Emporium Melbourne, VIC

Half year investor review

31 December 2015

VICINITY CENTRES

Period highlights

Statutory net profit
$424.6 million

Underlying EPS of 9.5 cents
9.3%[5]

Distribution per security of 8.8 cents
4.8%[5]

Net property income
3.7%[5,6]

12 month total return
13.1%

Direct portfolio

85
shopping centres

$15.0 billion
total value

$16.9 billion
annual retail sales

Vicinity delivers 9.3% uplift in underlying EPS

Commenting on Vicinity Centres' (Vicinity) results for the six months to 31 December 2015, Mr Angus McNaughton, CEO and Managing Director, said: "We are pleased with the performance of Vicinity in the first six months post merger. Vicinity's portfolio is performing very strongly. Our focus on intensive asset management, portfolio occupancy, realising merger benefits, ancillary income, operational efficiencies and progressing our developments, are evidenced in these strong operational and financial results. Accordingly, we have firmed our FY16 underlying EPS[1] guidance to 19.1 cents[2], the top end of our previously announced guidance range of 18.8 to 19.1 cents."

"Key operating metrics have improved across the board. Portfolio occupancy strengthened in the half by 30 basis points (bps) to 99.2%. We have seen comparable specialty store moving annual turnover (MAT) growth[3] improve to 3.4% and specialty occupancy costs remain largely unchanged. Comparable net property income (NPI) growth of 3.7% is up from 2.5% at June 2015[4], supported by fixed rental increases, strong growth in ancillary income and flat expenses."

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FY16 outlook and guidance

Mr McNaughton said: "These first half results demonstrate that our underlying assets and business are performing well in a retail environment that is steadily improving, notwithstanding increased market volatility. Building on the merger benefits, we will continue to drive operational cost efficiencies and new ancillary income opportunities. We will look to improve the quality of our portfolio through the progression of our development pipeline, making significant inroads into our asset disposal program and continuing to intensively manage our assets to further improve retailer performance and customer experience."

> "FY16 underlying EPS guidance firmed to 19.1 cents[2], with a payout ratio expected to be 90% to 95% of underlying EPS."

Angus McNaughton
CEO and Managing Director

1 Earnings per security.
2 Subject to no unforeseen deterioration of economic conditions and no material asset sales in 2H FY16.
3 Excludes acquisitions, divestments and development-impacted centres in accordance with Shopping Centre Council of Australia (SCCA) Guidelines.
4 Excludes acquisitions, divestments and development-impacted centres and is calculated on a like-for-like basis versus the prior corresponding period, based on 12 months to 30 June 2015.
5 Compared to six months to 31 December 2014 (on an aggregate basis).
6 On a comparable basis which excludes acquisitions, divestments and development-impacted centres.

Development

Development is a key component of Vicinity's portfolio enhancement strategy to continue to revitalise our centres to improve customer experience and introduce the latest retail concepts. Our $3.1 billion pipeline[7] also drives value for our investors as we target a year one yield of 6% to 8%+ and a total return of 10% to 15%+.

Mandurah Forum, WA

Cranbourne Park, VIC

Cranbourne Park, VIC

Centre transformation and revitalised retail offer

Completed in September 2015, the redevelopment of Cranbourne Park represented a total transformation of the centre.

The project included new Coles and Target stores, a refurbished Kmart, new mini majors (Cotton On Mega, JB Hi-Fi Home and Harris Scarfe) and specialty stores. With a comprehensive renovation of the existing centre, along with refurbished amenities and a new playground, it has been well received by customers.

Retailers have reported strong trading post completion and the project came in below cost, on time and returns were well ahead of initial projections, with a project yield of 8.9% and an internal rate of return in excess of 15%.

Chadstone, VIC

Evolution of Australia's best centre continues

Vicinity is the joint owner of Chadstone Shopping Centre, which has generated the most annual sales of any Australian shopping centre for the past 14 consecutive years.[8]

This major redevelopment of Chadstone, which commenced in September 2014, will create a world-class entertainment and leisure precinct around a central atrium with five international flagship stores, an expanded luxury mall, a 1,300-seat food gallery and a new digital cinema complex.

The new Target store which opened in September 2015 is trading well above expectations, while the 10 storey office tower is on track for completion by Christmas this year. With leasing for the retail project now largely complete, the project is on track to be finalised in 2017.

$3.1 billion
development pipeline[7]

Artist's impression

Chadstone, VIC

7 Vicinity's share is $1.5 billion.
8 Reported in the Big Guns survey. Last survey included data up to 31 December 2014.


Artist's impression

Mandurah Forum, WA

Our next major redevelopment

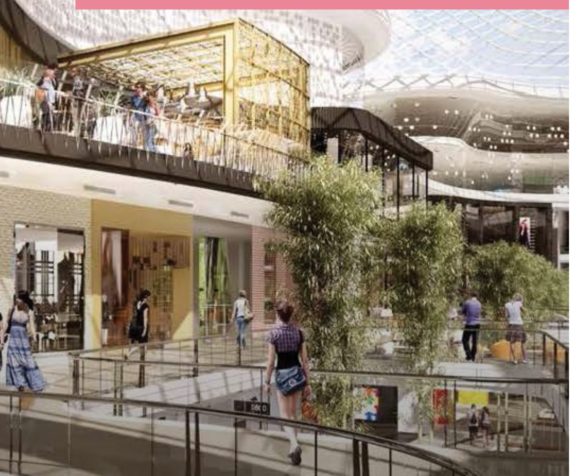
We are in the final stages of planning for our next major redevelopment, Mandurah Forum. This project involves extensive works to the existing centre on top of a significant expansion, delivering an integrated, contemporary centre with cutting edge design, amenity and offer. The new centre will be completely repositioned to become the first Major Regional shopping centre to serve the fast growing population in the region south of Perth.

We have agreed terms with David Jones for a new store as part of the development, which is indicative of the centre's repositioning and the favourable demographics in the trade area. The expansion will also include a new Target store as well as doubling the number of specialty stores across an additional 26,200 sqm of floor space.

Financial targets
('through cycle' basis)

>9% p.a. total returns[9]

>3% p.a. underlying earnings growth



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Mr McNaughton added: "The improvement in our sales performance is particularly pleasing considering that two of our prime assets, Chadstone and Emporium Melbourne, are not in the comparable reporting basket. At Chadstone, which is in the midst of a significant development, same-store MAT growth for specialties was 5.0%. At Emporium Melbourne, monthly same-store specialty sales growth has been averaging 18%[10] compared to the previous year.

"We have enhanced the quality of our portfolio in the period with the acquisition of two high quality centres, The Shops at Ellenbrook and Livingston Marketplace both in Perth, and the sale of five non-core assets.

"Following the completion of a comprehensive review of our portfolio, we reiterated our strategic focus to create value and drive sustainable growth from a quality portfolio of Australian assets across the retail spectrum. We also announced $750 million to $1 billion of asset disposal opportunities with sale proceeds to be reinvested into value accretive development and acquisition opportunities over time.[11]

"We have made very good progress in the half on extracting benefits from the merger. We are 18 months ahead of program on our operational cost synergies, having already achieved both our FY16 and FY17 targets, with $44 million (90% of the scheme booklet target of $49 million) locked in on an annualised basis. Our merger refinancing program is complete following the repayment of the $1.8 billion bridge facility and this was achieved at over $100 million lower transaction cost than forecast."

9 Calculated as: (Change in NTA during period + distributions)/NTA at start of period.
10 For the December 2015 quarter.
11 Subject to market conditions. No impact on FY16 underlying EPS guidance is anticipated due to the expected timing of asset sales. In the short term, proceeds from asset sales are assumed to be used to repay debt. Prior to any reinvestment, the expected impact of the asset sales on underlying EPS is approximately 0.7 to 0.9 cents dilution on an annualised basis and a reduction in gearing by between approximately 350 bps to 450 bps.

Financial statistics

As at	31-Dec-15	Change[a]
Total assets ($b)	16.1	2.8%
NTA[b] ($ per security)	2.54	3.7%
NAV[c] ($ per security)	2.69	0.4%
Gearing[d] (%)	29.5	150 bps
Weighted average interest rate[e] (%)	4.0	(0.2%)

a. Since 30 June 2015.
b. Net tangible asset backing per security.
c. Net asset value per security.
d. Calculated as: Drawn debt net of cash/Total tangible assets excluding cash and derivative financial assets.
e. Inclusive of margins and line fees. Calculated as an average for the six months to 31 December 2015.

Property statistics

As at	31-Dec-15	30-Jun-15
Number of shopping centres	85	88
Gross lettable area (m)(sqm)	2.8	2.8
Comparable NPI growth[a] (%)	3.7	2.5
Occupancy rate (%)	99.2	98.9
Weighted average lease expiry by GLA (years)	5.8	5.6
Total MAT growth[b] (%)	1.6	1.3
Specialty MAT growth[b] (%)	3.4	3.3
Specialty sales productivity[b] ($/sqm)	8,459	8,412
Specialty occupancy cost[b] (%)	15.2	15.4
Capitalisation rate (weighted average)(%)	6.10	6.30

a. Excludes acquisitions, divestments and development-impacted centres and is calculated on a like-for-like basis versus the prior corresponding period. Current period is based on six months to 31 December 2015 and the comparable period is based on 12 months to 30 June 2015.
b. Excludes acquisitions, divestments and development-impacted centres in accordance with SCCA Guidelines.

The Shops at Ellenbrook, WA

Acquisition of two quality centres in Perth with great fundamentals enhances Vicinity's portfolio

Mr McNaughton said: "Vicinity's strategy is to own high quality assets across the retail spectrum that are well positioned in strong catchments, where we can add value through our intensive asset management and development capability.

"During the period, Vicinity acquired two shopping centres located in Perth, The Shops at Ellenbrook and Livingston Marketplace. Both centres are located in trade areas characterised by strong population and retail expenditure growth over the medium to long term; and have high specialty sales productivity and low occupancy costs.

The Shops at Ellenbrook is a Sub Regional shopping centre with a gross lettable area (GLA) of 32,400 sqm anchored by Woolworths, Coles and Big W. With 6.5 hectares of adjacent land, the centre has significant expansion potential. Livingston Marketplace is a Sub Regional shopping centre with a GLA of 15,500 sqm anchored by Woolworths and Big W and also has strong market fundamentals.


Livingston Marketplace, WA

Key dates

December 2015 distribution payment	2 March 2016
FY16 annual results	17 August 2016
June 2016 distribution payment	30 August 2016
2016 Annual General Meeting	18 November 2016

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

Sustainability

Vicinity's vision is to deliver the leading retail property and lifestyle experience in Australia. A vision that is delivered by driving value across all aspects of our business – economically, environmentally and socially.

As a newly merged entity, the next six to twelve months represents a foundation building period for Vicinity's approach to sustainability. We are developing a forward looking sustainability strategy that is integrated within Vicinity's broader business strategy.

During the period, we negotiated new waste management contracts across the portfolio. In addition to providing cost benefits for our retailers and our investors, it will generate significant operational and environmental benefits. Through this process, we reduced suppliers from 13 to 2, reduced costs by 9% annually, standardised our processes and reporting, increased recycling rates and introduced sophisticated waste management technology.

Over the coming months, we will be submitting all of our assets for Green Star – Performance ratings, using the Portfolio Certification approach. This will allow Vicinity to set a common framework with which to benchmark the holistic performance of our assets and assist in driving material operational improvements going forward.

Our website **vicinity.com.au** contains information on our sustainability approach and aspirations. Check our website over the coming months for newly added information.

Vicinity security registry

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Website

For more information on Vicinity Centres including the FY16 interim results, visit **vicinity.com.au** or use your smartphone to scan this QR code.