SCENTRE GROUP

ASX Announcement

21 February 2017

SCENTRE GROUP REPORTS FULL YEAR 2016 RESULTS ABOVE GUIDANCE WITH 3.2% GROWTH IN FFO EARNINGS

Scentre Group (ASX: SCG) today announced results for the 12 months to 31 December 2016, with Funds From Operations ("FFO") of $1.238 billion representing 23.3 cents per security up 3.2% and distribution of 21.3 cents per security up 2%. Excluding the impact of transactions FFO growth would have been approximately 5%.

The Chief Executive Officer of Scentre Group, Peter Allen, said: "We are very pleased with these results which are above guidance and reflect our strong operational performance across the portfolio. During 2016 we completed major redevelopments with above-forecast yields and commenced $605 million of new developments as planned.

"Our long term strategy is to own the highest quality shopping centre portfolio in Australia and New Zealand. We have now completed the divestment of nine shopping centres that did not meet this objective, which has refined our portfolio to meet the dynamic needs of both retailers and consumers.

"Total assets under management are now $45.7 billion and our portfolio provides a solid foundation for strong long-term risk-adjusted returns."

Scentre Group's profit for the year was $2.991 billion including revaluations of $1.6 billion. These revaluations reflect the strong net operating income growth throughout the portfolio, the value creation from the completion of major redevelopments and the continued improvement in capitalisation rates.

Scentre Group has a strong financial position with total assets of $34.1 billion, gearing of 33.3% and liquidity of $2.8 billion as at 31 December 2016.

Operational Performance

Comparable net operating income increased 2.9%, at the top end of guidance.

The Group continues to improve the retail product offering by introducing more relevant, on-trend and desirable retailers. These retailers continue to drive demand for retail space across the Scentre Group portfolio which remains more than 99.5% leased.

The portfolio achieved solid sales growth, with comparable specialty sales growing 2.6% for the 12 months with average annual specialty sales of $11,203 per square metre. Strong sales performance was seen across most categories, with good increases in the jewellery, health & beauty, food retail and technology categories.

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Creating extraordinary places connecting and enriching communities

In 2016 the Group completed and opened $665 million (SCG share: $410 million) of redevelopments including Westfield Warringah Mall and Westfield North Lakes, with yields in excess of 7.5%. Both centres are trading strongly.

"With the completion of Westfield Warringah Mall and North Lakes, we have continued to demonstrate our ability to create extraordinary places that enable communities to come together and enjoy exciting retail experiences.

"These redevelopments have exceeded expected returns, creating significant long-term value," Mr Allen said.

The Group also successfully completed the design and construction project at Pacific Fair for AMP.

In 2016, the Group commenced $605 million (SCG share: $480 million) of redevelopments including Westfield Chermside and Whitford City.

The $355 million (SCG share: $355 million) redevelopment at Westfield Chermside includes the introduction of Zara, H&M, Uniqlo and Sephora, the broadening of the range and depth of the centre's fashion offer as well as the largest lifestyle and entertainment precinct in an Australian shopping centre. The centre will add 33,000 sqm of retail space bringing the total size to more than 156,000 sqm on completion, the largest in Queensland.

The $80 million (SCG share: $40 million) Westfield Whitford City comprises an Event cinemas complex, including Gold Class, restaurants, cafes and family entertainment.

These projects are progressing well and will open in June and November 2017 respectively.

"I am excited to announce today that we have commenced two new redevelopments at Westfield Carousel in Perth and Westfield Plenty Valley in Victoria. The $350 million project at Westfield Carousel will comprise the introduction of a David Jones department store, an expanded fashion range including international mini-majors, the establishment of a new entertainment, dining and leisure precinct, an upgraded Hoyts cinema and additional parking.

"The $80 million redevelopment at Westfield Plenty Valley adds a new nine screen Village cinema complex and a new dining and entertainment precinct including 11 restaurants.

"I am also pleased to announce that three new David Jones department stores will open in Perth at Westfield Carousel, Innaloo and Whitford City. These stores will anchor the exceptional retail mix being curated for each of these centres and underpin their redevelopment." Mr Allen said.

Pre-development work continues across the portfolio, in particular the new 'greenfield' development at Westfield Coomera and Scentre Group's first development in New Zealand at Westfield Newmarket. The Group continues to work on development opportunities with a development pipeline in excess of $3 billion.

Scentre Group continues to innovate across a range of areas. The Group has implemented advanced data analytics to help identify the best retail mix within each shopping centre and precinct to optimise retailer locations for both brands and consumers.

Ticketless parking and parking guidance systems continue to be implemented across the portfolio to improve the customer car park experience.

The Group has commenced the implementation of a net promoter system facilitating customer feedback. This direct communication enables customer feedback to be addressed in a timely manner, improving the customer experience.

Following the success of our nation-wide in-house digital advertising network in Australia, the Group is now broadening this network across its portfolio in New Zealand.

Portfolio and Capital management

During 2016, the Group jointly with Cbus Property, purchased the David Jones Market Street building in Sydney's CBD. On completion, Scentre Group will own the retail component which will add around 10,000 square metres of luxury retail space to Westfield Sydney.

The Group divested Casey Central in Victoria for $221 million and WestCity in New Zealand for $147 million.

The Group redeemed approximately $600 million of property linked notes, effectively increasing the Group's economic interest in four high quality regional shopping centres in Australia.

During the year Scentre Group refinanced $3.3 billion of debt comprising the extension of $2.6 billion of bilateral bank loans and the issue of €500 million ($745 million) of bonds to fund the redemption of $900 million of domestic bonds. The Group has no debt maturities until July 2018.

Outlook

The Group forecasts FFO growth for the 12 months ending 31 December 2017 of approximately 4.25%. Excluding the impact of transactions the forecast underlying FFO growth is approximately 5%. The distribution for 2017 is forecast to be 21.73 cents per security an increase of 2%.

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Scentre Group (ASX Code: SCG) is the owner and operator of Westfield in Australia and New Zealand with interests in 39 centres, encompassing approximately 11,500 shops and total assets under management of $45.7 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.