

ASX Release / Media Release

25 January 2011

DEVELOPMENT UPDATE

Mirvac Group ("Mirvac" or the "Group") [ASX: MGR] today announces that as part of Mirvac's regular reviews of development inventories, the Group has assessed current market sales conditions nationally. Demand for Mirvac's core projects remains robust, with Rhodes Waterside in Sydney and Yarra's Edge and Harcrest in Melbourne all achieving strong results last quarter¹.

Select regional markets, however, are not recovering in line with metropolitan markets. These markets have experienced slower than expected sales over the traditionally strong Spring and Summer periods, and continue to be characterised by oversupply and heavy discounting. Consequently, the carrying values of Mirvac's inventories have been reassessed, resulting in a \$215 million provision.

The provision results from:

- > Englobo disposal program - 80 per cent; and
- > Unsold inventory of previously provisioned and breakeven projects - 20 per cent.

Key impacts

- > Mirvac reaffirms its FY11 earnings guidance of 10.2-10.6 cents per stapled security² and distribution guidance of 8-9 cents per stapled security;
- > The provision relates to existing zero margin or breakeven projects;
- > The Group's net tangible asset ("NTA") backing per stapled security is \$1.60^{3,4} and the Group's balance sheet gearing is 27.4 per cent^{3,5}; and
- > The Group remains compliant with all of its debt covenants.

Summary of provisioned projects

Project disposal program via englobo land sales – 80 per cent of provision

Mirvac's Development Division continues with its strategy to expedite a return to normalised financial performance by 2014 and as such is expanding its englobo disposal program, which is expected to:

- > Eliminate \$312 million⁶ of future capital expenditure required to deliver zero margin projects;
- > Generate approximately \$70 million⁷ in proceeds from sales; and
- > Allow the Group's expertise to be focused on profitable projects.

1. Ended 31 December 2010.

2. 100 per cent of provision relates to previously provisioned or breakeven projects.

3. NTA and balance sheet gearing are based on management accounts as at 31 December 2010 which forms the basis of the financial statements and are subject to independent Auditor's review and Board approval.

4. Based on ordinary securities excluding Employee Incentive Scheme ("EIS").

5. Net debt after CCIR swaps excluding leasing / (total tangible assets – cash).

6. Based on feasibilities to build out "englobo disposal" projects.

7. Based on feasibilities including assumptions on market conditions and gross sale prices achieved.

The projects identified for sale include:

Project name	State	Provision (\$m)
Magenta Shores	NSW	\$103
The Royal, Newcastle	NSW	\$34
Dianella	WA	\$19
Brendale	QLD	\$10
Bridgewater	WA	\$5
Total		\$171

Mirvac's Managing Director, Nick Collishaw said, "Mirvac has taken a proactive decision to dispose of zero margin projects in poor performing regional markets, which will allow us to release capital for investment into profitable residential development opportunities. We expect this to eliminate the requirement to invest a further \$312 million to build out these non-aligned projects and to assist Mirvac's Development Division achieve a faster return to normalised financial performance."

Unsold inventory – 20 per cent of provision

The Australian residential markets have stabilised post the Global Financial Crisis, and the Group continues to see strong momentum in its core markets, however, certain sectors of the market have not recovered. Mirvac has identified three projects that have remained stagnant post the traditional strong Spring/Summer sales periods. These projects include:

Project name	State	Provision (\$m)
The Royal, Newcastle 1A, 1B	NSW	\$24
The Point, Mandurah	WA	\$14
Brookwater	QLD	\$6
Total		\$44

Queensland flood impact

Mirvac experienced limited impact to its residential projects across Brisbane as a result of the recent flood crisis. The Group continues to monitor project impacts and will inform the market if a material impact arises.

Mr Collishaw added, "We remain committed to the Brisbane market, where we have a strong and proud history of delivering some of Brisbane's pre-eminent residential developments. In addition to direct donations and community assistance, Mirvac has committed to reinstate flood affected apartments at the Tennyson Reach development as part of our Queensland flood contribution.

"In summary, the Group will continue to deliver on its stated strategy of owning and managing investment grade properties and being Australia's pre-eminent developer of large-scale, generational projects. This announcement is in line with our development strategy of focusing on core markets where we continue to gain market share," Mr Collishaw said.

The Group confirms its Interim Report for the half year ended 31 December 2010 will be released to the market on 22 February 2011.

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