

# SCENTRE GROUP

## ASX Announcement

21 August 2018

### **PRE-EMINENT PORTFOLIO DELIVERS 3.1% FFO GROWTH UNDERPINNED BY STRONG DEMAND FOR HIGH QUALITY RETAIL SPACE**

Scentre Group (ASX: SCG) today released its results for the half year to 30 June 2018, with Funds From Operations (“FFO”) of \$657 million representing 12.38 cents per security, up 3.1%, and a distribution of 11.08 cents per security, up 2%. Profit for the half year was \$1.46 billion.

Scentre Group CEO Peter Allen said: “We have continued to bring our purpose to life by creating extraordinary places, connecting and enriching communities and providing the best locations for retailers to connect with customers.

“During the half, we opened Westfield Plenty Valley, the first of more than 100,000 sqm of additional space for our portfolio this year. At Barangaroo Central we secured further growth in a strategic location by being part of the successful consortium which will see us deliver and operate the retail component. More recently, we increased our exposure to the south-eastern suburbs of Sydney with the acquisition of 50% of Westfield Eastgardens.

“High quality retail space that enjoys high traffic flow is in demand with occupancy across our portfolio at more than 99.5%. The physical store is influencing sales across all channels including in-store, online and marketplaces as well as enabling ‘click and collect’ and last mile distribution. This reinforces the pivotal role that physical stores play in the retail ecosystem.

“Scentre Group has delivered comparable net operating income (NOI) growth of 2.5% for the half.

“We are making excellent progress on our customer focussed strategy and real-time ability to act on customer feedback. This has enabled us to curate a unique product and service mix in each of our living centres and create places that people want to visit.

“We continue to create value across the portfolio through our development program and have made solid progress on \$1.8 billion of active redevelopments across Australia and New Zealand.

“The Group recognised a revaluation uplift of \$966 million across the portfolio at the half year, underpinned by the completion of developments, growth in NOI and improvement in capitalisation rates for high quality assets. Scentre Group has total assets of \$37.6 billion and assets under management of \$52.8 billion. Gearing at period end was 31.9%.”

#### **Creating extraordinary places**

Scentre Group commenced the redevelopment of Westfield Newmarket (SCG share: NZ\$400 million) which will create the leading lifestyle and fashion destination in New Zealand. The redevelopment will feature the first David Jones in Auckland and the newest format stores for Farmers and Countdown. A new Event Cinemas complex will offer both V-Max and Gold Class, and a rooftop lifestyle, dining and entertainment precinct will deliver some of New Zealand’s finest food and beverage operators in an outdoor space that will complement and enhance the local scene. Retailer interest in the development is strong across all categories and leasing is well progressed.

Owner and Operator of  in Australia and New Zealand

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Westfield Plenty Valley in Melbourne opened in March 2018, adding 10,300 square metres of additional lettable area including a new nine screen Village cinema complex and a dining and leisure precinct featuring 13 restaurants. The precinct has been embraced by the community and is trading strongly.

The Westfield Carousel redevelopment in Perth (SCG share: \$350 million) will open from 30 August 2018, comprising a David Jones department store, a new fashion mall including H&M, the establishment of a new 'urban oasis' rooftop entertainment, dining and leisure precinct, an upgraded HOYTS Cinema and additional car parking with the latest technology.

Westfield Coomera (SCG share: \$235 million) on Queensland's Gold Coast is Scentre Group's first greenfield development. The new 59,000 square metre centre will comprise Coles and Woolworths supermarkets, an Event Cinema complex including Gold Class, Kmart and Target discount department stores and approximately 140 specialty stores including an alfresco dining and leisure precinct. A key feature of the development is a purpose-built and expertly curated outdoor space for children and families.

Westfield Kotara's redevelopment (SCG share: \$160 million) is on track to create the fashion, dining and lifestyle capital of the Hunter Valley. The centre includes the introduction of H&M, Zara, the reintroduction of a new Kmart and JB Hi Fi, and approximately 30 new specialty retail stores.

Westfield Tea Tree Plaza's redevelopment in Adelaide (SCG share: \$25 million) will feature a new dining and leisure precinct with a selection of new restaurants, including a mix of first-to-market and local favourites. The redevelopment will also include an expanded, upgraded 12 screen cinema offering including South Australia's first HOYTS LUX cinema.

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

## **Capital Management**

During the six months to 30 June, the Group issued €500 million (\$800 million) of 10 year bonds. Proceeds of the bond issue were used mainly to refinance the €400 million floating rate notes that matured in July 2018.

More recently, the Group extended \$2.4 billion of existing loan facilities and also established a new \$900 million syndicated bank loan facility.

The Group commenced an on-market security buy-back programme of up to \$700 million, in line with its strategic focus to actively manage the Group's capital structure of which \$30 million has been repurchased to date.

## **Outlook**

The Group reconfirms FFO growth for the 12 months ending 31 December 2018 of approximately 4%. The distribution for 2018 is forecast to be 22.16 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 40 centres, encompassing approximately 11,600 shops and total assets under management of \$52.8 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.