ASX Announcement

15 February 2019

Vicinity announces FY19 interim results with strategy delivering benefits

KEY FINANCIAL AND OPERATING HIGHLIGHTS

- Statutory net profit after tax of $235.3 million for the six months to 31 December 2018
- Funds from operations (FFO)[1] of $349.5 million (9.06 cents per security), reflecting 2.0% comparable growth[2]
- Specialty store moving annual turnover (MAT)[3] increased 6.0% since June 2018 to $10,746/sqm, with Chadstone and Premium CBD centres on average reporting $18,423/sqm
- Specialty store and mini majors MAT growth of 4.2%, up from 1.6% at June 2018
- Total MAT growth of 2.7%, up from 1.2% at June 2018
- Leasing spreads[4] of 4.4%, with strong performance at Chadstone, Premium CBD and DFO centres
- Portfolio occupancy remains strong at 99.7%
- Comparable net property income (NPI)[5] growth of 1.1%
- Net tangible assets per security (NTA) of $2.96
- Acquired 40 million securities for $106 million at an 11.1% discount to December 2018 NTA
- Gearing reduced to 25.1%, at lower end of target range
- Distribution of 7.95 cents per security, representing a payout ratio of 95.2% of adjusted FFO (AFFO)[1]
- Significant progress made on value-accretive developments: DFO Perth performing strongly since opening, delivering a 40% valuation gain; Stage three at The Glen opened fully leased and trading well; and Australia's first full-line Victoria's Secret store opened at Chadstone
- Retail development pipeline re-prioritised to focus on Flagship and strategic High Potential assets
- Planning continues for a select number of large, strategic, high-value mixed-use opportunities
- Proposed ~$1.0 billion wholesale fund discussions with potential investors ongoing and expected to continue into FY20
- Stage two of the solar investment program commenced, with $73 million total investment across 22 centres

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1. For a reconciliation of FFO and AFFO to net profit, refer to Note 1(b) of the 2019 Interim Report released to the ASX on 15 February 2019.
2. Adjusting for the impact of divestments. Unadjusted FFO per security is down 0.9%.
3. Sales are reported on a comparable basis, which excludes divestments and development-impacted centres in accordance with Shopping Centre Council of Australia guidelines (refer to slide 46 of the FY19 interim result presentation released to the ASX on 15 February 2019).
4. Leasing spreads include all store types other than majors, offices, ATMs and storage, and are for leases greater than 18 months duration and excludes project-impacted leasing and divestments.
5. Excludes acquisitions, divestments and development-impacted centres and is calculated on a like-for-like basis versus the prior corresponding period.

Mr Grant Kelley, Vicinity Centres' (Vicinity, ASX:VCX) CEO and Managing Director, said: "Over the past six months to December 2018, our performance metrics have significantly improved, largely due to the strength of our Flagship assets and the divestment of $670 million of non-core assets. Additionally, we have been able to reinvest the asset divestment proceeds into value accretive developments and an on-market securities buy-back, while also reducing gearing to maintain re-investment capacity.

"We also set a clear direction for the future. This includes divesting the additional non-core assets to focus our balance sheet on our destination portfolio of approximately 50 market-leading assets, creating value by realising mixed-use opportunities on Vicinity's land-holdings and expanding our wholesale funds platform. This clarity of purpose means Vicinity is well placed to deliver strong and sustainable growth for securityholders.

"Our results today provide strong affirmation of the strategy that we outlined in August 2018, which capitalises on Vicinity's unique positioning in the Australian retail market. Our Flagship assets – Chadstone, our Premium CBD assets, and our DFO portfolio – provide us with an offer to retailers that is unrivalled and is further enhanced by Vicinity being Australia's largest landlord in the growing luxury retail market. The growth potential of these assets is very strong."

Statutory net profit after tax for the six months to 31 December 2018 was $235.3 million. FFO for the period was $349.5 million or 9.06 cents on a per security basis. Adjusting for divestments, comparable FFO per security growth was 2.0%, which includes development completions, comparable NPI growth of 1.1% and benefit from the securities buy-back.

The FY19 interim distribution was 7.95 cents per security, reflecting an adjusted FFO payout ratio of 95.2%, which will be paid to securityholders on 4 March 2019.

PORTFOLIO REPOSITIONING RESULTING IN STRONGER OPERATING METRICS

Across Vicinity's 62 shopping centres, the portfolio remains close to full occupancy at 99.7%, in line with June 2018. Total portfolio MAT growth was 2.7%, up from 1.2% at June 2018. Specialty and mini majors MAT growth was 4.2%, up from 1.6% at June 2018, underpinned by Chadstone (+12.4%) and the DFOs (+6.7%).

Specialty MAT for the total portfolio was $10,746 on a per sqm basis, up 6.0% since June 2018, with a specialty occupancy cost of 15.2%. Chadstone and the Premium CBD assets on average reported more than $18,400 per sqm in specialty sales, with a specialty occupancy cost of 17.5%.

The total portfolio leasing spread was 4.4% for the period, with strong results for both renewals and replacements. The highly productive DFO Outlet Centre portfolio achieved very strong leasing spreads of 15.9% for the period.

STRONG PROGRESS ON RETAIL DEVELOPMENTS

The new DFO Perth outlet centre opened successfully in October 2018, with strong sales performance in the first few months, particularly from premium retailers. With the project delivering an improved development yield[6] of >12% and an IRR of >17%, this has underpinned a 40% valuation uplift at 31 December 2018.

[6] Represents stabilised yield.

The response to WA's first DFO from customers and retailers reinforces Vicinity's leadership in outlet centres. Plans continue to further expand Vicinity's DFO portfolio.

Stage three of The Glen opened in October 2018, with a new H&M, Uniqlo and MECCA in addition to new lifestyle, apparel and homewares stores. The retail development remains on target for completion in 2020, with a new David Jones, al-fresco dining and additional specialty stores opening in late 2019. Investment at The Glen will ensure that the centre is catering to the growing affluence of the local trade area and can deliver the right mix of retailers to create a market-leading destination.

Chadstone continues its success as Australia's number one retail centre with more than 23 million visitors over the previous 12 months. Australia's first full-line Victoria's Secret store opened at Chadstone in November 2018, along with new lower ground dining options, an expanded luxury precinct, new youth retailers, a visitor lounge and a new external dining area. The MGallery by Sofitel hotel will open in late 2019, offering visitors premium accommodation and high-quality services to enhance their visit to Chadstone. Masterplanning outlines the significant potential of this asset and includes additional retail, commercial towers and entertainment areas to leverage the success of this retail and commercial hub.

Planning is progressing on a major redevelopment of Chatswood Chase Sydney. The expanded centre will have a large collection of premium retailers, enhanced food and dining experiences and is positioned to benefit from its prime location in Sydney's most affluent trade area.

Ellenbrook Central will benefit from a $63 million expansion including the addition of Kmart, three mini majors and specialty retailers for this growing region of WA. The development is expected to commence in the first half of FY20.

Box Hill Central will undergo a significant redevelopment to create an exciting new retail destination integrated with public transport and mixed-use developments. Development at Bankstown Central will reinforce the centre as a destination asset, revitalise the retail offering and prepare for mixed-use additions to the site. Planning is underway for these significant multi-year projects.

In addition to further retail expansion, Vicinity is focusing on a select number of large, strategic, high-value mixed-use projects at Box Hill Central, Chadstone, QueensPlaza and Victoria Gardens Shopping Centre. Other smaller non-strategic sites are also progressing plans to gain mixed-use entitlement, with the development rights potentially being sold off to release capital for reinvestment into Vicinity's destination portfolio.

STRATEGIC GROWTH OPPORTUNITIES

Vicinity has significant opportunities to deliver additional income streams from the scale of its properties combined with investment in digital capabilities. Leveraging these assets allows Vicinity to create targeted products, services and experiences for shoppers, build stronger relationships with retailers, and create additional income and greater efficiencies for Vicinity.

Total ancillary services now contribute 12.0% of NPI. Excluding electricity income, ancillary income streams were up 4.8% over the period[7]. Electricity income was impacted during the period as new energy contracts

[7] Including electricity income, total ancillary income was down 0.9%.

took effect, however the business unit has strong growth potential. Vicinity media income increased by 18%, with 30 new internal digital screens and six new external billboards on track to be delivered in FY19. Managed parking income was up 4.0% for the period, with additional income from three new sites being added to the network in FY19.

Vicinity has made a substantial investment in solar energy, reducing costs and providing additional electricity income. Vicinity is investing $73 million in its solar energy program, with eight projects now built and an additional 14 projects under construction. Vicinity is at the leading-edge with its integrated energy strategy, trialling bi-facial solar panels, solar glass, battery storage and blockchain energy technology to further reduce reliance on grid electricity, better utilise its physical assets for solar energy generation and drive future value in this space.

CAPITAL MANAGEMENT

Vicinity's balance sheet remains strongly positioned, with investment-grade credit ratings of A (S&P Global Ratings) and A2 (Moody's). New or renewed debt of $1.5 billion was negotiated during the period, reducing FY19 and FY20 debt expiries.

Mr Kelley said: "With gearing at the lower end of the target range at 25.1%, and additional divestments planned, we have capacity to reinvest into the development of our Flagship and strategic High Potential assets as well as the on-market securities buy-back."

Vicinity's 62 direct-owned retail properties were revalued during the period, recording a net valuation decline for the six months of $37 million or 0.2% decrease[8]. Vicinity's Flagship portfolio reported a net valuation gain of 2.4% or $168 million, reflecting strong sales performance and capital improvements, and is an important indicator of Vicinity's success in creating market-leading destinations.

FY19 GUIDANCE RE-AFFIRMED

Mr Kelley said: "Vicinity is well positioned to create long-term value and sustainable growth. We have forecast FY19 FFO per security of 18.0 to 18.2 cents, in line with previous guidance and reflecting comparable growth of 2.3% to 3.4%[9]. This includes the impact of $106 million of securities bought back and $670 million of divestments to date this financial year and assumes no further divestments, including no divestments to the proposed wholesale fund, in FY19. The distribution payout ratio is expected to be at the upper end of the target range of 95% to 100% of AFFO[9], and guidance reflects FY19 maintenance capex and incentives forecast of approximately $80 million to $90 million."

Additional detail on Vicinity's FY19 interim results can be found in the investor presentation released to the ASX today. A briefing by management elaborating on this announcement will be webcast from 11am (AEDT) today and can be accessed via Vicinity's website at www.vicinity.com.au.

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8 Net valuation movement excludes statutory accounting adjustments and assets divested during the period.

9 Assuming no material deterioration to existing economic conditions.

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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 $26 billion in retail assets under management across 66 shopping centres, making it the second largest listed manager of Australian retail property. The Group has a Direct Portfolio with interests in 62 shopping centres (including the DFO Brisbane business) and manages 33 assets on behalf of Strategic Partners, 29 of which are co-owned by the Group. Vicinity is listed on the Australian Securities Exchange (ASX) under the code 'VCX' and has over 26,000 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.