SCENTRE GROUP

ASX Announcement
21 February 2018

STRONG GROWTH IN FUNDS FROM OPERATIONS UNDERPINNED BY GROWTH IN CUSTOMER VISITATIONS AND RETAILER DEMAND

Scentre Group (ASX: SCG) today announced its results for the 12 months to 31 December 2017, with Funds From Operations ("FFO") of $1.290 billion representing 24.29 cents per security, up 4.25%, and a distribution of 21.73 cents per security, up 2%. Excluding the impact of transactions, FFO growth would have been approximately 4.9%.

The Group's CEO, Peter Allen, said: "We are very pleased that our strategy to create extraordinary places people want to visit has enabled the Group to continue to deliver strong results.

This focus on evolving our living centres is accelerating consumer appetite for world-class shopping and social destinations and driving strong demand for our high-quality space within each of our 39 unique markets.

Our investment in creating exceptional experiences at every touch point continues to drive income growth and long-term sustainable returns. We remain focused on achieving a diverse and engaging product mix, connecting customers and retailers across our portfolio."

The Group delivered profit for the year of $4.2 billion, including property revaluations of $3.2 billion. These revaluations reflect strong net operating income growth across the portfolio.

In line with our strategy to invest in the pre-eminent retail property portfolio in Australia and New Zealand, the revaluations have been supported by continued improvement in market capitalisation rates for high-quality retail property. In addition, the Group has created value from the completion of major redevelopments at Westfield Chermside and Westfield Whitford City.

Since the establishment of Scentre Group, the Group has grown the value of its portfolio by more than 30% to $36.2 billion. Scentre Group has a strong financial position with total assets of $37.5 billion, gearing of 32.1% and liquidity of $2.7 billion as at 31 December 2017.

Operational Performance

"Our strong NOI growth was underpinned by growth in customer visitation with retailer demand maintaining occupancy greater than 99.5%," Mr Allen said.

During the year Scentre Group proactively curated the retail product mix across the portfolio, leasing 1,258 stores including 289 retail brands that are new to the portfolio and partnering with an additional 592 existing retailers to grow their businesses through the opening of an additional 943 stores.

Scentre Group completed lease deals across all categories including 31 major stores with average tenure of 15 years, and 2,466 specialty lease deals covering an aggregate of more than 345,000 square metres of space.

Comparable net operating income increased 2.75% for the 12 months, driven primarily by contracted annual rent escalations.

Creating extraordinary places

During the year, the Group commenced over $1.1 billion (SCG share: $810 million) of developments including projects at Westfield Carousel in Perth, Westfield Plenty Valley in Melbourne, Westfield Kotara in Newcastle and Westfield Coomera on Queensland's Gold Coast.

Westfield Coomera is the Group's first greenfield development in more than 12 years. The new 59,000 square metre regional centre will comprise Coles and Woolworths supermarkets, an Event Cinemas complex including Gold Class, Kmart and Target discount department stores and 140 specialty stores including an alfresco leisure and dining precinct.

Mr Allen said, "The key to the success of our developments is creating places where people want to go, curating a diverse and engaging product mix and providing exceptional customer experiences making it easy to visit, engage, be entertained and shop. These ingredients are vital to driving income growth and long-term risk adjusted total returns".

In 2017 the Group successfully added more than 38,000 square metres of lettable area to the portfolio through the completion of redevelopments at Westfield Chermside and Westfield Whitford City, further highlighting the strong demand for high quality retail space. Both centres are trading strongly.

The Group recently announced the NZ$790 million (SCG share: NZ$400 million) redevelopment of Westfield Newmarket, which will create a world class retail and lifestyle destination unparalleled in the New Zealand market.

The redevelopment will feature the first David Jones in Auckland, a new Farmers department store and Countdown supermarket, which will both bring their newest format stores to the project. A new Event Cinemas complex will offer both V-Max and Gold Class, and a rooftop lifestyle, dining and entertainment precinct will encompass some of the country's finest food and beverage operators in an outdoor space that will complement and enhance the local scene.

The completed project will become the flagship for the Group's New Zealand portfolio, as well as one of the country's best retail centres, with more than 230 new specialty stores that will include premium fashion, food, technology, lifestyle and entertainment. The centre will have a gross lettable area of 88,150 square metres and is due for completion in the fourth quarter of 2019.

Current developments are all progressing well. Westfield Plenty Valley, where we are adding 10,300 square metres of additional lettable area, is fully leased and will open on 22 March 2018.

Mr Allen said, "We are looking forward to opening 106,000 square metres of new space in 2018 and will continue to actively seek opportunities to grow the business either through investment in redevelopments, the creation of new income opportunities or acquiring new development opportunities such as the exciting opportunity at Central Barangaroo where Scentre Group will further expand its footprint in the CBD of Sydney".

It was recently announced that Scentre Group, in consortium with Grocon and Aqualand, were successful in their bid to build and develop the final stage of Sydney's Central Barangaroo. On completion, Scentre Group will own and manage the retail property component.

The Group continues to work on pre-development opportunities with a development pipeline in excess of $3 billion.

Capital Management

In 2017, the Group announced that it will continue growing distributions at approximately 2% until it reaches a payout ratio of 85% of FFO. Once this target is achieved the distribution is expected to grow in line with FFO growth. For 2017 the Group retained $136 million which equates to a payout ratio of 89.5%.

During 2017, the Group issued US$500 million ($650 million) of bonds and refinanced and extended $3.7 billion in committed bank loan facilities.

Outlook

The Group forecasts FFO growth for the 12 months ending 31 December 2018 of approximately 4.0%.
The distribution for 2018 is forecast to be 22.16 cents per security, an increase of 2%.

Contacts:

Company Secretary
Maureen McGrath
+61 2 9358 7439

Investor Relations
Andrew Clarke
+61 2 9358 7612

Corporate Affairs / Media
Julia Clarke
+61 2 9358 7426