

# HALF YEAR RESULTS

2018

# SCENTRE GROUP



Westfield Plenty Valley, VIC



# HALF YEAR RESULTS

30 Jun 2018

Funds From Operations (FFO)	\$657.2 million	+ 3.0%
FFO per security	12.38 cents	+ 3.1%
Distribution per security	11.08 cents	+ 2.0%
SCG share of AUM	\$37.6 billion	+ 3.9%
Assets Under Management (AUM)	\$52.8 billion	+ 3.5%
Profit	\$1,462.6 million	
Gearing	31.9%	

SCENTRE GROUP

“We continue to provide the best locations for retailers to connect with customers”

PETER ALLEN CEO

# OPERATING PERFORMANCE

30 Jun 2018

Comparable Net Operating Income (NOI)	+ 2.5%
Portfolio Leased	> 99.5%
Lease Deals Completed Number	1,377
Lease Deals Completed Area	217,610 sqm
Total Lettable Area	> 3.6 million sqm, increase of 10,300 sqm
Customer Visits Per Annum	> 530 million

SCENTRE GROUP

“High quality retail space that enjoys high traffic flow is in demand with occupancy across our portfolio at more than 99.5%.

This reinforces the pivotal role that physical stores play in the retail ecosystem”

PETER ALLEN CEO



OUR PURPOSE

CREATING  
EXTRAORDINARY PLACES,  
CONNECTING + ENRICHING  
COMMUNITIES

# HIGHLIGHTS

---

## Customer Experience and Retail Product

- Launched 'Westfield Local Heroes' a new community recognition and grants programme
- Leveraging our CX Loop, we are continuously listening and responding to customer needs. This has enabled us to curate a product and service mix that remains relevant to each of our markets and continue to create living centres that people want to visit
  - During the Plenty Valley development our customers positively commented on the exciting dining precinct and were concerned about availability of parking. We acted on this and added 340 more car spaces to the project
- Welcomed 142 new retail brands to the portfolio

## Asset Management and Development

- Completed the \$80 million (SCG share: \$40 million) redevelopment of Westfield Plenty Valley, introducing a new nine screen Village cinema complex and dining and entertainment precinct including 13 restaurants. The precinct has been embraced by the community and is trading strongly
- Commenced the NZ\$790 million (SCG share: NZ\$400 million) redevelopment of Westfield Newmarket, which will create the leading lifestyle and premium fashion destination in New Zealand
- Acquired a 50% share in Westfield Eastgardens for \$720 million
- Successfully bid for Sydney's Barangaroo Central retail component

## Capital Management

- New and extended bank loan facilities of \$3.3 billion
- Issued €500 million (\$800 million) of long term bonds
- Commenced an on-market security buy-back programme of up to \$700 million

# RETAILER IN-STORE SALES

SCENTRE GROUP

Comparable in-store sales growth psm<sup>1</sup>

- Total specialty in-store sales were up 2.1% for the half year and 1.6% for the year
  - > 400 sqm in-store sales were up 3.6% for the half year and 3.6% for the year
  - < 400 sqm in-store sales were up 1.5% for the half year and 0.9% for the year
- Majors in-store sales were up 0.7% for the half year and 0.3% for the year
- Total stable portfolio in-store sales were up 1.3% for the half year and 1.1% for the year

Total specialty  
in-store sales  
↑ **2.1%**  
up for the half year

Specialties <400sqm  
in-store sales  
**\$11,236**<sub>psm</sub>  
MAT

Total portfolio  
sales  
**\$23.2**<sub>bn</sub>  
MAT

	6 months to 30 Jun 2018	12 months to 30 Jun 2018
Fashion	3.3%	1.9%
Footwear	1.1%	1.1%
Jewellery	0.3%	(0.7%)
Leisure	1.6%	1.3%
General Retail <sup>2</sup>	7.6%	5.8%
Homewares	(1.1%)	0.0%
Technology & Appliances	(0.7%)	(0.9%)
Retail Services	3.3%	4.3%
Health & Beauty	3.1%	1.8%
Food Retail	0.5%	1.3%
Dining	0.8%	1.0%
Supermarkets	0.6%	0.8%
Department Stores	(0.4%)	(2.2%)
Discount Department Stores	1.3%	1.1%
Cinemas	(2.6%)	(5.0%)

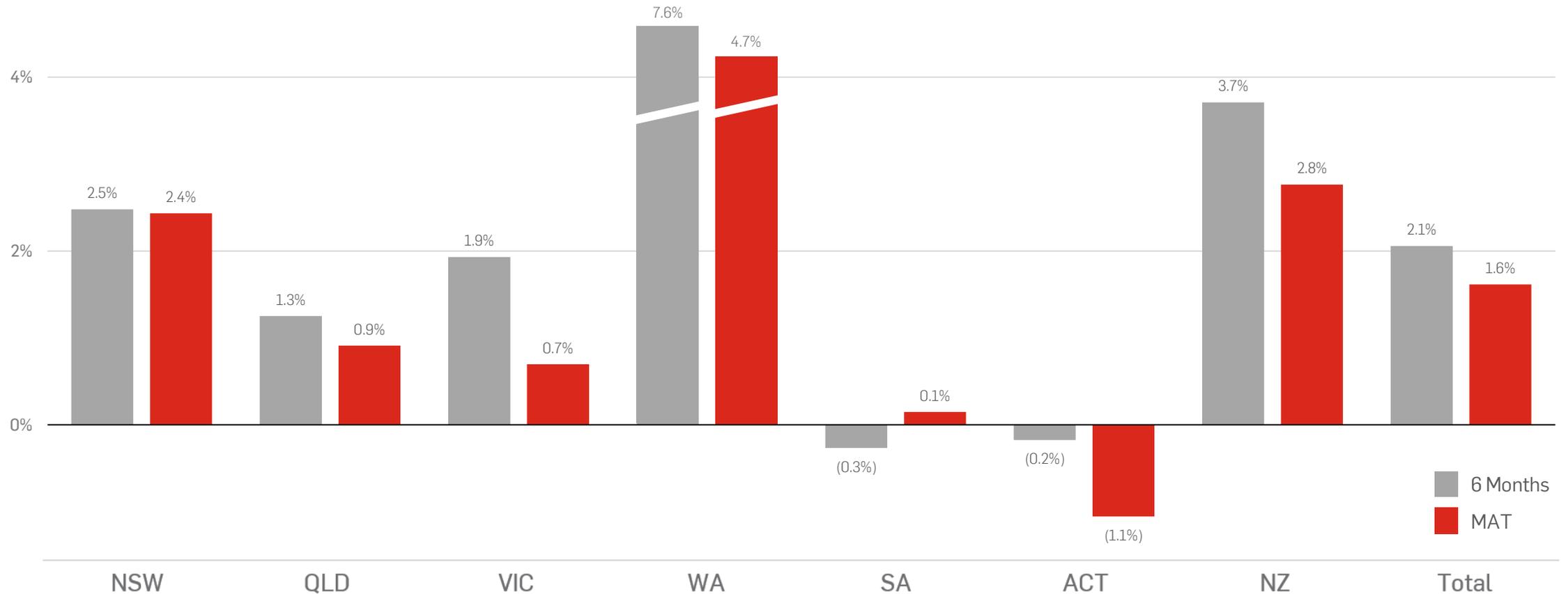
1. Total stable portfolio

2. General Retail category includes Discount Variety, Giftware, Florists etc

# RETAILER IN-STORE SALES

SCENTRE GROUP

Comparable specialty in-store sales growth psm by region <sup>1</sup>

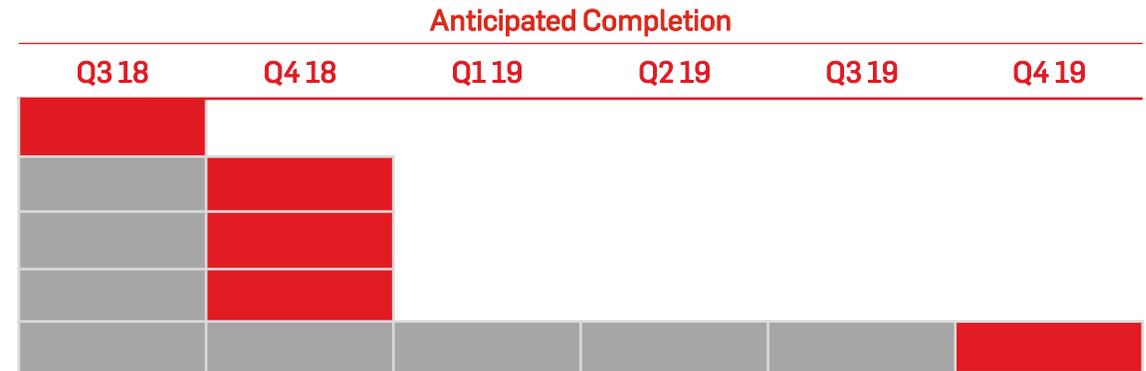


1. Total stable portfolio

# ACTIVE DEVELOPMENTS

- Commenced the NZ\$790 million (SCG share: NZ\$400m) redevelopment of Westfield Newmarket in 2018
- \$1.1 billion (SCG share: \$810m) of developments forecast to complete in 2018 adding more than 106,000 sqm of lettable area to the portfolio
- Opened the \$80 million (SCG share: \$40m) redevelopment of Westfield Plenty Valley in March 2018
- All active developments are progressing well, with Westfield Carousel, Westfield Coomera, Westfield Kotara and Westfield Tea Tree Plaza to open during the second half of 2018
- Development target returns of >7% yield and >15% IRR

	Total Project Cost	SCG Share
	\$m	\$m
Carousel	350	350
Coomera	470	235
Kotara	160	160
Tea Tree Plaza	50	25
Newmarket	NZ 790	NZ 400
<b>Total Active Developments (AUD)</b>	<b>1,750</b>	<b>1,135</b>
<b>Development Yield Targets</b>		<b>&gt;7%</b>



# FUTURE DEVELOPMENTS

- 1 Albany (NZ)
- 2 Barangaroo (NSW)
- 3 Booragoon (WA)<sup>1</sup>
- 4 Eastgardens (NSW)
- 5 Knox (VIC)
- 6 Marion (SA)
- 7 Stirling (Innaloo) (WA)
- 8 Sydney (NSW)
- 9 St Lukes (NZ)
- 10 Tea Tree Plaza (SA)
- 11 Warringah Mall – stage 2 (NSW)
- 12 Whitford City – stage 2 (WA)



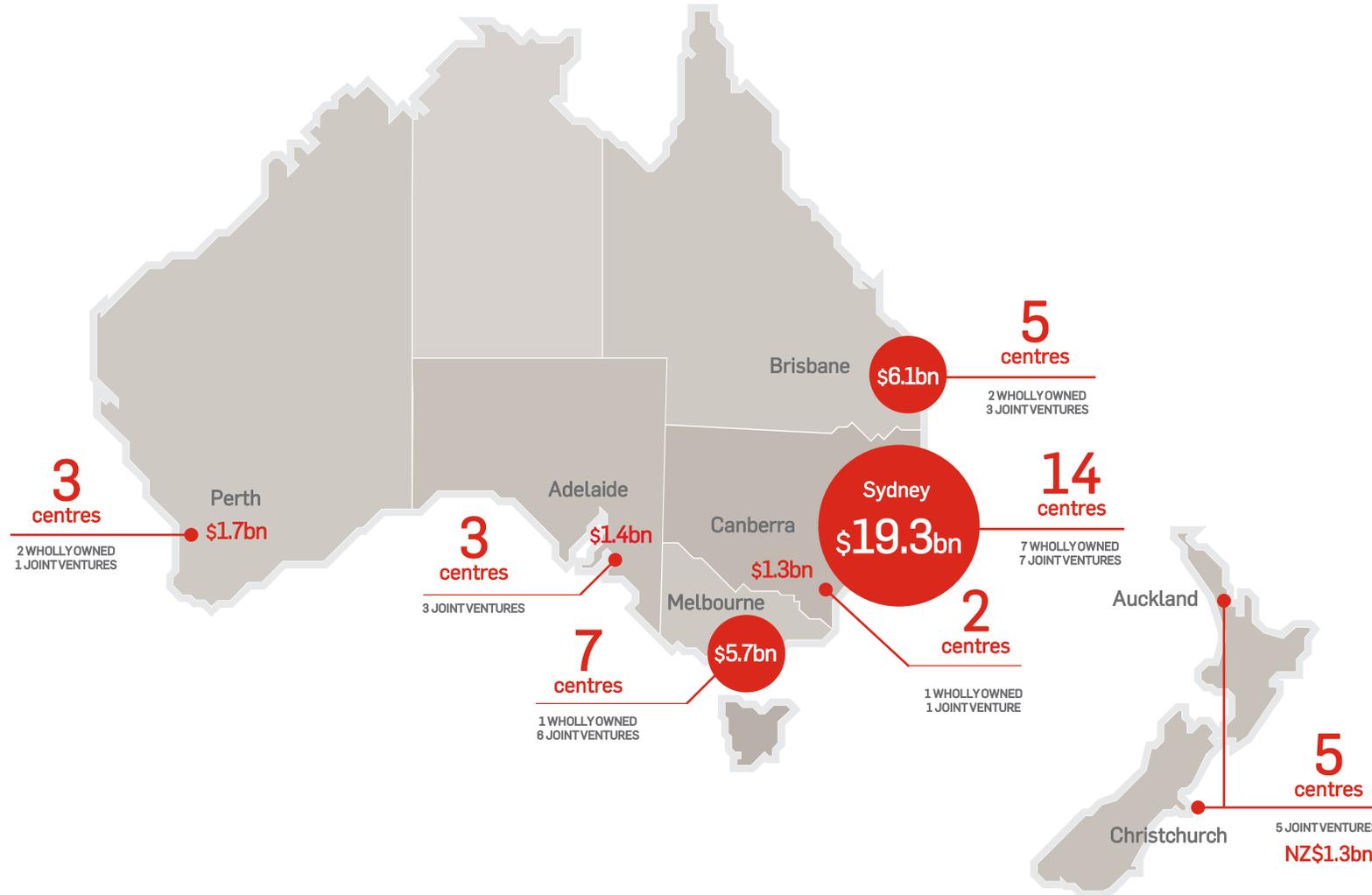
> \$3bn | Future developments



1. Third party design and construction project

# SCENTRE GROUP PORTFOLIO

## SCENTRE GROUP



### As at 30 Jun 2018

	Total
Centres	39
Gross Lettable Area (sqm)	3.6m
SCG share of AUM	\$37.6bn
JV Partner share of AUM	\$15.2bn
Assets Under Management (AUM)	\$52.8bn

### Cap Rates

	Range	Average
Jun 2018	4.00% – 6.63%	4.78%
Dec 2017	4.00% – 7.00%	4.91%

### Australia & New Zealand Portfolio

39

Centres

\$37.6bn<sup>1</sup>

SCG share of AUM

1. Includes construction in progress and assets held for development



# FINANCIAL PERFORMANCE

SCENTRE GROUP

## Funds From Operations

\$m	6 months to 30 Jun 2018	6 months to 30 Jun 2017	Growth %
Net Operating Income	924.2	907.2	
Management Income	23.2	22.6	
Project Income	42.2	43.6	
<b>Income</b>	<b>989.6</b>	<b>973.4</b>	<b>1.7%</b>
Overheads	(42.1)	(42.0)	
<b>EBIT</b>	<b>947.5</b>	<b>931.4</b>	<b>1.7%</b>
Net Interest	(238.4)	(237.4)	
<b>Earnings before Tax</b>	<b>709.1</b>	<b>694.0</b>	<b>2.2%</b>
Tax	(28.5)	(32.2)	
Minority Interest	(23.4)	(23.7)	
<b>Funds from Operations</b>	<b>657.2</b>	<b>638.1</b>	<b>3.0%</b>
Retained Earnings	(69.5)	(61.3)	
Distribution	587.7	576.8	
<b>Distribution per security (cents)</b>	<b>11.08</b>	<b>10.86</b>	<b>2.0%</b>

## 3.1%

First Half 2018

FFO growth per security

Delivering 12.38 cents per security

## \$657.2m

First Half 2018

Funds From Operations

# FINANCIAL POSITION

## Balance Sheet – Proportionate

\$m	30 Jun 2018	31 Dec 2017
Total Property Investments	37,611.9	36,228.8
<b>Total Assets</b>	<b>39,187.7</b>	<b>37,536.0</b>
Total Liabilities	14,864.8	14,081.0
<b>Net Assets before Minority Interest</b>	<b>24,322.9</b>	<b>23,455.0</b>
Minority Interest	(934.9)	(921.1)
<b>Net Assets</b>	<b>23,388.0</b>	<b>22,533.9</b>

## SCENTRE GROUP

**\$37.6bn**

Property Investments

**\$23.4bn**

Net Assets

## Operating Platform

The Balance Sheet does not include the value of Scentre Group's unique operating platform, which manages more than \$50 billion in total assets

# DEBT MANAGEMENT

## Capital Structure

Debt metrics	30 Jun 2018	31 Dec 2017
Total interest bearing liabilities	\$13.0bn	\$12.3bn
Gearing (look through basis)	31.9%	32.1%
Weighted average interest rate	4.4%	4.4%
Weighted average debt maturity	4.9 years <sup>1</sup>	4.6 years
Liquidity	\$2.9bn <sup>1</sup>	\$2.7bn
Interest rate exposure hedged percentage	76%	81%

Investment grade credit ratings	30 Jun 2018	31 Dec 2017
Moody's	A2 (Stable)	A1 (Negative)
Standard & Poor's	A (Stable)	A (Stable)

Bond covenants	Requirement	30 Jun 2018	31 Dec 2017
Net Debt / Net Assets	≤ 65%	32.7%	33.3%
Secured Debt / Total Assets	≤ 45%	0.6%	0.6%
Interest Coverage	≥ 1.5 times	3.6 times	3.6 times
Unencumbered Leverage	≥ 125%	301%	296%

1. Adjusted for a €400m bond maturity in July 2018 and \$3.3bn of new and extended bank loan facilities

## SCENTRE GROUP

**\$3.3bn**

New and extended bank loan facilities

**31.9 %**

Gearing

**\$800m**

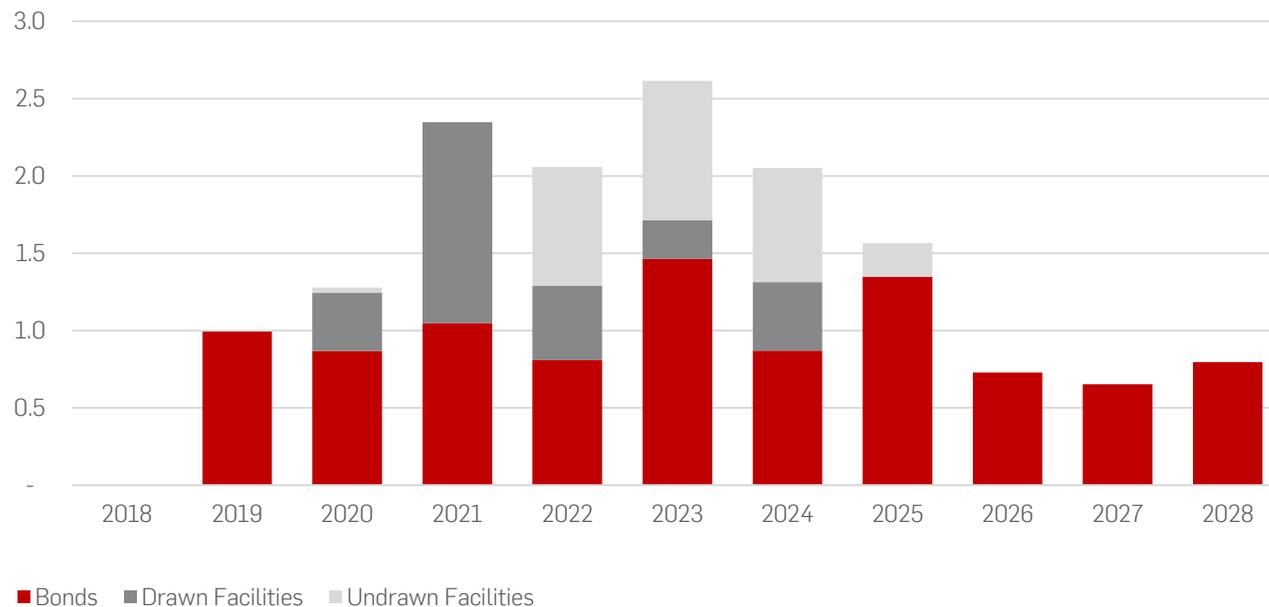
Issued €500m (\$800m) of 10 year bonds

**76 %**

Interest rate hedging

# DEBT MANAGEMENT

## Maturity Profile <sup>1,2</sup>



**\$2.9bn**

Liquidity

**4.9 yrs**

Weighted average debt maturity

**Debt Maturities**

No debt maturities until Oct 2019

## Facilities & liquidity <sup>1,2</sup>

	%	\$bn
<b>Bonds</b>		
USD	23%	3.5
EUR	26%	4.0
GBP	10%	1.5
AUD	4%	0.6
<b>Total</b>	<b>63%</b>	<b>9.6</b>
<b>Bank Facilities</b>		
Drawn	19%	2.8
Undrawn	18%	2.7
<b>Total</b>	<b>37%</b>	<b>5.5</b>
<b>Total Facilities</b>	<b>100%</b>	<b>15.1</b>
Less Drawn		(12.4)
Plus Cash		0.2
<b>Total Liquidity</b>		<b>2.9</b>

1. As at 30 June 2018, and adjusted for a €400m bond maturity in July 2018 and \$3.3bn of new and extended bank loan facilities

2. Foreign currency bonds at fully hedged A\$ equivalent face value

# OUTLOOK 2018 FORECAST

---

SCENTRE GROUP

Funds From Operations Growth	approx. + 4%
Distribution per security	22.16 cents, + 2%
Comparable NOI Growth	+ 2.5% to + 3%
Weighted Average Interest Rate	approx. 4.4%

“The Group reconfirms its full year forecast FFO growth of approximately 4% and distribution growth of 2%”

PETER ALLEN CEO



# DEVELOPMENTS

Active project

## WESTFIELD CAROUSEL, WA

### Overview

Project Cost	\$350m (SCG share: \$350m)
Commencement	Q1 2017
Completion	Q3 2018

### Highlights

Incremental Project GLA	27,500sqm
Completed Centre GLA	110,000sqm
New Anchors	David Jones, H&M, new entertainment, dining and leisure precinct
Specialty Retail	approx. 70 new stores



# DEVELOPMENTS

Active project

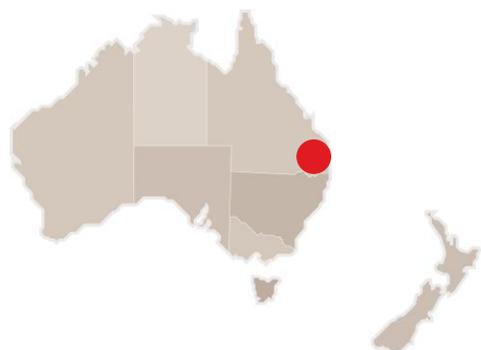
## WESTFIELD COOMERA, QLD

### Overview

Project Cost	\$470m (SCG share: \$235m)
Commencement	Q2 2017
Completion	Q4 2018

### Highlights

Completed Centre GLA	59,000sqm
New Anchors	Event Cinemas, Kmart, Target, Coles, Woolworths, new dining and leisure precinct
Specialty Retail	approx. 140 new stores



# DEVELOPMENTS

Active project

## WESTFIELD KOTARA, NSW

### Overview

Project Cost	\$160m (SCG share: \$160m)
Commencement	Q3 2017
Completion	Q4 2018

### Highlights

Incremental Project GLA	6,250sqm
Completed Centre GLA	82,000sqm
New Anchors	H&M, Zara, new Kmart, JB Hi Fi
Specialty Retail	approx. 30 new stores



# DEVELOPMENTS

Active project

## WESTFIELD NEWMARKET, NZ

### Overview

Project Cost	NZ\$790m (SCG share: NZ\$400m)
Commencement	Q1 2018
Completion	Q4 2019

### Highlights

Incremental Project GLA	52,000sqm
Completed Centre GLA	88,150sqm
New Anchors	David Jones, Farmers, Countdown, Event Cinemas, dining and leisure precinct
Specialty Retail	approx. 230 new stores



Westfield Newmarket, NZ



Westfield Newmarket, NZ



Westfield Newmarket, NZ

# DEVELOPMENTS

Active project

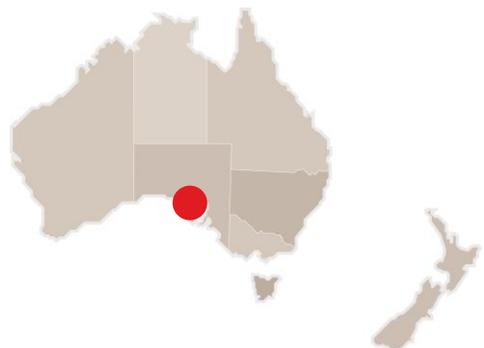
## WESTFIELD TEA TREE PLAZA, SA

### Overview

Project Cost	\$50m (SCG share: \$25m)
Commencement	Q3 2017
Completion	Q4 2018

### Highlights

Incremental Project GLA	3,500sqm
Completed Centre GLA	99,000sqm
Dining & Leisure	Expanded HOYTS with two LUX cinemas including 11 new restaurants and an upgraded fast casual dining precinct



# LEASING & RETAIL SOLUTIONS

SCENTRE GROUP

30 Jun 2018

Portfolio Leased	> 99.5%
Average Specialty Store Rent (psm)	\$1,638
Specialty Occupancy Cost	17.8%
Lease Deals Completed Number	1,377
Lease Deals Completed Area (sqm)	217,610
Leasing Spreads – Total Lease Deals	(4.5%)
Leasing Spreads – Renewed Leases	(2.7%)
Leasing Spreads – New Leases	(6.6%)
Average Contracted Annual Rent Escalations	approx. CPI + 2%
Average Annualised Increase in CPI	1.9%

Comparable Net Operating Income grew by 2.5% in the first half of 2018. This was primarily driven by contracted annual rent escalations of approx. CPI+2%

# PROFIT & FFO

## Reconciliation from Profit to FFO

\$m	Profit 6 months to 30 Jun 2018	FFO Adjustments <sup>1</sup>	FFO 6 months to 30 Jun 2018	Financial Statement Notes
	A	B	C = A + B	
Net operating income	892.2	32.0	924.2	Note 3(iii)
Management income <sup>2</sup>	23.2	—	23.2	
Project income <sup>3</sup>	42.2	—	42.2	
<b>Income</b>	<b>957.6</b>	<b>32.0</b>	<b>989.6</b>	
Overheads	(42.1)	—	(42.1)	Note 3(v)
Revaluations	966.1	(966.1)	—	Note 3(v)
Gain in respect of capital transactions	40.8	(40.8)	—	Note 3(v)
<b>EBIT</b>	<b>1,922.4</b>	<b>(974.9)</b>	<b>947.5</b>	
Net interest <sup>4</sup>	(362.1)	123.7	(238.4)	
Currency derivatives	(12.6)	12.6	—	Note 3(v)
<b>Earnings before tax</b>	<b>1,547.7</b>	<b>(838.6)</b>	<b>709.1</b>	
Tax	(30.9)	2.4	(28.5)	Note 3(v)
Minority interest <sup>5</sup>	(54.2)	30.8	(23.4)	
<b>Profit / Funds from operations</b>	<b>1,462.6</b>	<b>(805.4)</b>	<b>657.2</b>	
Retained earnings			(69.5)	
<b>Distribution</b>			<b>587.7</b>	

- FFO adjustments relate to property revaluations, mark to market of interest rate and currency derivatives, mark to market of other financial liabilities, tenant allowance amortisation, deferred tax benefit and gain in respect of capital transactions
- Management income \$28.2m less management expenses \$5m = \$23.2m
- Project income \$206.2m less project expenses \$164m = \$42.2m
- Financing costs \$412.8m (Note 3(v)) less interest income \$1.6m (Note 3(v)) less interest expense on other financial liabilities \$17.5m (Note 13) less net fair value loss on other financial liabilities \$31.6m (Note 13) = \$362.1m
- Minority interest \$5.1m (Note 3(v)) plus interest expense on other financial liabilities \$17.5m (Note 13) plus net fair value loss on other financial liabilities \$31.6m (Note 13) = \$54.2m

# BALANCE SHEET

## Balance Sheet – Proportionate <sup>1</sup>

\$m	Consolidated	Equity Accounted	30 Jun 2018
	A	B	C = A + B
Cash	200.8	6.7	207.5
<b>Property Investments</b>			
– Shopping centres	33,847.6	2,741.4	36,589.0
– Development projects and construction in progress	861.1	161.8	1,022.9
<b>Total property investments<sup>5</sup></b>	<b>34,708.7</b>	<b>2,903.2</b>	<b>37,611.9</b>
Equity accounted investments	2,819.3	(2,819.3)	—
Deferred tax assets	61.1	—	61.1
Currency derivative receivables	662.9	—	662.9
Other assets	641.4	2.9	644.3
<b>Total assets</b>	<b>39,094.2</b>	<b>93.5</b>	<b>39,187.7</b>
Interest bearing liabilities			
– Current	1,382.2	—	1,382.2
– Non-current	11,613.8	—	11,613.8
Finance lease liabilities	41.2	0.4	41.6
Deferred tax liabilities	106.2	64.9	171.1
Currency derivative payables	86.3	—	86.3
Other liabilities	1,541.6	28.2	1,569.8
<b>Total liabilities</b>	<b>14,771.3</b>	<b>93.5</b>	<b>14,864.8</b>
<b>Net assets before minority interest</b>	<b>24,322.9</b>	<b>—</b>	<b>24,322.9</b>
Minority interest <sup>2</sup>	(934.9)	—	(934.9)
<b>Net assets</b>	<b>23,388.0</b>	<b>—</b>	<b>23,388.0</b>
Debt <sup>3</sup>			12,211.9
Assets <sup>4</sup>			38,317.3
<b>Gearing</b>			<b>31.9%</b>

1. Period end AUD/NZD exchange rate 1.0919 at 30 June 18
2. Includes \$705.3m (31 December 17: \$673.7m) of Property Linked Notes shown in minority interest given their equity characteristics, and \$229.6m (31 December 17: \$247.4m) relating to Carindale Property Trust
3. Interest bearing liabilities adjusted for cash and net currency derivatives
4. Total assets excluding cash and currency derivative receivables
5. Including uplift in property revaluations of \$966m

# CASH FLOW

---

## Cash flows from operating activities – look through basis

<u>\$m</u>	<u>30 Jun 2018</u>
Receipts in the course of operations (including GST)	1,448.9
Payments in the course of operations (including GST)	(464.0)
Net operating cash flows from equity accounted entities	59.8
Income and withholding taxes paid	(38.4)
GST paid	(111.5)
Payments of financing costs (excluding interest capitalised)	(243.7)
Interest received	1.5
<b>Net cash flows from operating activities</b>	<b>652.6</b>

# INTEREST RATE HEDGING PROFILE

SCENTRE GROUP

31 December <sup>1</sup>	\$ Fixed rate debt		Derivatives					
	\$ debt payable		\$ swap payable		NZ\$ swap payable		NZ\$ collar payable	
	\$m	Fixed rate	\$m	Fixed rate	NZ\$m	Fixed rate	NZ\$m	Strike rate
2018	(580.0)	3.25%	(8,147.3)	2.86%	(460.0)	3.18%	(70.0)	3.39%/5.25%
2019	(430.0)	3.31%	(8,035.4)	2.81%	(480.0)	3.24%		
2020	(430.0)	3.31%	(6,523.4)	2.84%	(430.0)	3.21%		
2021	(30.0)	3.81%	(6,071.5)	2.87%	(350.0)	3.14%		
2022			(5,059.6)	2.83%	(300.0)	3.09%		
2023			(3,785.8)	2.83%	(200.0)	3.15%		
2024			(2,767.9)	2.84%	(150.0)	3.18%		
2025			(1,500.0)	2.94%	(50.0)	3.29%		
2026			(500.0)	2.74%				

76% Hedged at 30 June 2018

<sup>1</sup> As at 30 June 2018. All rates exclude borrowing margin.

# IMPORTANT NOTICE

---

SCENTRE GROUP

---

All amounts in Australian dollars unless otherwise specified. The financial information included in this document is based on the Scentre Group's IFRS financial statements. Non IFRS financial information included in this document has not been audited or reviewed. This document 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 document. 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 document. 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.

---

**SCENTRE GROUP LIMITED** ABN 66 001 671 496

**SCENTRE MANAGEMENT LIMITED** ABN 41 001 670 579 AFS Licence No: 230329 as responsible entity of Scentre Group Trust 1 ARSN 090 849746

**RE1 LIMITED** ABN 80 145 743 862 AFS Licence No: 380202 as responsible entity of Scentre Group Trust 2 ARSN 146 934 536

**RE2 LIMITED** ABN 41 145 744 065 AFS Licence No: 380203 as responsible entity of Scentre Group Trust 3 ARSN 146 934 652