



HALF YEAR INVESTOR REVIEW

31 DECEMBER 2016



Angus McNaughton
CEO and Managing Director

“The solid financial and operating results reported reflect our focus on strategy which is driving significant improvements in our portfolio quality and comparable underlying earnings growth.”

Commenting on Vicinity Centres' (Vicinity, ASX:VCX) results for the six months to 31 December 2016, Mr Angus McNaughton, CEO and Managing Director, said: “We have delivered a number of operational highlights including the successful opening of the key retail stage of the Chadstone development, which has been well received by both retailers and customers alike. At the same time, we have largely completed our asset divestment program realising \$1.4 billion in proceeds.

“Statutory net profit of \$908.8 million for the period included strong net valuation gains of \$508 million², up 3.5% on book value, which

were underpinned by income growth and the portfolio weighted average capitalisation rate tightening 20 bps to 5.75%. NTA³ was up 14 cents, or 5.4%, to \$2.73.

“Underlying earnings⁴ for the period were \$376.0 million. Adjusting for acquisitions and divestments, comparable underlying earnings¹ were up 4.8%, supported by comparable net property income growth⁵ of 3.0%, as a result of base rental and ancillary income growth, and a reduction in corporate overheads.

“Over the six months to 31 December 2016, portfolio occupancy remained high, unchanged at 99.4%, comparable specialty

store productivity⁶ increased to \$9,200 per sqm and specialty store occupancy costs were maintained at 14.6%.

“Total moving annual turnover (MAT)⁶ growth was 1.3% at 31 December 2016, compared to 2.1% at 30 June 2016. Specialty store MAT growth was 2.2%, compared to 3.0% at 30 June 2016. Excluding the impact of Dick Smith store closures in early 2016, specialty store MAT growth was 2.7%. Department stores and discount department stores category sales were down marginally in the period, while mini majors' sales remained robust with 3.3% MAT growth despite the Dick Smith impact.”

Statutory net profit

\$908.8 million

Distribution per security

8.7 cents

Underlying earnings per security

9.5 cents

NTA³ growth

5.4%

Comparable underlying earnings growth¹

4.8%

Gearing⁷

24.0%

75

shopping centres



\$14.9 billion⁸
total value



\$16.1 billion
annual retail sales



¹ Adjusted for acquisitions and divestments. Refer to slide 40 of the FY17 interim results presentation released to the ASX on 15 February 2017.

² Excludes acquisitions, divestments and statutory adjustments, and includes the impact of equity accounted investments.

³ Net tangible assets per security.

⁴ For a reconciliation of underlying earnings to statutory net profit, refer to Note 1(b) of the Half year financial report released to the ASX on 15 February 2017.

⁵ Excluding acquisitions, divestments and development-impacted centres and is calculated on a like-for-like basis versus the prior corresponding period.

⁶ Sales are reported on a comparable basis which excludes divestments and development-impacted centres.

⁷ Calculated as: Drawn debt net of cash/Total tangible assets excluding cash, derivative financial assets and finance lease assets.

⁸ Includes equity accounted investments and excludes finance lease assets and planning and holding costs.

A stronger portfolio

Mr McNaughton said: “Since announcing our portfolio enhancement strategy a little over 12 months ago, Vicinity has been active in reinvesting the \$1.4 billion in proceeds from our asset divestment program into new growth opportunities across the existing portfolio, as well as acquiring interests in five assets⁹ with attractive long-term fundamentals.”

“Recognition of our improved portfolio quality and balance sheet strength supported Standard & Poor’s decision last month to raise Vicinity’s credit rating to ‘A/stable’ from ‘A-/positive.’”

Mr McNaughton added: “With gearing currently at 24.0%, Vicinity remains well positioned to reinvest into future value-creating opportunities through our development pipeline and selective acquisitions.

“During the half, we sold interests in eight retail assets for \$511 million and we exercised an option to acquire the remaining 50% interest in Bentons Square for \$38.3 million. Post the period, we exchanged contracts to acquire the remaining 25% interest in DFO South Wharf for \$141.3 million, which is expected to settle in April 2017.

“Our \$3.0 billion (Vicinity’s share: \$1.4 billion) development pipeline remains an important driver of future portfolio enhancement, with strong progress recorded across a number of projects over the past six months.”

“The opening of the key retail stage of the \$666 million¹⁰ Chadstone development, together with the centre’s continued strong trading performance, showcases Vicinity’s development and asset management expertise.”

Other development highlights during the period include:

- substantial progress made on the \$350 million¹⁰ major redevelopment at Mandurah Forum
- project approval and commencement of site works at the \$150 million¹⁰ DFO Perth Airport development
- satisfying the majority of conditions precedent for the \$490 million¹⁰ redevelopment at The Glen, which is on track for commencement in the coming months, and
- achieving planning approval for the \$700 million¹⁰ redevelopment at Galleria.



Chadstone, VIC

Chadstone, VIC

Reinforcing Chadstone as Australia’s premier retail destination and one of the top retail assets globally

At Chadstone, the northern end of the centre has been transformed with the creation of an entertainment, leisure and dining precinct surrounding an impressive atrium encompassed by an iconic glass column-free gridshell roof, the first of its kind in Australia. Chadstone now features a new state-of-the-art HOYTS digital cinema complex, a seven-restaurant dining terrace, a new 1,300-seat 20-plus tenancy food gallery and a range of new specialty retailers and large-format flagship stores including H&M, Sephora, Uniqlo and Zara, together with a Tesla Motors dealership.

Tenants have also started moving into the recently completed, and fully-leased, 10-level 16,500 sqm office tower on the site including Vicinity’s Melbourne corporate teams.

“In the coming months, the first LEGOLAND® Discovery Centre in the Southern Hemisphere will open at the centre, further reinforcing Chadstone’s position as Australia’s premier retail destination.”

The expanded luxury mall and remaining backfill tenancies will open progressively through to project completion by mid-2017.



Chadstone, VIC

⁹ Includes contracts exchanged in February 2017 for the acquisition of the remaining 25% interest in DFO South Wharf, which is expected to settle in April 2017.

¹⁰ 100% interest. Vicinity’s share is 50%.



Mandurah Forum, WA

Major transformation is underway

Works are progressing well on the \$350 million¹¹ major redevelopment of Mandurah Forum. We completed an 850 space multi-deck car park prior to Christmas ahead of program. Leasing is progressing well and the first stage of retail is expected to open in the third quarter of 2017.

On completion expected in mid-2018, the asset will be significantly expanded and

revitalised, reinforcing it as the dominant retail destination in one of Australia's fastest growing regions. The development will introduce a new-format David Jones store and new Target store, an additional 100 specialty stores and dramatically improved dining and fresh food offers.

¹¹ 100% interest. Vicinity's share is 50%.



Mandurah Forum, WA – Artist's impression

Investing in technology to create better retail experiences

Vicinity's use of technology and our digital strategy are focused on creating seamless physical and digital experiences for our consumers and using new data sets to make better operating, leasing and development decisions. To support this, Vicinity's connectivity project, to connect all of our centres and corporate offices to a single high-speed digital network, is on track to be completed in the next six months.

Mr McNaughton said: "We have commenced collecting information from the new WiFi network and this will provide opportunities to build more meaningful and personal relationships with our consumers.

"During the period we have also been building our in-house data and digital capability, in addition to commencing trials of new technologies across our portfolio and advancing our plans to 'digitise' our assets. Once completed, a range of operational activities will be monitored and controlled through our digital network."

2017 key dates

December 2016 distribution payment	2 March
FY17 annual results	16 August
June 2017 distribution payment	30 August
2017 Annual General Meeting	16 November

Note: These dates are indicative only and may be subject to change.



DFO Perth Airport, WA – Artist's impression
Retail construction due to commence in mid-2017.

FY17 guidance and focus

Mr McNaughton said: "While the operating environment has presented some challenges over the past six months, the broader economy is expected to continue to support retail spending growth and Vicinity is well positioned with a stronger portfolio."

"Over the next six months, we will continue to focus on extracting additional value from our portfolio through intensive asset management, particularly from tenant remixing and cost efficiencies."

"Our focus in development remains on completing the Chadstone project, significantly progressing the Mandurah Forum and DFO Perth Airport projects, and commencing The Glen redevelopment. In addition, we continue to progress future projects outside of our identified development pipeline and to investigate strategic acquisition opportunities to further strengthen the portfolio."

Vicinity's guidance for FY17 underlying earnings remains unchanged at 18.6 to 18.8 cents per security.¹² After adjusting for the impact of acquisitions and divestments, this guidance reflects comparable underlying earnings growth of 4.5% to 5.6%. Vicinity's payout ratio is expected to be 90% to 95% of underlying earnings.

¹² Assuming no material deterioration to existing economic conditions.

Generating benefits from sustainability



Following the establishment of our sustainability strategy in June 2016, we released Vicinity's inaugural Sustainability Report outlining our FY16 achievements and performance, together with our key objectives going forward being:



Reach 3 Star Green Star Performance portfolio average within next 12 months



Build climate resilience into planning across our portfolio



Identify significant long-term carbon reduction target for the portfolio



Roll out centre-level community programs to address youth employment

Over FY16 we improved our resource usage lowering energy intensity¹³ by 6% and greenhouse gas intensity by 9%, and we diverted 35% of our waste from landfill.¹⁴

Mr McNaughton said: "We are pleased with the recognition received during the period of the strength of our sustainability program and performance. CDP rated Vicinity 'A-' for climate performance and the company

was awarded 'Best Climate Disclosure by a New Responding Company 2016'. The Dow Jones Sustainability Index (DJSI) included Vicinity in three leaders' lists (DJSI World, Asia Pacific and Australia). In the Global Real Estate Sustainability Benchmark (GRESB) survey, Vicinity scored 83 out of 100, compared to the retail sector average of 77.

"At Vicinity, our communities are at the core of our business and sustainability strategies. During the period we entered into a three-year partnership with the Beacon Foundation focused on creating employment opportunities for young people."

Latest sustainability information can be found on our website vicinity.com.au.



¹³ FY16 compared to FY15 on a per sqm basis.
¹⁴ Over FY16.

Disclaimer

This document contains general background information about the activities of Vicinity Centres (ASX:VCX) current at the date of lodgement of this document with the ASX. It is information in a summary form and does not purport to be complete. It is to be read in conjunction with the Half year financial report, lodged with the ASX on 15 February 2017. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment objective is appropriate.

This document contains certain forecast financial information along with forward-looking statements in relation to the financial performance and strategy of Vicinity Centres. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'outlook', 'upside', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings,

financial position, performance and distributions are also forward-looking statements. The forward-looking statements included in this document are based on information available to Vicinity Centres as at the date of this document. Such forward-looking statements are not representations, assurances, predictions or guarantees of future results, performance or achievements expressed or implied by the forward-looking statements and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the control of Vicinity Centres. The actual results of Vicinity Centres may differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements and you should not place undue reliance on such forward-looking statements.

Except as required by law or regulation (including the ASX Listing Rules), Vicinity Centres disclaims any obligation to update these forward-looking statements.

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