

SCENTRE GROUP

ASX Announcement

Scentre Group (ASX: SCG)

5 April 2018

SCENTRE GROUP LIMITED ANNUAL GENERAL MEETING – ADDRESS TO MEMBERS

Attached are copies of the addresses to be given at today's Annual General Meeting by:

- Mr Brian Schwartz AM, Chairman; and
- Mr Peter Allen, Chief Executive Officer.

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RE1 LIMITED ABN 80 145 743 862 AFS Licence No: 380202 as responsible entity of Scentre Group Trust 2 ABN 66 744 282 872 ARSN 146 934 536

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SCENTRE GROUP

**CHAIRMAN'S ADDRESS
SCENTRE GROUP LIMITED
ANNUAL GENERAL MEETING**

**HELD ON THURSDAY, 5 APRIL 2018, AT 10:00AM
WESLEY CONFERENCE CENTRE
LOWER GROUND FLOOR
220 PITT STREET SYDNEY NSW 2000**

Our strategy is to own and operate the pre-eminent retail property portfolio in Australia and New Zealand. Our centres have evolved into “living” centres and today are much more than places where people shop. They look for entertainment, social interaction and indeed many of the things they simply cannot buy online.

Our portfolio – 34 centres in Australia and 5 in New Zealand – comprises some of the strongest performing centres in their regions including 8 of the top 10 performing centres in Australia.

Profit for the year was \$4.2 billion, including property revaluations of \$3.2 billion and our total assets were \$37.5 billion.

The full year distribution of 21.73 cents per security was up 2% from the prior year. These results reflect the strong operating performance, which Peter will comment on further.

Our redevelopments continue to create long term value.

Last year we completed \$435 million and commenced \$1.1 billion of redevelopments including Westfield Coomera, the first greenfield development for Scentre Group.

Our redevelopment of Westfield Newmarket in Auckland will create a world class retail and lifestyle destination unparalleled in the New Zealand market.

Through these projects we continue to execute the Group's purpose of:

“Creating extraordinary places, connecting and enriching communities”.

Underpinning our purpose and strategic priorities are our people, the long-term sustainability of our business, and our continued focus on embedding innovative capabilities across the business.

Clearly, we are in a time of great change in our industry and both the Board and management work hard to keep abreast of issues that may affect the Group.

During the year the Board, with members of the senior management team, travelled to the United States to observe trends and technologies shaping the future of retail partners and their customers. We came back confident in the Group's ability to adapt to the next generation of retail.

The words “innovation” and “agility” now form part of everyday conversation. The impact of digital technology and digital disruption remains a keen focus for us and digital innovation, continues to be embedded across all our business operations.

One thing that does not change is the need for great people and the Group’s achievements are a result of our people and the passion and commitment that they bring to the business.

During the year, we conducted an employee engagement survey and are proud to have achieved an employee engagement score of 88% (up from 85% the year before).

This is a very pleasing result – considered to be “best in class” globally - and I want to acknowledge Peter, as well as the senior leadership team, in this achievement.

Talented and motivated people are critical to our ongoing success and diversity and inclusion is a key corporate strategy. Both management and the Board believe that a balanced and diverse team continues to enhance the Group’s ability to deliver on strategy and serve our customers to the best of our ability.

During the year, we increased female representation at our senior executive level from 16% to 22% and were endorsed by the Workplace Gender Equality Agency as an employer of choice.

The Board and management remain committed to a diverse and inclusive workplace and Peter will highlight some of the diversity and inclusion focus areas for the Group.

There have been no changes to our Board since 2016 when the Board, in its current composition, was formed.

We undertake annual performance reviews of the Board and, during the year, the review was conducted with the assistance of an external consultant. An observation made by the consultant during the review was that “the modern board is personified in the Board of Scentre Group”.

Our Board has, in my view, the balance of skills, experience and diversity of thought required for strong governance. We will, however, continue to monitor the need for any new or additional skills to supplement the Board’s capabilities.

I want to thank my colleagues for their hard work and support during the year.

Two of our directors are standing for re-election today and you will hear from both Carolyn Kay and Margie Seale shortly on their re-election.

I would like to acknowledge the commitment and leadership of our CEO, Peter Allen, as well as that of the senior leadership team.

I would also like to thank you, our securityholders, for your continued support.

I will now ask Peter to talk about the results, and our outlook, in more detail and outline the work that that he, and the senior leadership team, continue to undertake to deliver in line with the Group’s purpose and strategy.

-ENDS-

SCENTRE GROUP

**CHIEF EXECUTIVE OFFICER'S ADDRESS
SCENTRE GROUP LIMITED
ANNUAL GENERAL MEETING**

**HELD ON THURSDAY, 5 APRIL 2018, AT 10:00AM
WESLEY CONFERENCE CENTRE
LOWER GROUND FLOOR
220 PITT STREET SYDNEY NSW 2000**

Good morning Ladies and Gentlemen.

I'd also like to acknowledge the Gadigal people of the Eora Nation as the traditional custodians of the land we are on, and would like to pay my respects to their Elders, past and present.

I'm pleased to be with you today after another strong performance by Scentre Group in 2017.

It's great to be able to share with you how our organisation is tracking, and to provide some insight into our strategy and key drivers of our performance.

Soon after our establishment in June 2014 we defined our purpose: creating extraordinary places, connecting and enriching communities.

Our purpose underpins our ongoing strategic objectives. I believe it has also provided the team with a common goal, which has enabled the group to consistently deliver, since establishment, 4 years of solid performance.

Scentre Group owns and operates the pre-eminent shopping centre portfolio in Australia and New Zealand. From a sales point of view, we have 8 of the top 10 centres in Australia and 4 of the top 5 centres in New Zealand.

Our shopping centres have evolved into 'living' centres, and today are much more than places where people only shop.

We bring to life centres or destinations where people come, not because they have to, but because they *want* to be there.

They are places for experiences, for recreation, and for socialising.

Our centres now offer, in addition to traditional retail, wellness, health, leisure, dining, education, workspace and entertainment options. A lot of these cannot be available online.

The combination of a curated, diverse and engaging product mix, together with an exceptional experience will be the reason customers will come to us rather than somewhere else. And in turn, these are the same things that will attract retailers and other space users to our places.

We are putting the customer first in our decision making across the business. We are gaining more insights into what our customers want by engaging directly with them.

Last July we launched our Customer Experience Loop platform across each one of our 39 centres, enabling us to listen and respond to customer feedback, not just on our centres but also about our retailers in our centres. This enables our centre teams to have real time feedback on how our venues are being experienced by our customers. This leads to both day to day improvement as well as strategic insights, informing key trends and themes.

And we’re sharing key information with our retail partners to help inform their decisions at our venues.

As mentioned earlier, 2017 was another year of strong operational performance for Scentre Group, enabling us to deliver our forecast 4.25% growth in Funds from operations. For the full year FFO was \$1.29 billion, representing 24.29 cents per security. Our 12-month distribution was 21.73 cents per security, up 2% as forecast.

Full year profit was \$4.22 billion and included property revaluations of \$3.2 billion. This revaluation uplift reflected the strong net operating income growth, value creation from the completed developments and improved market capitalisation rates for high quality retail property, reflective of our portfolio.

We have a strong balance sheet with total assets of \$37.5 billion, assets under management of \$51 billion, gearing of 32.1% and liquidity of \$2.7 billion as at year end.

These financial results were underpinned by our operational performance.

The strong growth in net operating income reflected both the growth in customer visitation and retailer demand. We had over 530 million customer visits across our portfolio, an increase of 5 million last year, and occupancy was maintained in excess of 99.5%.

Our portfolio continues to be the first choice for both new and established retailers to grow their brand and business. It is this demand for high quality retail space that enables Scentre Group to consistently deliver strong long-term risk adjusted returns.

We continued to invest in our portfolio, seeking long term total returns in excess of 15%, and opened two expansions last year.

At Westfield Chermside in Brisbane, we opened a \$355 million project that included a new fashion mall together with a resort-style lifestyle precinct that stands as its own destination. Centred on a landscaped waterway and outdoor space it includes dining options, a wellness spa, occasional childcare and co-working space.

The \$80 million redevelopment at Westfield Whitford City in Perth has created a new dining destination for that city’s northern beaches community, transforming a functional outdoor space into a vibrant entertainment precinct with some of the state’s best food and beverage operators, adjacent to a brand-new cinema complex.

In 2018, we will be opening 106,000 square metres of new space, the equivalent to one of our larger centres. These projects include an entertainment lifestyle expansion to Westfield Plenty Valley in Melbourne which opened two weeks ago.

A \$350 million project at Westfield Carousel in Perth will provide a new expansion destination focused on fashion, entertainment, dining, lifestyle and wellness.

Our first 'greenfield' development in more than a decade is underway at Westfield Coomera, a \$470 million project that will create a brand-new community hub in what continues to be a major growth corridor of the Gold Coast.

We are also expanding Westfield Kotara ensuring this is the leading centre for Fashion and lifestyle in the Hunter region and at Westfield Tea Tree Plaza in Adelaide we are adding a restaurant precinct and new and refurbished cinemas.

The Group recently announced the NZ\$790 million redevelopment of Westfield Newmarket in Auckland where we will create a world class retail and lifestyle destination unparalleled in the Auckland market. Westfield Newmarket will feature the first David Jones in Auckland, a new Farmers department store and Countdown supermarket. It will also include a new Events cinema complex and rooftop lifestyle dining and entertainment precinct.

The retail landscape continues to evolve at an increasing pace. We continue to see structural changes in consumer behaviour, their expectations and the options that are presented to them are making it more important to create a compelling reason for customers to visit, stay and engage.

Customers are utilising a number of channels to connect with and purchase retail brands and products. The role of the physical store has to work in connection with a retailer's online presence, enabling customers to seamlessly review, connect and purchase goods and services. We are seeing that those retailers with a compelling offer across all formats are growing their business at a faster rate than others.

This has put additional pressure on retailers who do not understand or cannot deliver to their customer needs.

We continue to proactively curate a unique retail mix at each one of our centres to meet the needs of our customers. We understand the value of our space and want to facilitate those retailers who customers engage with at our centres.

Last year we leased 1258 stores to new merchants, introducing 289 new retail brands that we haven't done business with previously. Consumer's tastes are changing and we must continue to meet this change to stay relevant.

There's no doubt the industry's evolution will continue, as those brands that no longer perform or are relevant or desirable to customers will fall away.

Looking ahead, our ability to innovate, adapt and respond with agility to customer tastes is an organisational imperative.

Customers, with a world of choice at their fingertips will drive much of what we - and our most successful retail partners - do in the future.

In the year ahead we'll be focusing on further embedding innovative capability internally, both to ensure that we're assessing all the available opportunities for Scentre Group and also to accelerate the process of putting customers at the heart of everything we do, recognising their changing shopping and purchasing behaviours.

The future of our business depends on the quality of our people and their willingness and ability to

move through the dynamic shifts in our industry. We are doing this in two ways, by bringing in new talent from outside the REIT or shopping centre space and by further developing our existing team.

We believe Scentre Group must be a place where talent can thrive.

We have worked hard in the past few years to establish a workplace culture that is meaningful and productive, and we’ve been rewarded with achieving a level of staff engagement that has put us in the top 2% of companies globally.

Reflecting our commitment to gender equity and professional development, women represent more than 50% of our workplace and we have increased senior female executive representation.

We recently achieved endorsement by the Workplace Gender Equality Agency as an Employer of Choice, one of 120 organisations in Australia, and as a WGEA pay equity ambassador, I am pleased to confirm that Scentre Group ensures we have equitable pay for male and female employees.

And having made it an area of focus for the past three years, in 2017 we truly embedded our Diversity & Inclusion strategy into our way of doing business.

To ensure our business has a sustainable long-term future, all our actions are viewed through four lenses; being community, people, environment and fiscal, with an enduring responsibility to deliver growth and leave a positive legacy.

From an environmental viewpoint, highlights in 2017 include the continued rollout of our solar generation program as part of our development projects, which will generate more than 8800 megawatt hours of electricity, equivalent to one third of the electricity needs of these developments.

And we reduced our electricity consumption across our stable portfolio by 4.5%, which combines both our environmental and fiscal responsibilities, saving over \$2 million.

Our development projects also help the community at large contributing to the creation of over 22,000 jobs in both construction and retail.

Our team help bring Scentre Group’s purpose to life, connecting and enriching communities through a range of initiatives, including over 270 volunteer days in direct community engagement and support.

We look forward to the year ahead with excitement. For the 12 months ending 31 December 2018, we confirm our forecast funds from operations growth of approximately 4% and distribution growth of 2%.

Last year we announced that we would continue growing our distribution at a lower rate than earnings growth, until reaching a payout ratio of 85% of FFO. These additional retained earnings, in excess of our annual operational and leasing capital, will be invested in our development projects at attractive long-term returns.

They will fund approximately 20% of Scentre Groups share of annual development expenditure. This strategy positions us to be able to sustainably fund ongoing development projects in future years.

The Group’s strong financial position enables us to take advantage of the dislocation in how equity

markets are currently valuing our business and in line with our strategic focus to actively manage the Group’s capital structure, we today announced an on-market buy-back program of up to \$700 million of Scentre Group securities.

The buy-back program will be managed in a manner consistent with the Group’s current strong long term credit ratings.

I firmly believe that Scentre Group is extremely well-placed - with our unique platform of high-quality centres, – to become the eco-system driver that connects customers with retailers, products, services and experiences.

In closing, I would like to thank the Scentre Group team, whose efforts as one team during the year have delivered our strong performance.

I also thank the Chairman and the Board for the guidance and support they provide me and to our executive leadership team.

I’ll now hand back to the Chairman.

Thank you.

-ENDS-