ASX Announcement

17 August 2016

Strong FY16 results driven by portfolio improvements and operational merger synergies

KEY FINANCIAL HIGHLIGHTS

- Statutory net profit of $960.9 million
- Underlying earnings of $757.5 million, up 9.5%
- Achieved guidance for underlying earnings per security (EPS) of 19.1 cents, up 9.0%
- Strong balance sheet with gearing of 25.9%, debt duration extended to 5.3 years and well diversified debt sources
- Merger operational cost synergies fully locked-in 24 months ahead of program
- Net Tangible Assets (NTA) up 5.7% to $2.59 per security
- $23.6 billion of retail assets under management ($14.6 billion directly owned)
- Total Securityholder Return (TSR)[1] of 19.8% for 12 months to 30 June 2016

OPERATING HIGHLIGHTS

- Significant improvement in key portfolio metrics and portfolio composition enhancing growth potential
- Comparable net property income (NPI) growth of 3.5%, compared to 2.5% for the prior year
- Occupancy of 99.4%, up from 98.9% as at 30 June 2015
- Leasing spreads of 0.5%, up from -2.2% in the previous year
- Specialty store moving annual turnover (MAT) growth of 3.0%, marginally behind 3.3% for the prior year
- Completed five developments and expanded development pipeline to $3.7 billion[2]
- Reinforced leadership position in Australian Outlet Centres following DFO Brisbane business acquisition and entry into agreements to develop Western Australia's first DFO at Perth Airport
- Acquired two strongly performing Sub Regional assets in Perth
- Total divestments of $1.2 billion of assets[3] as part of ~$1.5 billion asset divestment program

Vicinity Centres (Vicinity, ASX:VCX) today reported a statutory net profit for the year ended 30 June 2016 (FY16) of $960.9 million. Vicinity's FY16 underlying earnings were up 9.5% to $757.5 million and underlying EPS was up 9.0% to 19.1 cents[4], meeting Vicinity's guidance for the period. Distribution per security was 17.7 cents for FY16, up 4.7% on the prior year[4]. The final distribution for the six months ended 30 June 2016 of 8.9 cents per security will be paid to securityholders on 30 August 2016.

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1 Calculated as: (Change in security price plus distributions paid over the period)/opening security price.
2 Vicinity's share is $1.7 billion.
3 Excludes five assets sold for $218.1 million in 1H FY16 and includes the in principle agreement to sell stakes in two assets to ISPT for $224.6 million.
4 Comparisons to aggregate of Federation Centres (Federation) and Novion Property Group (Novion) for the 12 months to 30 June 2015.

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Mr Angus McNaughton, CEO and Managing Director, said: “The strong results we have released today reflect the team’s outstanding progress on delivering our post-merger initiatives. Operational cost synergies have been locked-in 24 months ahead of program and substantial refinancing activities have been completed, resulting in a very strong balance sheet. There has been considerable focus on significantly lifting the quality and performance of our portfolio through five completed centre developments, our acquisitions and divestments program, and the intensive asset management of the portfolio.”

Vicinity delivered a TSR of 19.8% for FY16, compared to 24.6% for the S&P/ASX 200 A-REIT Index and 0.6% for the broader market (S&P/ASX 200 Index).

OPERATIONAL MERGER SYNERGIES ACHIEVED

Mr McNaughton said: “In less than 12 months we have already exceeded the $49 million of merger operational cost synergies originally targeted by FY19[5] in the scheme booklet. Other integration activities are also well advanced. Our people, digital and sustainability strategies are set and we have consolidated reporting of all assets onto the JD Edwards platform. Within the next six months we will operate on one IT platform and our two Melbourne corporate offices will be co-located in the new office tower at Chadstone.

“Importantly, we have identified opportunities to further build capacity in our business, particularly in the areas of development and leasing, to support our significant development pipeline. We will also invest to increase our digital capability, and are focused on capturing additional revenue opportunities and operational synergies that have been identified through to FY19.”

BALANCE SHEET STRENGTH UNDERPINNED BY LOW GEARING, EXTENDED DEBT MATURITIES

Mr Richard Jamieson, Chief Financial Officer, said: “Vicinity is in a very strong capital position. With the repayment of the $1.8 billion bridge facility in December 2015, we completed the merger refinancing program. We also improved the diversity of our debt sources during the year, launching Vicinity’s inaugural European medium term note program with a £350 million (A$650 million) 10-year note issuance, issuing A$433 million of 10 and 15-year US private placement notes, and negotiating over $1.1 billion of bank debt facilities with new international bank counterparties, all at competitive margins.

“In addition to our substantial refinancing activities, the proceeds of the 10 asset sales during the year have been applied to repay short-term debt. Gearing of 25.9% is at the lower end of our target range of 25% to 35%, with minimal debt expiring in FY17 and FY18. Vicinity’s weighted average interest rate for FY16 was 4.0% and the weighted average debt duration at 30 June 2016 was 5.3 years, up from 3.0 years at 30 June 2015.”

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5 On a run-rate or annualised basis.

STRONG PORTFOLIO METRICS

Vicinity's intensive asset management approach, including our ongoing focus on driving income at a centre level, has translated into an improvement across all key portfolio metrics and contributed to strong valuation growth. The average portfolio occupancy of 99.4% is up from 98.9% a year earlier, a result of an intensive focus on leasing of vacancies and the conversion of short-term temporary leases into long-term deals. This also assisted in driving stronger comparable[6] NPI growth of 3.5%, compared to 2.5% for the prior year.

MAT for the comparable[7] portfolio increased 2.1% for the 12 months to 30 June 2016, up from 1.3% for the prior year. This increase was primarily driven by major tenants, particularly department stores, which have had success following their recent implementation of revitalisation strategies.

For specialty stores, comparable MAT growth was 3.0% compared to 3.3% reported for the prior year. This result is despite two prime assets, Chadstone Shopping Centre and Emporium Melbourne, not being in the comparable portfolio in either FY16 or the prior year. Changes to portfolio composition through acquisitions, divestments and developments over the year have increased portfolio quality. Comparable specialty store MAT per sqm increased to $8,865, up 5.4% compared to a year earlier, while occupancy costs were 14.6% compared to 15.4% at 30 June 2015.

Growth in specialty store sales, including the strong performance across the DFO Outlet Centre portfolio, underpinned the improvement in leasing spreads[8] to 0.5%, up from -2.2% a year ago.

Steady income growth, coupled with 35 basis points of capitalisation rate tightening, led to a $708 million or 5% valuation gain for the portfolio over the year.

DELIVERING ON PORTFOLIO ENHANCEMENT

During the period, five development projects totalling $309 million (Vicinity share: $158 million) were completed at an average initial yield of 9.1% and a forecast internal rate of return in excess of 14%. The $350 million Mandurah Forum development commenced (Vicinity share: $175 million) and the $666 million expansion of Chadstone Shopping Centre (Vicinity share: $333 million) is progressing strongly, with the key retail stage set to open fully leased before Christmas this year. Practical completion has been achieved for the new office tower at Chadstone, with the final floor remaining to be leased under negotiation. Board and joint venture partner approval for the $450 million expansion of The Glen (Vicinity share: $225 million) has also been received, subject to a number of conditions precedent, and planning on the Roselands and Galleria developments has progressed.

Mr Michael O'Brien, Chief Investment Officer and Acting EGM Development, said: "Following a comprehensive review of our portfolio in December 2015, we affirmed our strategic focus of creating long-term value and sustainable growth by owning, managing and developing quality Australian assets across the retail spectrum. With different retail sub-sectors exhibiting similar risk and return characteristics over the long term, our strategy is to own the best centres across the retail spectrum. We noted that we would

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6 Excludes acquisitions, divestments and development-impacted centres.

7 Excludes acquisitions, divestments and development-impacted centres in accordance with SCCA guidelines.

8 Leasing spreads include all store types other than majors and ATMs.

continue to increase our weighting to Outlet Centres, a sub-sector where Vicinity has a clear competitive advantage as illustrated through the performance of our DFO assets. We also announced an asset divestment program of approximately $750 million to $1 billion.

"Within three months of commencing the marketing campaign for our asset divestment program, we had agreed the sale of five assets for $926.4 million, at a collective premium of approximately 1% to book value, and upsized our divestment program to approximately $1.5 billion, on which we are making good progress."

During the year, Vicinity acquired two strongly performing Sub Regional assets in Perth, The Shops at Ellenbrook and Livingston Marketplace, and secured two outstanding Outlet Centre opportunities.

Mr O'Brien added: "We acquired the DFO Brisbane business at Brisbane Airport and entered a joint venture to develop a DFO at Perth Airport, expanding our Outlet Centre coverage across Australia and reinforcing our leadership position in that sub-sector.

"During the course of FY16, we enhanced our portfolio through development, acquisitions, divestments and asset refurbishment projects. Continued refinement of our portfolio will further improve the quality of our earnings, make our portfolio more resilient and deliver superior long-term value."

CONNECTIVITY PROJECT LAUNCHED

Mr McNaughton said: "Today I am pleased to announce that we have partnered with Optus to build a single high-speed digital network with WiFi capabilities, connecting all of our retail assets and corporate offices. This connectivity project is the first step in realising Vicinity's digital vision of creating a seamlessly integrated physical and digital retail property platform.

"We believe the $20 million connectivity project will enable us to enhance the consumer experience through developing a better connection with our customers and retailers, in addition to enabling more informed decision-making to improve operational performance and drive efficiencies.

"The structural shift towards digital and the increasing use of mobile technology means that we will be able to collect, aggregate and analyse real-time data on a range of variables across the portfolio and also control and operate systems from remote locations. It will improve productivity and cyber security controls, support marketing and consumer engagement, and be used to provide a range of services to our customers and our retailers."

FY17 EPS GUIDANCE AND FOCUS

Mr McNaughton said: "FY16 has been a year of significant achievement for Vicinity, locking in merger operational cost synergies well ahead of program, progressing well on integration activities, strengthening our balance sheet and making significant inroads on portfolio enhancement through development, acquisitions, divestments and intensively managing our assets.

"Going forward, we will continue to concentrate on extracting value from our portfolio by focusing on leasing our remaining vacancies, refining the tenancy mix, identifying additional ancillary income streams and enhancing the customer experience.

"In the first half of FY17, we will migrate to the one IT platform and co-locate our Melbourne corporate offices into the one location at Chadstone. Our capital transactions team will focus on completing our asset divestment program[9] of approximately $1.5 billion. During FY17, we will also focus on other portfolio enhancement initiatives such as the delivery of Vicinity's development pipeline and selective acquisitions.

"With regards to our digital strategy, we will connect all of our assets to a single high-speed digital network and significantly advance a number of other digital initiatives.

"We expect the economic and retail growth outlook to remain relatively stable over the year ahead, although key economic indicators are likely to continue to be mixed. This may see consumers continue to be cautious, albeit lower interest rates and a low unemployment rate should continue to support solid retail sales growth."

Vicinity expects to achieve underlying EPS in the range of 18.6 to 18.8 cents for FY17[10]. After adjusting for the impact of acquisitions and divestments[11], this guidance reflects underlying earnings growth for FY17 of 4.5% to 5.6%. Vicinity's payout ratio is expected to be 90% to 95% of underlying earnings.

Additional detail on Vicinity's FY16 annual results can be found in the 2016 Annual Report and associated presentation released to the ASX today. A briefing by management elaborating on this announcement will be webcast live from 10.00am sharp (AEST) today and can be accessed via Vicinity's website at www.vicinity.com.au

Vicinity's 2016 Annual General Meeting will be held in Melbourne on 18 November 2016.

ENDS

[9] Includes five assets sold for $926 million in FY16.

[10] Assuming no material deterioration to existing economic conditions.

[11] Assumes the $1.5 billion divestment program completes in the first half of FY17.

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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 over $23 billion in retail assets under management across 91 shopping centres, making it the second largest listed manager of Australian retail property. The Group has a Direct Portfolio with interests in 81 shopping centres (including the DFO Brisbane business) and manages 37 assets on behalf of Strategic Partners, 27 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.