ASX Announcement

15 February 2017

Delivering on strategy and strong underlying performance drive solid interim result

FINANCIAL HIGHLIGHTS

- Statutory net profit of $908.8 million
- Underlying earnings[1] of $376.0 million or 9.5 cents on a per security basis, down 0.4%. Adjusting for acquisitions and divestments, comparable underlying earnings[2] were up 4.8%
- Distribution of 8.7 cents per security
- Net tangible assets per security (NTA) of $2.73, up 14 cents or 5.4%, underpinned by strong net valuation gains of $508 million[3]
- 12 month total return[4] of 14.3%
- Conservative gearing of 24.0%, positioning Vicinity well for future portfolio enhancement opportunities
- Weighted average interest rate of 4.2% and weighted average debt duration of 4.8 years
- Standard & Poor's raised Vicinity's credit rating to 'A' with stable outlook in January 2017

OPERATING HIGHLIGHTS

- Sold interests in eight retail assets for $511 million, taking total sale proceeds from the asset divestment program to $1.4 billion reflecting a 1.3% premium to book value
- Post the reporting period, exchanged contracts to acquire the remaining 25% interest in DFO South Wharf for $141.3 million
- Completed the key retail stage of the $666 million (Vicinity share: $333 million) Chadstone development
- Comparable net property income (NPI) growth[5] of 3.0% (FY16: 3.5%)
- Portfolio occupancy remains high at 99.4% (Jun-16: 99.4%)
- Leasing spreads of 1.7% for the period (FY16: 0.5%)
- Specialty store moving annual turnover (MAT) growth[6] of 2.2% (FY16: 3.0%); excluding Dick Smith impact, specialty store MAT growth was 2.7%
- Released inaugural Sustainability Report and received favourable results in three key sustainability surveys

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1 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.
2 Refer to slide 40 of the FY17 interim results presentation released to the ASX on 15 February 2017.
3 Excludes acquisitions, divestments and statutory adjustments, and includes the impact of equity accounted investments.
4 Calculated as: (Change in NTA during the prior 12 months + distributions declared)/Opening NTA.
5 Excluding acquisitions, divestments and development-impacted centres and is calculated on a like-for-like basis versus the previous corresponding period.
6 Sales are reported on a comparable basis which excludes divestments and development-impacted centres.

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Commenting on Vicinity Centres' (Vicinity, ASX:VCX) results for the six months to 31 December 2016, Mr Angus McNaughton, CEO and Managing Director, said: "The solid financial and operating results reported today reflect our focus on strategy which is driving significant improvements in our portfolio quality and comparable underlying earnings growth.

"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 million, 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%. Net tangible assets per security (NTA) were up 14 cents, or 5.4%, to $2.73.

"Underlying earnings for the period were $376.0 million. Adjusting for acquisitions and divestments, comparable underlying earnings were up 4.8%, supported by comparable net property income growth 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 productivity increased to $9,200 per sqm and specialty store occupancy costs were maintained at 14.6%.

"Total moving annual turnover (MAT)[7] 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.

"Since January 2016, including Dick Smith, we have had a total of 138 stores go into administration across our directly-owned portfolio of 7,900 tenancies, representing just over 1% of gross lettable area. To date, 88 stores have been handed back and we have successfully re-leased over 80% of these, which includes stores handed back within the past few weeks. For the remaining stores expected to be handed back, a number have already been re-leased.

"Whilst these administrations are unfortunate, it has provided us with the opportunity to further remix the portfolio towards high demand categories. This is an ongoing focus for the leasing team. Over the past five years we have been proactively re-weighting our tenancy mix towards categories that cater to changing consumer trends. Across the portfolio, the major changes have been an increase in the amount of specialty area dedicated to cafes, food courts and restaurants by 20% and to retail services by 32%, and we have reduced women's apparel by 12%."

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

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 assets[8] 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'. 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 million[9] Chadstone development, together with the centre's continued strong trading performance, showcases Vicinity's development and asset management expertise. 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."

Other development highlights during the period include:

- substantial progress made on the $350 million[9] major redevelopment at Mandurah Forum
- project approval and commencement of site works at the $150 million[9] DFO Perth Airport development
- satisfying the majority of conditions precedent for the $490 million[9] redevelopment at The Glen, which is on track for commencement in the coming months, and
- achieving planning approval for the $700 million[9] redevelopment at Galleria.

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.

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8 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.

9 100% interest. Vicinity's share is 50%.

"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."

GENERATING BENEFITS FROM SUSTAINABILITY

A number of significant sustainability milestones were achieved during the period. In November, Vicinity released its inaugural Sustainability Report, which details its strategy to create shared value for its stakeholders. Also in the half, three key surveys recognised the strength of Vicinity's sustainability program and outcomes. 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.

Mr McNaughton said: "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."

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 our shadow 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.[10] 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.

Additional detail on Vicinity's FY17 interim results can be found in our Half year financial report and investor presentation released to the ASX today. A briefing by management elaborating on this announcement will be webcast from 10.30am sharp (AEDT) today and can be accessed via Vicinity's website at www.vicinity.com.au.

Vicinity's FY17 annual results will be released to the ASX on 16 August 2017.

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[10] 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 over $24 billion in retail assets under management across 85 shopping centres, making it the second largest listed manager of Australian retail property. The Group has a Direct Portfolio with interests in 75 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 approximately 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.