ASX Announcement

15 August 2018

Vicinity announces solid FY18 annual result and clear strategy to unlock value

- Statutory net profit after tax of $1,218.7 million, with funds from operations (FFO)[1] of 18.2 cents per security, representing 2.2% comparable growth[2]
- Net tangible assets per security (NTA) up 5.3% to $2.97 and full year total return of 11.1%[3]
- Portfolio occupancy strengthened to 99.7%
- Moving annual turnover (MAT) growth of 1.2%[4] at 30 June 2018, up from 0.4% in the prior period
- Specialty store and mini major MAT growth of 1.6%[4], strengthening from 0.8% in the prior period
- Completed strategic Sydney premium asset swap with GIC, providing an unrivalled premium retail presence along the eastern seaboard CBDs
- Five non-core assets sold for $210 million, at a 7.2% premium to book value[5]
- Significant progress made on value-accretive development pipeline, including completing Mandurah Forum; and DFO Perth and Stage 3 at The Glen on track for completion in coming months
- Three major strategic initiatives announced over the past six months:
  - Planned divestment of up to $1.0 billion of non-core assets in FY19
  - Proposed establishment of a ~$1.0 billion wholesale fund with Keppel Capital, and
  - Early stage assessment identified 12 significant mixed-use projects and potential value upside of ~$1.0 billion for Vicinity from mixed-use opportunities.
- Vicinity rated as number one retail property company in Australia and the Asia Pacific region for sustainability by Global Real Estate Sustainability Benchmark (GRESB)

Mr Grant Kelley, Vicinity Centres' (Vicinity, ASX: VCX) CEO and Managing Director, said: "In FY18, we have delivered solid financial performance and have continued to strengthen our portfolio through the acquisition of the Sydney CBD Centres, asset divestments and progressing our development pipeline."

Statutory net profit after tax was $1,218.7 million for the 12 months to 30 June 2018, underpinned by steady operational performance and strong net property valuation gains of $555.1 million.[6] FFO for the period was

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1 For a reconciliation of FFO to net profit, refer to Note 1(b) of the 2018 Annual Report released to the ASX on 15 August 2018.
2 Adjusting for acquisitions and divestments. Refer to slide 63 of the FY18 annual results and strategy update presentation released to the ASX on 15 August 2018.
3 Calculated as: (Change in NTA during the period + distributions declared)/opening NTA.
4 Comparable data, which excludes divestments and development-impacted centres in accordance with Shopping Centre Council of Australia guidelines. June 2018 sales data includes Chadstone same-stores.
5 Includes the divestment of Flinders Square, WA, which was contracted for sale in July 2018, settlement expected in August 2018.
6 The net valuation gain excludes statutory accounting adjustments and assets divested during the period.

$708.7 million or 18.2 cents on a per security basis. Adjusting for acquisitions and divestments, comparable FFO per security growth was 2.2%, reflecting operational growth and completed development projects, and capital management initiatives including the on-market securities buy-back.

Distribution per security was 16.3 cents for FY18, compared to 17.3 cents in the prior year. This reflects both the impact of asset sales and the adoption of a new distribution payout ratio. The final distribution for the six months ended 30 June 2018 of 8.2 cents per security will be paid to securityholders on 29 August 2018.

UNLOCKING VICINITY'S POTENTIAL

Mr Kelley said: "Vicinity's strategy is clear, with an identified path to unlock significant potential in the business. We will deliver strong and sustainable growth through focusing our directly-owned portfolio on market-leading destination assets, expanding our wholesale funds platform and realising mixed-use opportunities across the portfolio.

"Over the past six months, we have announced three major strategic initiatives which will be transformational for Vicinity. In June 2018, we announced the planned divestiture of up to $1.0 billion of non-core assets over the course of FY19.

"Earlier this month, we also announced the establishment[7] of a 50:50 joint venture with Singapore's Keppel Capital to manage a new wholesale property fund, Vicinity Keppel Australia Retail Fund (VKF), proposed to be seeded with approximately $1.0 billion of assets from Vicinity's balance sheet. This planned fund will expand our wholesale funds management platform and would generate additional income streams.

"And thirdly, as flagged earlier this year, we have identified the potential to unlock significant value through mixed-use developments across the portfolio. Over the past few months, following an early stage assessment, we have identified 12 significant mixed-use projects and potential value upside of approximately $1.0 billion for Vicinity from mixed-use opportunities. Additional uses identified are primarily residential, to be undertaken using a capital-light approach, office and hotel. Although it will take time to realise these mixed-use opportunities across the portfolio, the value they can create for Vicinity is substantial and not reflected in current valuations.

"The divestment program and establishment of the proposed wholesale fund will complete our planned capital recycling program. Our focus on capital allocation will see the proceeds from these transactions invested in opportunities that provide us with the best risk-adjusted returns. Investment in our retail development pipeline and, potentially, a securities buy-back will drive stronger FFO per security and NTA growth."

Following the completion of these transactions, Vicinity will have three key elements to its strategy which will drive growth:

- **Market-leading destinations**
  A portfolio of approximately 50 highly productive market-leading shopping, dining and entertainment destinations in locations with strong fundamentals, trading on average at around $11,000 per sqm in specialty sales on approximately 15.0% specialty occupancy costs. These assets have significant embedded growth potential. The flagship portfolio comprising Chadstone, Australia's largest shopping centre with more than $2.0 billion in annual sales, premium CBD assets and the DFOs, Australia's leading

7 Subject to due diligence, definitive documentation and final board approvals of both parties.

outlet centre portfolio, together represent around 50% of this portfolio. These assets have strong income and long-term capital growth potential. The remainder of this portfolio also has significant potential for further growth, comprising strong Regional and Sub Regional assets, many of which have development, remixing or mixed-use opportunities.

- **Wholesale funds platform**
  A wholesale funds management platform that provides significant access to capital, fee streams and potential for expansion.
- **Mixed-use opportunities**
  A portfolio of mixed-use development opportunities, with potential value upside of approximately $1.0 billion for Vicinity identified following an early stage assessment.

RETAIL PERFORMANCE[8]

At June 2018, Vicinity's portfolio metrics remain strong, reflecting the portfolio repositioning undertaken through the year and benefits from ongoing active management. Portfolio occupancy has strengthened to 99.7%, leasing spreads remain positive at 0.7% and comparable specialty sales per sqm increased 7.5% to $10,133, with a specialty occupancy cost of 14.7%. Moving annual turnover (MAT) growth at 30 June 2018 was 1.2%, up from 0.4% in the prior period. Specialty store and mini major MAT growth was 1.6%, up from 0.8% on the prior period, with retail services, food catering, leisure and homewares categories showing strong growth.

STRONG PROGRESS ON RETAIL DEVELOPMENTS

Vicinity's extensive retail development pipeline is a key driver of income and valuation growth. In March this year we completed the final stage of the redevelopment of Mandurah Forum and opened the second stage of The Glen redevelopment. Construction of Perth's first DFO outlet centre is nearing completion and will open fully leased in October 2018. Chadstone's hotel has commenced construction and remains on track to open in late 2019.

Chadstone also continues to evolve its retail offering with works underway for Victoria's Secret Australian flagship store to open later in 2018, in addition to a new casual dining offer and youth and sporting goods retailers to replace the food court on the lower ground floor in 2019.

TRANSFORMING OPERATIONS THROUGH SCALE, TECHNOLOGY AND A FOCUS ON KEY COST CATEGORIES

Mr Kelley said: "Using new technologies and innovation in our shopping centres, we have contained growth in controllable outgoings to less than 1% over the year. Utilisation of robotics in areas such as waste management and cleaning means we can redirect labour to other areas to enhance the customer experience in areas such as food courts and amenities. Reflecting our successful innovation program, our Shopping Centre team was the recipient of the 'Most Intelligent Building in Retail' award at the RealComm|IBCon 2018."

In May 2018, Vicinity launched the largest investment in solar energy in a shopping centre portfolio. The $28 million first stage will include the installation of 11.2MW of generation capacity across five centres in WA and SA, and a 500kWH high-tech battery in SA. This program will reduce Vicinity's reliance on the grid and exposure to volatile energy pricing while reducing carbon emissions and delivering strong investment returns.

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8 June 2018 sales data includes Chadstone same-stores.

CAPITAL MANAGEMENT

Vicinity's balance sheet remains strong, with access to diverse funding sources and investment-grade credit ratings of A (Standard & Poor's) and A2 (Moody's). During the year, all FY18 debt expiries were repaid and more than $900 million of new or extended bank debt facilities were negotiated. The balance sheet has access to more than $1.1 billion of undrawn debt and gearing is 26.4%, at the lower end of the target range. During the year, $231 million of securities were bought back, at a 10.8% discount to June 2018 NTA and in July 2018, we extended the buy-back program for an additional 12 months.

Vicinity's direct portfolio was revalued during the period, recording a $555.1 million or 3.6% valuation gain for the period. Chadstone, the CBD centres and the DFO Outlet Centres all recorded strong gains with the weighted average capitalisation rate firming 25 basis points to 5.36%, reflecting the strong investor demand for quality retail property.

DELIVERING SUSTAINABLE LONG-TERM VALUE FOR OUR COMMUNITIES AND SECURITYHOLDERS

Vicinity is a leader in sustainability, ranked number one retail property company in Australia and the Asia Pacific by GRESB and number four globally in 2017. This reflects the strength of our sustainability program which has delivered a 16% reduction in carbon intensity[9] over the past three years and our centres are diverting 43% of their waste from landfill, up from 36% in FY17.

More information on Vicinity's sustainability progress is available at **sustainability.vicinity.com.au**.

FY19 GUIDANCE AND FOCUS

Mr Kelley said: "Moving forward, we will deliver strong and sustainable growth through focusing our portfolio on market-leading destinations, expanding our wholesale funds management platform and realising mixed-use opportunities across the portfolio. The three strategic initiatives that have been announced: the planned divestment of up to $1.0 billion of non-core assets, the proposed establishment of a wholesale fund to be seeded with approximately $1.0 billion of assets from Vicinity's balance sheet and following an early stage assessment, the identification of a pipeline of mixed-use opportunities across the portfolio with potential value upside of approximately $1.0 billion for Vicinity, will position the company for strong growth."

Vicinity's FFO guidance for FY19 is 18.0 to 18.2 cents per security[10], reflecting comparable growth of 3.4% to 4.6%. The FY19 FFO guidance assumes the completion of $2.0 billion of assets divested from Vicinity's balance sheet.[11] The distribution payout ratio is expected to be at the upper end of the target range of 95% to 100% of adjusted funds from operations or 85% to 90% of FFO[10], and guidance reflects FY19 maintenance capex and incentives forecast of approximately $80 million to $90 million or approximately 0.60% of gross asset value.

Additional detail on Vicinity's FY18 annual results and strategy update can be found in our investor presentation released to the ASX today. A management briefing on the results and strategy update will be webcast from 10.30am (AEST) today and can be accessed via Vicinity's website at www.vicinity.com.au.

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9 Carbon emissions on a per sqm basis.
10 Assumes no material deterioration in existing economic conditions.
11 Assumes average settlement date of 31 December 2018.

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About Vicinity Centres

Vicinity Centres (Vicinity or the Group) is one of Australia's leading retail property groups with a fully integrated asset management platform and $27 billion in retail assets under management across 81 shopping centres, making it the second largest listed manager of Australian retail property. The Group has a Direct Portfolio with interests in 74 shopping centres (including the DFO Brisbane business) and manages 36 assets on behalf of Strategic Partners, 29 of which are co-owned by the Group. Vicinity is listed on the Australian Securities Exchange (ASX) under the code 'VCX' and has over 27,000 securityholders. Vicinity also has European medium term notes listed on the ASX under the code 'VCD'. For more information visit the Group's website vicinity.com.au, or use your smartphone to scan this QR code.