

12 July 2016

## CHANGES TO MIRVAC'S SEGMENT REPORTING STRUCTURE

In February 2016, Mirvac Group ("Mircac") [ASX: MGR] advised that it would adopt a new segment reporting structure to commence in the financial year ended 30 June 2016 ("FY16"). The Group's FY16 financial reports will be released on 16 August 2016 and to assist investors during this transition period, Mirvac has restated historical financial information relating to the financial year ended 30 June 2015 ("FY15") and half year ended 31 December 2015 ("1H16") for the revised business segments in the Annexure attached<sup>1</sup>.

Mircac undertook a review of its management structure in 2015 to deliver greater accountability and reduce complexity. The review established three sector-focused groups, with an accountable leader for each group reporting directly to the CEO & Managing Director.

The Group's segment reporting will now reflect this structure and will be comprised of the following segments:

- Office & Industrial;
- Retail;
- Residential; and
- Corporate and other.

As previously flagged at the Group's interim results in February, and to reflect the new segment structure, Mirvac has implemented a cost allocation framework for allocating corporate costs directly attributable to the operating divisions.

The revised segment reporting structure also provides Funds from Operations ("FFO") reporting alongside operating profit, to ensure consistent reporting of both metrics<sup>2</sup>.

Summary of changes:

- Office & Industrial segment includes investment, investment management and development activities;
- Retail segment includes investment, investment management and development activities;
- Residential segment includes all residential development;
- the Group elimination segment has been removed with inter-segment eliminations now residing within each operating segment; and
- Corporate costs associated with the operating divisions have been allocated.

The expected outcomes and benefits of the new segment reporting structure include:

- a simplified reporting structure with a focus on business earnings inclusive of overhead costs;
- strengthened accountability of the reporting of management and administration expenses within each business unit; and
- increased transparency over key operational metrics.

1) This has been reviewed by Mirvac Group's auditor, however, it is still subject to final audit sign-off as part of the audit of the Annual Financial Statements

2) Adjusted Funds from Operations ("AFFO") will continue to be provided as a secondary metric for disclosure purposes within the Group Results Presentation

Including the corporate cost re-allocation noted above, Mirvac reaffirms that it expects to achieve a Development ROIC of over 12 per cent by 30 June 2016, one year ahead of its original target.

Mirvac also reaffirms its FY16 operating earnings guidance of 12.9 to 13.0 cents per stapled security ("cpss") and FY16 distribution guidance of 9.9 cpss.

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## **ANNEXURE : CHANGES TO MIRVAC'S SEGMENT REPORTING STRUCTURE**

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# FY15 CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015 (restated)	Office & Industrial \$m	Retail \$m	Residential \$m	Corporate & other \$m	Total \$m
<b>SEGMENT PERFORMANCE</b>					
Property net operating income (NOI)	350	125	–	15	490
Development EBIT	52	–	142	–	194
Asset and funds management EBIT	1	2	–	1	4
Management and administration expenses	(15)	(14)	(12)	(47)	(88)
<b>Earnings before interest and taxes (EBIT)<sup>1</sup></b>	<b>388</b>	<b>113</b>	<b>130</b>	<b>(31)</b>	<b>600</b>
Cost of sales interest	(4)	–	(69)	–	(73)
Other interest costs	–	–	–	(54)	(54)
Income tax expense	–	–	–	(18)	(18)
<b>Operating profit after tax</b>	<b>384</b>	<b>113</b>	<b>61</b>	<b>(103)</b>	<b>455</b>
Include share based payments expense	–	–	–	(6)	(6)
Exclude amortisation of cash and rent free incentives	12	7	–	–	19
<b>Funds from operations</b>	<b>396</b>	<b>120</b>	<b>61</b>	<b>(109)</b>	<b>468</b>
Non-operating items	107	41	–	7	155
<b>Profit for the year attributable to stapled securityholders</b>	<b>491</b>	<b>154</b>	<b>61</b>	<b>(96)</b>	<b>610</b>
<b>REVENUE SPLIT</b>					
Property revenue excluding straight-lining	405	208	–	–	613
Development revenue <sup>2</sup>	82	–	943	–	1,025
Asset and funds management revenue	3	5	–	1	9
Other revenue	10	3	17	13	43
<b>Total operating revenue</b>	<b>500</b>	<b>216</b>	<b>960</b>	<b>14</b>	<b>1,690</b>
Share of net profit of joint ventures and associates	19	–	4	15	38
Net gain on sale of assets	44	–	–	–	44
<b>Other income</b>	<b>63</b>	<b>–</b>	<b>4</b>	<b>15</b>	<b>82</b>
<b>Total operating revenue and other income</b>	<b>563</b>	<b>216</b>	<b>964</b>	<b>29</b>	<b>1,772</b>
Non-operating items	118	45	–	217	380
<b>Total statutory revenue</b>	<b>681</b>	<b>261</b>	<b>964</b>	<b>246</b>	<b>2,152</b>
<b>SEGMENT ASSETS AND LIABILITIES</b>					
<b>Assets</b>					
Investment properties <sup>3</sup>	4,824	2,171	–	–	6,995
Inventories	355	–	1,358	–	1,713
Indirect investments <sup>4</sup>	322	–	122	163	607
Other assets	50	11	52	975	1,088
<b>Total assets</b>	<b>5,551</b>	<b>2,182</b>	<b>1,532</b>	<b>1,138</b>	<b>10,403</b>
<b>Total liabilities</b>	<b>397</b>	<b>46</b>	<b>320</b>	<b>3,178</b>	<b>3,941</b>
<b>Net assets</b>	<b>5,154</b>	<b>2,136</b>	<b>1,212</b>	<b>(2,040)</b>	<b>6,462</b>

1) EBIT includes share of net profit of joint ventures and associates.

2) Includes management fees of \$6m in Office & Industrial and \$11m in Residential.

3) Includes investment properties under construction and owner-occupier property.

4) Includes investments in joint ventures and associates and loans to related parties.

## FY15 OFFICE & INDUSTRIAL SEGMENT DETAILS

30 June 2015 (restated)	Office & Industrial \$m
<b>SEGMENT PERFORMANCE</b>	
Property net operating income (NOI)	350
Development EBIT	52
Asset and funds management EBIT	1
Management and administration expenses	(15)
<b>Earnings before interest and taxes (EBIT)<sup>1</sup></b>	<b>388</b>
Cost of sales interest	(4)
Other interest costs	–
Income tax (expense)/benefit	–
<b>Operating profit after tax</b>	<b>384</b>
Include share based payments expense	–
Exclude amortisation of cash and rent free incentives	12
<b>Funds from operations</b>	<b>396</b>
Non-operating items	107
<b>Profit for the year attributable to stapled securityholders</b>	<b>491</b>

This division is responsible for the management and development of the Office & Industrial property portfolio in addition to managing joint ventures and properties for third party investors and owners.

**Property NOI** – NOI from investment properties that are either directly owned or indirectly owned through joint ventures and associates.

**Development EBIT** – EBIT from the development of Office & Industrial projects to third parties, inclusive of overheads directly attributable to the projects.

**Asset and funds management EBIT** – EBIT from the management of property assets or third party capital, including property advisory, leasing and facilities management services.

**Management and administration expenses** – Overhead expenses required to manage the Office & Industrial division which are not directly attributable to the production of EBIT generating business functions

**Cost of sales interest** – Interest expenses directly attributable to development assets.

**Non-operating items** – Specific non-cash items predominantly relating to transactions associated with the investment property portfolio.

1) EBIT includes share of net profit of joint ventures and associates.

## FY15 RETAIL SEGMENT DETAILS

30 June 2015 (restated)	Retail \$m
<b>SEGMENT PERFORMANCE</b>	
Property net operating income (NOI)	125
Development EBIT	–
Asset and funds management EBIT	2
Management and administration expenses	(14)
<b>Earnings before interest and taxes (EBIT)<sup>1</sup></b>	<b>113</b>
Cost of sales interest	–
Other interest costs	–
Income tax (expense)/benefit	–
<b>Operating profit after tax</b>	<b>113</b>
Include share based payments expense	–
Exclude amortisation of cash and rent free incentives	7
<b>Funds from operations</b>	<b>120</b>
Non-operating items	41
<b>Profit for the year attributable to stapled securityholders</b>	<b>154</b>

This division is responsible for the management and development of the Retail property portfolio including managing joint venture properties for third party investors and owners.

**Property NOI** – NOI from investment properties that are either directly owned or indirectly owned through joint ventures and associates.

**Asset and funds management EBIT** – EBIT from the management of property assets or third party capital, including property advisory, leasing and facilities management services.

**Management and administration expenses** – Overhead expenses required to manage the Retail division which are not directly attributable to the production of EBIT generating business functions.

**Non-operating items** – Specific non-cash items predominantly relating to transactions associated with the investment property portfolio.

1) EBIT includes share of net profit of joint ventures and associates.

## FY15 RESIDENTIAL SEGMENT DETAILS

30 June 2015 (restated)	Residential \$m
<b>SEGMENT PERFORMANCE</b>	
Property net operating income (NOI)	–
Development EBIT	142
Asset and funds management EBIT	–
Management and administration expenses	(12)
<b>Earnings before interest and taxes (EBIT)<sup>1</sup></b>	<b>130</b>
Cost of sales interest	(69)
Other interest costs	–
Income tax (expense)/benefit	–
<b>Operating profit after tax</b>	<b>61</b>
Include share based payments expense	–
Exclude amortisation of cash and rent free incentives	–
<b>Funds from operations</b>	<b>61</b>
Non-operating items	–
<b>Profit for the year attributable to stapled securityholders</b>	<b>61</b>

This division is responsible for the design, development, marketing and selling of residential projects including masterplanned communities and apartments in core metropolitan markets to external customers, in conjunction with strategic partners.

**Development EBIT** – EBIT from the development of residential masterplanned communities and apartment projects, inclusive of overheads directly attributable to the projects.

**Management and administration expenses** – Overhead expenses required to manage the Residential division which are not directly attributable to the development of residential projects.

**Cost of sales interest** – Interest expenses directly attributable to development assets.

1) EBIT includes share of net profit of joint ventures and associates.

## FY15 CORPORATE SEGMENT DETAILS

30 June 2015 (restated)	Corporate & other \$m
<b>SEGMENT PERFORMANCE</b>	
Property net operating income (NOI)	15
Development EBIT	–
Asset and funds management EBIT	1
Management and administration expenses	(47)
<b>Earnings before interest and taxes (EBIT)<sup>1</sup></b>	<b>(31)</b>
Cost of sales interest	–
Other interest costs	(54)
Income tax expense	(18)
<b>Operating profit after tax</b>	<b>(103)</b>
Include share based payments expense	(6)
Exclude amortisation of cash and rent free incentives	–
<b>Funds from operations</b>	<b>(109)</b>
Non-operating items	7
<b>Profit for the year attributable to stapled securityholders</b>	<b>(96)</b>

**This division includes all Group level functions including governance, finance, legal, risk management and corporate secretarial. It also includes legacy investments and management operations that are not Office & Industrial, Retail or Residential related.**

**Property NOI** – Predominantly relates to the passive investment income from the investment in the Tucker Box Hotel Group.

**Asset and funds management EBIT** – Predominantly relates to the funds management function of Mirvac legacy investments primarily, the Tucker Box Hotel Group.

**Management and administration expenses** – Overhead expenses required to manage Group level functions which are not directly attributable to the production of EBIT generating Divisions.

**Interest costs** – Interest costs not in relation to development assets, not separately allocated.

**Income tax** – Income tax expense from the activities of the Corporate side of the stapled Group.

**Non-operating items** – Specific non-cash items predominantly relating to the investment in the Tucker Box Hotel Group, plus impact from derivative financial instruments & foreign exchange movements.

1) EBIT includes share of net profit of joint ventures and associates.



# 1H16 CONSOLIDATED FINANCIAL SEGMENTS

31 December 2015 (restated)	Office & Industrial \$m	Retail \$m	Residential \$m	Corporate & other \$m	Total \$m
<b>SEGMENT PERFORMANCE</b>					
Property net operating income (NOI)	167	62	–	8	237
Development EBIT	(1)	–	(4)	–	(5)
Asset and funds management EBIT	3	–	–	1	4
Management and administration expenses	(7)	(5)	(6)	(24)	(42)
<b>Earnings before interest and taxes (EBIT)<sup>1</sup></b>	<b>162</b>	<b>57</b>	<b>(10)</b>	<b>(15)</b>	<b>194</b>
Cost of sales interest	(2)	–	(13)	–	(15)
Other interest costs	–	–	–	(27)	(27)
Income tax benefit	–	–	–	13	13
<b>Operating profit after tax</b>	<b>160</b>	<b>57</b>	<b>(23)</b>	<b>(29)</b>	<b>165</b>
Include share based payments expense	–	–	–	(5)	(5)
Exclude amortisation of cash and rent free incentives	7	3	–	–	10
<b>Funds from operations</b>	<b>167</b>	<b>60</b>	<b>(23)</b>	<b>(34)</b>	<b>170</b>
Non-operating items	248	82	–	(22)	308
<b>Profit for the year attributable to stapled securityholders</b>	<b>408</b>	<b>139</b>	<b>(23)</b>	<b>(51)</b>	<b>473</b>
<b>REVENUE SPLIT</b>					
Property revenue excluding straight-lining	197	104	–	–	301
Development revenue <sup>2</sup>	285	4	125	–	414
Asset and funds management revenue	2	2	–	2	6
Other revenue	5	2	4	7	18
<b>Total operating revenue</b>	<b>489</b>	<b>112</b>	<b>129</b>	<b>9</b>	<b>739</b>
Share of net profit of joint ventures and associates	9	–	4	8	21
Net gain on sale of assets	–	–	–	–	–
<b>Other income</b>	<b>9</b>	<b>–</b>	<b>4</b>	<b>8</b>	<b>21</b>
<b>Total operating revenue and other income</b>	<b>498</b>	<b>112</b>	<b>133</b>	<b>17</b>	<b>760</b>
Non-operating items	255	83	–	70	408
<b>Total statutory revenue</b>	<b>753</b>	<b>195</b>	<b>133</b>	<b>87</b>	<b>1,168</b>
<b>SEGMENT ASSETS AND LIABILITIES</b>					
<b>Assets</b>					
Investment properties <sup>3</sup>	5,158	2,313	–	–	7,471
Inventories	213	–	1,663	–	1,876
Indirect investments <sup>4</sup>	462	–	124	163	749
Other assets	73	30	60	942	1,105
<b>Total assets</b>	<b>5,906</b>	<b>2,343</b>	<b>1,847</b>	<b>1,105</b>	<b>11,201</b>
<b>Total liabilities</b>	<b>304</b>	<b>46</b>	<b>280</b>	<b>3,765</b>	<b>4,395</b>
<b>Net assets</b>	<b>5,602</b>	<b>2,297</b>	<b>1,567</b>	<b>(2,660)</b>	<b>6,806</b>

1) EBIT includes share of net profit of joint ventures and associates.

2) Includes management fees of \$2m in Office & Industrial and \$3m in Residential.

3) Includes investment properties under construction, owner-occupier property and assets held for sale.

4) Includes investments in joint ventures and associates and loans to related parties.