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mirvac

ASX Release / Media Release

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DEVELOPMENT PROJECTS UPDATE

Mirvac Group ("Mirvac") [ASX: MGR] today announced that as part of the regular review of all development projects, the assessment as at 31 December 2012 has been completed and has provided evidence that specific micro markets are not recovering as previously expected.

A realignment of future assumptions with current market conditions has resulted in a $273.2 million provision which equates to 5.9 cents per stapled security ("cpss"). The majority of projects impacted are in Queensland representing 72 per cent of the provision and in Western Australia representing 27 per cent of the provision[1].

Mirvac confirms:

- that it remains on track to deliver FY13 operating earnings per security ("EPS") in line with guidance at 10.7 to 10.8cpss and a distribution of 8.5 to 8.7cpss;
- its earlier guidance of achieving development returns in 2014 of greater than 10 per cent Return on Invested Capital ("ROIC") using post-provisioned EBIT and pre-provisioned inventory balance; and
- it remains within the Group's target gearing range with balance sheet gearing as at 31 December 2012 at 23.8 per cent and remains compliant with all of its debt covenants.

The quarterly process undertaken to assess development projects is robust and prudent and has remained consistent with previous periods. The provisions taken today are predominantly the result of changes observed in various micro markets in which Mirvac operates and reflect revised expectations for these markets. Market observations include the following:

- across specific residential sub markets of Brisbane, regional Queensland and Perth, both price points and sales have either deteriorated or not shown signs of improvement;
- the 2012 Spring and Summer sales season was expected to provide evidence of a recovery however this has not materialised;
- the Brisbane and regional Queensland apartment markets have experienced deterioration through greater price discounting, particularly in mid to high end products;
- future assumptions on the speed and quantum of a recovery have changed based on market evidence over the past six months; and
- other projects (e.g. Burswood in Perth) have experienced project specific impacts that have led to a deterioration in forecasts.

The provisioned projects impacted are to be managed in three ways:

- unsold completed stock has been repriced and sales rates have been updated to align with recent market evidence over the past six months and the reassessed speed and quantum of a recovery;
- where it is considered to be appropriate to continue to develop a project, forecasts of sales prices, sales rates and holding costs have been updated to reflect revised market expectations; and

1) The remaining 1 per cent relates to projects outside of Queensland and Western Australia.

- selected underperforming projects will be sold as englobo lots to generate cash and avoid investing additional capital into underperforming projects. As a result of englobo sales, $476 million of future cash commitments will no longer be required and $89 million[2] is expected from englobo sales proceeds.

Projects provisioned include:

- Gainsborough Greens QLD ($58.6m)
- Waterfront Newstead (Balance) QLD ($51.4m)
- Mackay (Balance) QLD ($30.0m)
- Hope Island (Balance) QLD ($15.9m)
- Mariner's Peninsula (Whole) QLD ($11.6m)
- Hamilton QLD ($13.4m)
- Waterfront Newstead Park QLD ($8.6m)
- Brookwater QLD ($8.4m)
- Beachside Leighton - Stage 2 WA ($43.0m)
- Burswood WA ($12.3m)
- Other ($20.0m)

Mirvac CEO and Managing Director Susan Lloyd-Hurwitz commented; “Today’s announcement is disappointing, however our December project assessment process has shown that specific markets have remained subdued and are not expected to improve to the extent previously expected.

“Price points and sales rates over the past six months, including the recent Spring and Summer sales periods, have shown that the velocity and extent of a market recovery are not likely to eventuate as previously expected.

“The majority of the projects impacted today were initiated when the world was a very different place with significantly higher growth expectations. As a sector we have shifted to a new environment of lower growth and it is our responsibility to ensure that the capital we invest going forward reflects this new paradigm.

“Mirvac is focussed on delivering a higher proportion of capital efficient projects that exceed our risk adjusted return hurdles and demonstrate value to our securityholders in this lower growth environment.”

2) Proceeds from englobo sales expected to be delivered over FY13, FY14 and FY15.

The Group confirms its Interim Report for the half year ended 31 December 2012 will be released to the market on 14 February 2013.

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