ASX Announcement

14 February 2018

Solid FY18 interim results, with a 12-month total return of 13.4%

KEY FINANCIAL AND OPERATING HIGHLIGHTS

- Statutory net profit after tax of $755.9 million
- Funds from operations (FFO)[1] of $357.7 million or 9.1 cents on a per security basis. Adjusting for acquisitions and divestments, FFO was up 2.2% on a comparable basis[2]
- Distribution of 8.1 cents per security, representing a payout ratio of 95.0% of adjusted FFO (AFFO)[1]
- Net tangible assets per security (NTA) of $2.93, up 3.9% compared to 30 June 2017, underpinned by strong net property valuation gains of $408.5 million[3]
- Comparable net property income (NPI) growth[4] of 1.0%. Excluding pre-development centres, comparable NPI growth was 2.3%[5]
- Portfolio occupancy of 99.5%
- Total return[6] of 6.8% for the six months to 31-Dec-17 and 13.4% for the 12 months to 31-Dec-17
- Value driven through on-market security buy-back program, with 2.2% of securities acquired at a 9.6% discount to December 2017 NTA
- Entered contracts to acquire 50% interests in, and management of, three premium Sydney CBD assets for $556 million, in exchange for a 49% interest in Chatswood Chase Sydney for $562 million[7]
- Sold Toormina Gardens, NSW for $41.7 million, at a 2.0% premium to book value
- Opened key stages of The Glen and Mandurah Forum developments
- Specialty store moving annual turnover (MAT) growth[8] of -0.7%; adjusting for tenant administrations and including Chadstone same-store sales, growth was 0.8%
- Chadstone same-store specialty sales growth of 6.7% and MAT growth of 27%
- Board approval to commence Chadstone hotel project, with AccorHotels Group appointed as operator
- Vicinity rated as number one retail property company in Australia and the Asia Pacific region for sustainability by Global Real Estate Sustainability Benchmark (GRESB) in 2017

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[1] For a reconciliation of FFO and AFFO to net profit, refer to Note 1(b) on page 17 of the 2018 Interim Report released to the ASX on 14 February 2018.
[2] Refer to slide 49 of the FY18 interim results presentation released to the ASX on 14 February 2018.
[3] The net valuation gain excludes statutory accounting adjustments and assets divested during the period.
[4] Excluding acquisitions, divestments and development-impacted centres and is calculated on a like-for-like basis versus the prior corresponding period.
[5] Pre-development centres are Bankstown Central, Chatswood Chase Sydney, Galleria, QueensPlaza and The Myer Centre Brisbane.
[6] Calculated as: (Change in NTA during the period + distributions declared)/opening NTA.
[7] Excludes transactions costs, with settlement expected in the first half of 2018, subject to approvals.
[8] Sales are reported on a comparable basis which excludes divestments and development-impacted centres in accordance with Shopping Centre Council of Australia (SCCA) guidelines.

Vicinity Centres
National Office
Level 4, Chadstone Tower One
1341 Dandenong Road
PO Box 104
Chadstone VIC 3148

T +61 3 7001 4000
F +61 3 7001 4001
vicinity.com.au

Vicinity Limited ABN 90 114 757 783
and Vicinity Centres RE Ltd
ABN 88 149 781 322
As responsible entity for:
Vicinity Centres Trust ARSN 104 931 928

Mr Grant Kelley, Vicinity Centres' (Vicinity, ASX:VCX) CEO and Managing Director, said: "The solid financial and operating results which we are delivering today reflect the resilience of our assets, combined with our ongoing portfolio enhancement and active capital management initiatives."

Statutory net profit after tax was $755.9 million for the six months to 31 December 2017, underpinned by strong net property valuation gains of $408.5 million. FFO for the period was $357.7 million or 9.1 cents on a per security basis. Adjusting for acquisitions and divestments, comparable FFO growth was 2.2%. This was driven by comparable NPI growth of 1.0% and a 3.0% reduction in net corporate overheads.

Mr Kelley said that his view that Vicinity had executed strongly a clear and well defined strategy had been reinforced by visits undertaken to 65 of Vicinity's shopping centres since he joined six weeks ago.

"I have been particularly impressed with the strength of the operating platform and high calibre of the team which has been tasked with delivering Vicinity's strategy," Mr Kelley said.

Mr Kelley added: "Creating additional value for Vicinity's securityholders will be a key focus going forward, both through enhancing portfolio quality and additionally, by selectively targeting high-impact, unrealised opportunities in mixed-use.

"We will maintain our regular reviews of the portfolio and, where appropriate, continue to sell assets which either fail to meet our total return requirements, or do not offer future value generation opportunities.

"Based on my asset review, it is clear that Vicinity has an opportunity-rich real estate portfolio. With a material amount of land surrounding many of our shopping centres, I think there is clear potential to unlock and optimise significant unrealised value in the portfolio, whilst preserving and complementing the existing retail assets. Building on work already undertaken, we are carefully reviewing how these holdings could support additional mixed-use opportunities across the portfolio."

The interim distribution per security was 8.1 cents for the period, compared to 8.7 cents in the prior corresponding period. This reflects the impact of the change in distribution policy from FY18, along with the impact of divesting 10 retail assets over the past 18 months. The interim distribution will be paid to securityholders on 28 February 2018.

ENHANCING PORTFOLIO QUALITY

Mr Kelley said: "In November 2017, Vicinity confirmed its status as Australia's premier CBD retail asset owner with the announcement of a strategic exchange of Sydney premium assets with GIC.

"This transaction will secure for Vicinity 50% interests in, and management of, GIC's Queen Victoria Building, The Galeries and The Strand Arcade (together, the Sydney CBD Centres) for $556 million, in exchange for a 49% interest in Chatswood Chase Sydney, valued at $562 million.

"This is a significant milestone for Vicinity, providing us with an unrivalled premium retail offer in the CBD's of Australia's three largest cities, and expanding our strategic partnership with GIC. We expect the Sydney CBD Centres to benefit from the completion of major transport infrastructure projects as well as growth in

Sydney's office, residential and tourism markets. We have already identified a number of areas to further enhance these assets following settlement which is expected in the first half of 2018, subject to approvals.[9]

"We also progressed the divestment of our non-core assets with the sale of Toormina Gardens, NSW for $41.7 million, at a 2.0% premium to book value[10], which settled on 31 January 2018."

ACTIVE MANAGEMENT IN A CHALLENGING RETAIL SALES ENVIRONMENT

Mr Kelley said: "Subdued economic growth in Australia, in particular wages growth, has underpinned a challenging retail environment. While there were signs of improving economic conditions in late 2017, this may take time to flow through to increased retail spending.

"Against this backdrop, we continue to reposition our portfolio through pro-active re-mixing of our tenancies, towards higher demand categories. Over the past five years we have re-weighted our portfolio from women's apparel (down 14%) into categories experiencing higher demand such as food catering (up 17%) and retail services (up 42%).

"As at 31 December 2017, our portfolio metrics remain strong. Our centres remain effectively full at 99.5% occupancy, leasing spreads[11] remain positive at 0.8%, and comparable specialty occupancy costs are 14.8%. Comparable specialty sales per sqm are $9,374, which increases to $10,185 when Chadstone same-store sales and the Sydney CBD Centres are included. This metric has increased over 20% since Vicinity was formed in June 2015, and reflects significant portfolio improvements over this time.

"MAT[12] growth as at 31 December 2017 was 0.5%, a slight improvement on the 0.4% recorded six months earlier. Specialty stores reported MAT growth was -0.7%, reflecting softer trading conditions, but adjusting for tenant administrations, and including Chadstone same-store sales, specialty store sales growth was 0.8%."

Mr Kelley added: "Vicinity has also invested in a WiFi network operating across the portfolio which is providing valuable consumer behavioural data, and delivering insights to inform retail mix and leasing decisions, which will be particularly helpful for our retailers. This is a significant progression in the way we are tailoring our offer to meet consumer needs and in the value we can provide to our retailers."

STRONG PROGRESS ON DEVELOPMENTS

Mr Kelley said good progress has also been made on Vicinity's $2.1 billion (Vicinity's share: $0.9 billion) retail development pipeline during the period.

"The first retail stage at Mandurah Forum, which includes a new Target and 60 specialty stores, has been embraced by consumers with significant increases in foot traffic and sales since its opening in July 2017. The final stage of this $320 million[13] development is on track to complete in mid-2018 and will include new stores for David Jones and international retailer H&M," Mr Kelley said.

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9 Approvals required from Sydney City Council and RailCorp.

10 Prior to contract exchange.

11 For leases greater than 18 months duration and excludes project-impacted leasing and divestments.

12 Sales are reported on a comparable basis which excludes divestments and development-impacted centres in accordance with SCCA guidelines.

13 Project cost at 100% interest which excludes rent lost from undertaking the development. Vicinity's share is 50%.

Stage One of The Glen opened in October 2017 and delighted customers with its fresh food offering. A new Aldi, and new latest-format Woolworths and Coles, anchor the fresh food market hall. Vicinity is well progressed on Stage Two, the Food Gallery, which is due to open in the first quarter of 2018, and the $430 million[14] development remains on track to complete in 2020.

Construction of Perth's first DFO is also well progressed and the $150 million[15] project remains on track to open in the third quarter of 2018. Vicinity expects this 120 specialty store outlet centre to be well received in Perth, and will reinforce Vicinity as the market leader in outlet centres throughout Australia.

Mr Kelley said that following Board and joint owner approval, construction will commence this quarter on the $130 million[15] Chadstone hotel project, to be managed by AccorHotels Group under its premium brand, MGallery by Sofitel. The 13-storey, 250-room hotel will feature conferencing facilities, a ballroom to host up to 400 people, two restaurants, a lounge bar and day spa. Construction is expected to take 18 months and complete in late 2019.

Over the second half of FY18, the following will also commence:

- a major remix at QueensPlaza for an expected total spend of $44 million[16]
- a number of major remixes at Chadstone for an expected total spend of $80 million[14], and
- subject to joint owner approval, a reconfiguration of the strongly performing fresh food precinct at Roselands, NSW, as well as a general centre refurbishment with an expected spend of $90 million[14].

Strong progress is also being made on advancing Vicinity's shadow pipeline which includes exciting developments at Chatswood Chase Sydney, Bankstown Central and Box Hill Central, all of which are located at major transport hubs.

Mr Kelley added: "Following the completion of the major development at Chadstone in June last year and the opening of Apple's flagship store in November 2017, trading performance has been exceptionally strong. Annual foot traffic is up 17.5% to more than 22 million visitors and MAT is up 27% to $1.94 billion, with 6.7% growth in same-store specialty sales. This development has reaffirmed Chadstone's status as one of the leading retail assets globally, with a valuation of $6.0 billion[17] and a capitalisation rate of 3.75%."

CAPITAL MANAGEMENT

During the period, Vicinity's direct portfolio was revalued, recording a $408.5 million, or 2.6%, gain on valuations, increasing NTA by 11 cents, or 3.9%, to $2.93. Combined with distributions, this translated to a 6.8% six month total return, or 13.4% over the past 12 months.

Mr Kelley said: "Under the on-market buy-back, we opportunistically acquired 2.2% of our issued capital or 87 million securities, at an average price of $2.65, a 9.6% discount to the December 2017 NTA. Given the strong progress of the program and our ongoing capital requirements, we do not intend to acquire additional securities at this time. We will continue to assess the buy-back in the context of where our security price is trading, our capacity to deploy capital, and alternative uses for that capital over time.

"Our balance sheet remains conservatively geared at 26.6%."

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14 Project cost at 100% interest which excludes rent lost from undertaking the development. Vicinity's share is 50%.
15 Project cost at 100% interest. Vicinity's share is 50%.
16 Excludes rent lost from undertaking the development.
17 Vicinity's share is $3.0 billion.

MAKING VICINITY MORE SUSTAINABLE
Mr Kelley said: "Our leading approach to sustainability is, I believe, a key source of differentiation for Vicinity and we continue to make strong progress. Vicinity was ranked as the number one retail property company in Australia and the Asia Pacific region, and fourth globally, for sustainability by GRESB. Additionally, Vicinity was classified as 'Leadership' with a score of 'A-' by CDP[18] for our approach to addressing the impacts of climate change, and Dow Jones Sustainability Index ranked Vicinity in the top 5% of more than 150 property companies globally in its 2018 Sustainability Yearbook.

"A key focus of our sustainability agenda is sourcing energy sustainably and reducing energy usage. Given the surface area and locations of Vicinity's assets, together with electricity and gas prices increasing significantly, solar is a key element, not only reducing our carbon footprint over time, but also providing a strong return on investment."

More information on our approach to sustainability, including our comprehensive 2017 reporting can be found on our microsite **sustainability.vicinity.com.au**

FY18 GUIDANCE AND FOCUS
Mr Kelley said: "Our portfolio remains well positioned to create long-term value and sustainable growth, although we expect the retail environment to remain challenging over the next six months.

"We will continue to invest in and build the quality of our portfolio, which will be reinforced by the successful completion of the development at Mandurah Forum, the opening of the second stage of retail at The Glen, successfully progressing the DFO Perth project and the settlement of the transaction with GIC. We will also continue to focus on tenant remixing where required to enhance the retail experience.

"In looking to generate additional value for securityholders, the team will investigate further mixed-use opportunities across the portfolio."

Vicinity's FFO guidance for FY18 is 18.0 to 18.2 cents per security and assumes securities bought back to date, approximately $300 million of non-core asset divestments in FY18 and the rent lost while the major remixes at Chadstone and QueensPlaza are undertaken.[19] After adjusting for the impact of portfolio changes[20], guidance reflects comparable FFO per security growth of 2.3% to 3.4%. Our distribution guidance for FY18 is to payout 100% of AFFO.[19] Maintenance capital expenditure and incentives in total for FY18 are forecast to be approximately $70 million to $80 million.

Additional detail on Vicinity's FY18 interim results can be found in our investor presentation released to the ASX today. A briefing by management elaborating on this announcement will be webcast from 11.00am (AEDT) today and can be accessed via Vicinity's website at www.vicinity.com.au.

ENDS

[18] Formerly Carbon Disclosure Project.
[19] Assuming no material deterioration to existing economic conditions.
[20] Acquisitions, divestments and major remixes of Chadstone and QueensPlaza.

For further information please contact:

Penny Berger
Head of Investor Relations
T +61 2 8229 7760
E penny.berger@vicinity.com.au

About Vicinity Centres

Vicinity Centres (Vicinity or the Group) is one of Australia's leading retail property groups with a fully integrated asset management platform, and over $26 billion in retail assets under management across 81 shopping centres, making it the second largest listed manager of Australian retail property. The Group has a Direct Portfolio with interests in 73 shopping centres (including the DFO Brisbane business) and manages 34 assets on behalf of Strategic Partners, 26 of which are co-owned by the Group. Vicinity is listed on the Australian Securities Exchange (ASX) under the code 'VCX' and has over 24,000 securityholders. Vicinity also has European medium term notes listed on the ASX under the code 'VCD'. For more information visit the Group's website vicinity.com.au, or use your smartphone to scan this QR code.