a key element of Mirvac's strategy.

"The focus for our Investment Management team is to source capital for the two core divisions – Investment and Development – through the establishment of investment partnerships with major financial institutions and institutional investors.

"MIM will continue to deliver and build on its wholesale capital raising capability to support our core businesses."

## Hotel Management

Concern regarding consumer spending, businesses cutting costs on travel and conferences and Influenza A (H1N1) (also referred to as "swine flu") all had a negative impact on demand within the hospitality industry. Despite these influences, the Group's Hotels & Resorts business unit maintained a steady financial performance.

At 30 June 2009, Hotels & Resorts achieved a statutory net profit before tax of \$12.3 million and an operating profit before tax of \$13.5 million.

During the 12 months to 30 June 2009, the business continued with its strategic expansion of hotel brands with the addition of five new hotels under management, bringing the total to 44 hotels and resorts covering 5,616 rooms.

The new managed hotels added to the Mirvac portfolio included:

- Harbour Rocks Hotel Sydney (55 rooms);
- Hotel Lindum Melbourne (59 rooms);
- The Sebel Harbourside Kiama (88 rooms and suites);
- Quay West Resort & Spa Falls Creek (40 rooms); and
- The Sebel Mandurah Perth (84 rooms and suites).

"The business will continue to increase the number of hotels managed in Australia and New Zealand, focusing on markets which are under-represented by Mirvac's existing brands.

"The changed economic circumstances have resulted in more opportunities for hotel management contracts as owners look for established hotel operators with strong brands and a track record in producing solid financial results.

“Mirvac has been successfully operating hotels since 1979, and we believe our expansion strategy, combined with our proven operating systems will generate future, sustainable profit growth,” Mr Collishaw said.

### **Development Division**

The Division’s statutory net loss before tax was \$354.7 million, and operating profit before tax was \$29.1 million. The results reflect the following impairments:

- non-core inventory written down by \$128.8 million;
- completed and unsold inventory written down by \$35.2 million;
- core projects written down by \$22.5 million; and
- loans and investments in joint ventures and associates were written down by \$50.6 million.

Rationalisation of non-core development projects and further refinement of the divisional operating model will allow capital to be repatriated and redeployed into large-scale master planned communities, matching the Group’s stated strategy.

During the reporting period, the Division secured 1,574 lot settlements with strong sales in the first home buyers market as a result of the State and Federal incentives.

“We continued to achieve steady sales of residential properties which are well positioned within the prevailing marketplace and present all the attributes of the Mirvac stamp of quality,” Mr Collishaw said.

State based settlements to the 12 months to 30 June 2009:

	<b>House/land</b>	<b>Apartments</b>	<b>Total</b>
<b>NSW</b>	47.5%	11.1%	58.6%
<b>VIC</b>	8.0%	0.3%	8.3%
<b>QLD</b>	7.4%	7.2%	14.6%
<b>WA</b>	11.4%	7.1%	18.5%
<b>TOTAL</b>	<b>74.2%</b>	<b>25.8%</b>	<b>100%</b>

The Division secured future income with \$759 million of exchanged contracts (including Mirvac share of joint venture interest and Mirvac managed funds). Key projects included Tennyson Reach in Brisbane, The Royal, Newcastle, Yarra’s Edge River Homes, Victoria, Rhodes, in Sydney and Mandurah, Perth.

### **Outlook**

“After 12 months of hard work, we believe we have a stronger, simplified and more focused business model that is well placed to capture the opportunities that will arise as the market improves. We have strong prudential risk management procedures in place, and have a very skilled and enthusiastic management team ready for an active year ahead.

“Mirvac’s residential business will continue to focus on its key competitive advantage being large-scale, pre-eminent residential development. Our investment portfolio will continue to perform well, driven by high occupancy in quality assets with secure income,” Mr Collishaw said.

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