SCENTRE GROUP

MEDIA RELEASE

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SCENTRE GROUP REPORTS FULL YEAR 2015 RESULTS ABOVE FORECAST WITH 3.8% GROWTH IN FFO EARNINGS

Scentre Group (ASX:SCG) today announced results for the 12 months to 31 December 2015, with Funds From Operations ("FFO") of $1.199 billion or 22.58 cents per security and distribution of 20.9 cents per security.

The strong underlying operating performance has meant that above forecast FFO growth of 3.8% was achieved, notwithstanding the dilution from asset sales effected by the Group in 2015. FFO growth would have been approximately 5% before the impact of these sale transactions. The full year distribution of 20.9 cents per security is in line with forecast.

The Chairman of Scentre Group, Mr Frank Lowy AC, said the rationale for the creation of Scentre Group has been validated with the strong results released today. "Scentre Group's pre-eminent portfolio and unique market position have provided a strong operating performance and excellent returns for security-holders since the Group was established as a separate entity."

The Chief Executive Officer of Scentre Group, Peter Allen, said: "We are very pleased with these results which highlight the quality of our portfolio and the benefits of curating the right retail mix for our shoppers. The secure cashflows from our shopping centres together with our accretive development program will provide growth in income through the economic cycles."

Scentre Group's shopping centre assets saw significant revaluations of $1.5 billion during the year. The value increase was driven by growth in underlying income, the completion of developments and a firming of capitalisation rates across the portfolio. The portfolio weighted average capitalisation rate reduced by 38 bp during 2015 to 5.57% reflecting the quality of the centres.

At 31 December 2015, Scentre Group had a strong balance sheet with total assets of $31.8 billion, a gearing ratio of 33.3% and liquidity of $3.7 billion.

Operational Performance

Comparable specialty sales in the Australian portfolio grew 5.3% for the 12 months, with average annual specialty sales of $10,826 per square metre (psm). Strong sales performance was seen across most categories, with good increases in the fashion, footwear, jewellery, leisure, health and beauty, technology and cinemas categories.

Average annual specialty retail sales in New Zealand increased to NZ$12,117 psm, representing comparable specialty sales growth of 6.6% for the year.

Comparable property net operating income increased 2.6% for the 12 months, higher than the forecast range of 2.0 - 2.5%, reflecting lower vacancies and additional income streams.

Creating extraordinary places connecting and enriching communities

In 2015, the Group commenced $830 million (SCG share: $583 million) of redevelopments, including projects at Casey Central, Chatswood, Hurstville, Kotara, North Lakes and Warringah Mall.

"We have already opened the redevelopments at Chatswood, Hurstville, North Lakes and Kotara which are trading strongly. These developments will be accretive to earnings and create substantial long-term value," Mr Allen said.

These recently opened developments featured new experiential precincts and offerings for shoppers and retailers with:

- a "Hawker Lane" Asian dining market at Westfield Chatswood alongside a new five-level mall on Victoria Avenue including a flagship two level Topshop Topman, H&M, Uniqlo, a relocated Rebel Sport and 40 new retailers.

- an extensive ambience upgrade and a new rooftop dining and entertainment precinct at Westfield Hurstville, with a range of late-trading casual dining outlets, linking directly to the refurbished Event Cinemas. New retailers to the centre include a Woolworths supermarket, BIG W discount department store, JB Hi-Fi HOME, Cotton On Mega Store and Rebel Sport.

- "The Marketplace" fresh food and "The Laneway" al fresco dining precincts at Westfield North Lakes.

- A Hunter Valley-inspired outdoor dining and entertainment precinct, "The Rooftop", featuring nine new restaurants, a performance stage, play area, and a new Event Cinemas complex at Westfield Kotara.

In 2016, the Group has commenced the $355 million redevelopment at Westfield Chermside, which will include the introduction of five international mini-major retailers, a broadening of the range and depth of the centre's fashion offer as well as the largest lifestyle and entertainment precinct in an Australian centre. The centre will add 26,000 sqm of retail space bringing the total size to 156,643 sqm on completion.

At Westfield North Lakes the Group has also commenced the $140 million Stage 2 IKEA Link Mall project which connects a new IKEA-owned store with the existing centre. The development will include a new Kmart discount department store, JB Hi-Fi HOME, Rebel and approximately 50 new specialty stores over a single level with completion expected in December 2016.

Pre-development work continues across the portfolio and the Group maintains a forward development pipeline in excess of $3 billion.

During 2015 the Group successfully launched a nation-wide network of 1,200 custom-designed digital SmartScreens, making its centres more dynamic and productive. This new in-house digital advertising network provides retail and brand partners with a sophisticated channel to promote brands, products and offers and better connect with the shopper.

A state-of-the-art Wi-Fi network has been installed at 27 centres in Australia, reflecting the increasing importance that shoppers place on easy access to fast, free Wi-Fi. Following the successful pilot installation of a ticketless parking system at Westfield Miranda, the technology is now operating at four centres delivering an enhanced customer experience for shoppers.

Capital and portfolio management

During the year Scentre Group completed the sales of Figtree, Strathpine, Warrawong and North Rocks in Australia for gross proceeds of $783 million and also announced the sales of Glenfield, Queensgate and Chartwell in New Zealand for a total of NZ$549 million, the latter two being expected to settle in the first half of 2016. These centres did not meet the Group's long term strategy. The proceeds from these sales are being reinvested in the Group's development pipeline which is expected to generate internal rates of return (IRR) of at least 15%.

During November 2015 the Group repaid one series of its property-linked notes valued at $280 million in advance of its December 2016 review date. The notes provided returns based on the economic performance of six Westfield centres in Australia. By repaying this series of notes, the Group has effectively increased its investment into the six Australian Westfield centres represented by the notes at a weighted average capitalisation rate of 5.9%.

Investment in Carindale Property Trust

Scentre Group regularly reviews its investment in Carindale Property Trust (ASX:CDP). In the near term, Scentre Group intends to increase its investment in CDP. Any future acquisitions of CDP units would be subject to prevailing market conditions and governed by the "creep provisions" of the Corporations Act.

Scentre Group considers that the acquisition of further units in CDP, particularly in the current market environment, represents an attractive investment opportunity.

Financing

Scentre Group continued to improve its debt maturity profile during 2015, taking advantage of its strong access to international debt capital markets to issue A$2 billion equivalent of GBP and USD denominated bonds.

The Group maintains high levels of interest rate hedging, being 86% hedged at 31 December 2015 and 74% hedged on average over the next three years.

Outlook

The Group forecasts FFO growth for the 12 months ending 31 December 2016 of approximately 3% and growth in distribution for 2016 of 2% to 21.3 cents per security. This represents an underlying FFO increase of approximately 5% excluding the impact of the sale of centres in Australia and New Zealand.

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Scentre Group (ASX Code: SCG) is the owner and operator of Westfield in Australia and New Zealand with interests in 40 centres, encompassing approximately 11,700 shops and total assets under management of $42.1 billion.
The financial information included in this release is based on the Scentre Group's IFRS financial statements. Non IFRS financial information has not been audited or reviewed.
This release contains forward-looking statements, including statements regarding future earnings and distributions that are based on information and assumptions available to us as of the date of this presentation. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward looking statements. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this release. You should not place undue reliance on these forward-looking statements. Except as required by law or regulation (including the ASX Listing Rules) we undertake no obligation to update these forward-looking statements.

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